

**GOVERNMENT OF INDIA
AGRO AND RURAL INDUSTRIES
LOK SABHA**

UNSTARRED QUESTION NO:1937
ANSWERED ON:13.03.2007
ASSISTANT BY KHADI AND VILLAGE INDUSTRIES COMMISSION
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Will the Minister of AGRO AND RURAL INDUSTRIES be pleased to state:

(a): the areas where the financial assistance is provided for employment generation by Khadi and Village Industries Commission for the development of agro and rural industries; and

(b): the procedure adopted in this regard?

Answer

MINISTER OF SMALL SCALE INDUSTRIES & AGRO AND RURAL INDUSTRIES (SHRI MAHABIR PRASAD)

(a) & (b): The Khadi and Village Industries Commission (KVIC) has been established for the development of khadi and village industries and for matters connected therewith. Accordingly, KVIC has been implementing a number of schemes for the promotion and development of khadi and village industries. Khadi programme is implemented by only khadi institutions which are Non-Government Organisations (NGOs) registered with KVIC or Khadi and Village Industries Boards (KVIBs) of States/Union Territories and having valid certificate issued by the Certification Committee of KVIC. Institutional credit at the concessional rate of interest of 4 per cent per annum is provided by banks as per the assessed requirement of the khadi institutions registered with KVIC or KVIBs under the Interest Subsidy Eligibility Certificate (ISEC) Scheme.

As per the procedure adopted for making available funds under ISEC Scheme, after analysing the performance and ascertaining the funds requirement through a State level budget discussion process, an in-house budget team of KVIC analyses financial eligibility of each institution after taking into consideration funds available with the respective institutions and the agreed target of production/sales. Thereupon, KVIC issues interest subsidy eligibility certificate in favour of the institutions against which they mobilise loans from banks at concessional rate of interest.

As regards the village industries programme, it is implemented only in `rural areas`, with rural area defined as the area comprised in any village, and includes the area comprised in any town, the population of which does not exceed 20,000 or such other figure as the Central Government may specify from time to time. The Government has been implementing the Rural Employment Generation Programme, through the KVIC, to help eligible entrepreneurs to set up village industry units and thus create employment opportunities in village and small towns with population upto 20,000. Under this programme, entrepreneurs can establish village industries by availing of margin money assistance from KVIC and loans from public sector scheduled commercial banks, selected regional rural banks, cooperative banks, etc., for projects with a maximum cost of Rs. 25 lakh. Under REGP, banks appraise the projects as per the scheme and take credit decision. The targets are fixed by KVIC to the States/Union Territories after considering their performance in the previous year and also the concentration of rural population in the respective State/Union Territory. The margin money assistance under this scheme is placed by KVIC at the disposal of designated nodal branches of the banks implementing the scheme.

After sanctioning and releases of first installment of loan by the financing branch of the bank, they claim the margin money from their nodal branch. Before releasing the margin money claim, the financing branch releases 90 per cent of the sanctioned project cost to the beneficiaries and after receiving margin money assistance portion from nodal branch, the financing branch places the amount in term deposit account in the name of beneficiaries for two years. No interest is paid on amounts deposited such term deposit accounts and no interest is charged for the corresponding loan portion released to the beneficiaries. After completions of two years lock-in period, the financing branches adjust the term deposit amount to the loan account of the beneficiaries.