

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

UNSTARRED QUESTION NO:2961
ANSWERED ON:20.03.2007
SICK AGRO AND RURAL UNITS
Narhire Smt. Kalpana Ramesh

Will the Minister of AGRO AND RURAL INDUSTRIES be pleased to state:

- (a): the number of sick agro and rural units alongwith the number of such units closed during each of the last three years, State- wise and Union Territory-wise;
- (b): the measures taken by the Government to revive these units;
- (c): whether the Government has set up a Special Economic Cell for the revival of said industries;
- (d): if so, the details thereof; and
- (e): if not, the reasons therefor?

Answer

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

(a): Some Village Industry units/self-employment ventures do suffer losses and close down. The reasons for such industries incurring loss include inadequate availability of credit, infrastructure constraints, use of obsolete technology, inconsistent quality of products, product designs not being in keeping with the market demand, difficulties in market access, lack of entrepreneurial/ managerial skills, etc. The State/Union Territory-wise details of the present financial status, including profit/loss, of individual or groups of units of these industries are not maintained centrally.

(b): Existing village industry units/self-employment ventures, which were set up with credit from banks but have now become sick, are eligible for rehabilitation assistance available to sick units in the small scale industries sector, as per the guidelines of the Reserve Bank of India (RBI). These measures include, inter alia, waiver of penal interest on cash credit and term loan from the year the unit started making cash losses, segregation of unpaid interest on cash credit and term loan from the total liability and treating the former amount as a separate interest-free loan, reduced rate of interest (reduction of up to 3 per cent for tiny units) to be charged on unpaid term loans, additional working capital loans to be given at a rate of interest not exceeding the prime lending rate, etc.

Further, based on the `Policy Package for Stepping up credit to Small and Medium Enterprises` announced by the Government in the Parliament on 10 August 2005, the RBI has issued guidelines on 8 September 2005 to all public sector banks that envisage debt restructuring mechanism for nursing sick small and medium enterprises back to health.

(c): No, Sir.

(d): Does not arise.

(e): In view of the answer provided at (b) above, presently there arises no special need for setting up of a Special Economic Cell for the revival of such industries.