

**GOVERNMENT OF INDIA  
MICRO, SMALL AND MEDIUM ENTERPRISES  
LOK SABHA**

UNSTARRED QUESTION NO:905

ANSWERED ON:04.03.2008

LOANS UNDER KHADI AND VILLAGE INDUSTRIES COMMISSION

Prasad Shri Hari Kewal; Siddeswara Shri Gowdar Mallikarjunappa; Singh Deo Smt. Sangeeta Kumari

**Will the Minister of MICRO, SMALL AND MEDIUM ENTERPRISES be pleased to state:**

- (a): the names of the schemes and the rules/provisions for providing loans under the Khadi and Village Industries Commission;
- (b): whether various cases of violations of such provisions have come to the notice of the Government;
- (c): if so, the details thereof during each of the last three years, State and Union territory-wise;
- (d): the corrective measures taken by the Government to check such violations;
- (e): whether Khadi units are not eligible for assistance under Rural Employment Generation Programme;
- (f): if so, the reasons therefor; and (g): the other means of financial assistance provided to Khadi units in the country with particular reference to Karnataka?

**Answer**

MINISTER OF MICRO, SMALL & MEDIUM ENTERPRISES (SHRI MAHABIR PRASAD)

(a): At present, no scheme is implemented by the Khadi and Village Industries Commission (KVIC), by providing loans from its budgetary source, except in the case of loans to a few khadi institutions in the North Eastern Region. However, KVIC has been implementing the following two schemes, under which loans are provided by the banking sector:

(i) a Central sector credit-linked subsidy programme, titled the Rural Employment Generation Programme (REGP), in collaboration with the Khadi and Village Industries Boards (KVIBs) of the respective States/Union Territories (UTs). Under this Programme, eligible entrepreneurs are assisted in establishing village industries, by availing of loans from public sector scheduled commercial banks, selected regional rural banks, cooperative banks, etc., and also margin money assistance (subsidy) from the KVIC, for projects with a maximum cost of Rs. 25 lakh. Entrepreneurs belonging to the categories of scheduled castes, scheduled tribes, other backward classes, physically handicapped, ex-servicemen, women, etc., are entitled to higher margin money assistance.

(ii) Interest Subsidy Eligibility Certificate (ISEC) scheme for making available working capital to the khadi institutions from banks at the concessional rate of interest of 4 per cent per annum. The institutions have to pay interest of only 4 per cent and the difference between the actual rate of interest and the 4 per cent is paid by KVIC as interest subsidy to the banks. Since loan funds are provided by banks, under the above mentioned two schemes, the rules pertaining to loan payment are determined by financing banks.

(b), (c) & (d): Do not arise.

(e) & (f): Yes, Sir. REGP was launched in 1995-96 with the objective to promote new village industries on project based funding, replacing the interest subsidy provision to village industries under the ISEC Scheme. Activities relating to khadi figure in the 'negative list' of the REGP along with some other activities which cannot be financed under REGP. Khadi/Polyvastra units are continued to be financed with concessional rate of interest under ISEC scheme. In addition, the khadi units are also provided the benefit of working fund as well as rebate on the sale of khadi products, which are not available in REGP.

(g): Khadi units are provided financial assistance under the following schemes implemented throughout the country, including Karnataka:

(i) Khadi institutions are permitted to retain the working capital earlier made available to them from the budgetary resources through KVIC, as working fund so long as they maintain certain level of agreed production/sales.

(ii) Interest subsidy under the ISEC Scheme as detailed under para

(ii) of the answer to part (a) earlier. During 2006-07, bankloans amounting to Rs. 233.62 crore were made available to the khadi institutions all over the country, of which the khadi institutions in Karnataka accounted for loans amounting to Rs. 2.55 crore.

(iii) Rebate on sale of khadi and khadi products: During 2006-07, Rs.2.67 crore was made available to the khadi institutions in Karnataka under this scheme

