

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

UNSTARRED QUESTION NO:378

ANSWERED ON:27.07.2010

LOAN UNDER KVIC

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

- (a) whether the Government has any scheme to provide loans under the Khadi and Village Industries Commission (KVIC);
- (b) if so, the details thereof alongwith the details of loans granted and released during each of the last three years and the current year, State-wise separately;
- (c) the criteria adopted by the Government to sanction such loans;
- (d) whether the Government has received any complaints with regard to misutilisation and non-compliance of guidelines for granting the funds;
- (e) if so, the details thereof and the action taken against the persons held responsible; and
- (f) the steps taken by the Government to check such incidents in future?

Answer

MINISTER OF STATE (INDEPENDENT CHARGE) FOR MICRO, SMALL AND MEDIUM ENTERPRISES (SHRI DINSHA PATEL)

(a) to (f): Khadi and Village Industries Commission (KVIC) has two budget heads, namely, 'Khadi Loan' and 'Village Industries (VI) Loan' for assisting expansion and development of khadi and village industries (KVI) in the country. However, at present only a nominal allocation is made under these heads for assisting KVI activities in the North-Eastern Region only with current year's allocation under 'Khadi Loan' and 'VI Loan' as Rs.2 crore and Rs.1 crore respectively. However, there is a scheme named "Prime Minister's Employment Generation Programme"(PMEGP), under which margin money assistance is provided to the interested persons for setting up new micro enterprises in manufacturing or service sector with substantial credit extended by banks depending upon the project cost and location / category of the beneficiary. PMEGP was introduced in 2008-09 by merging the erstwhile Pradhan Mantri Rozgar Yojana and Rural Employment Generation Programme. PMEGP is implemented in both rural as well as urban areas, throughout the country. The permissible margin money subsidy assistance provided under PMEGP is as under:

Categories of beneficiaries Beneficiary's Contribution Rate of Margin Money Subsidy
under PMEGP (% of project cost) (% of project cost)

Area (location of project/unit)	Urban	Rural
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General Category	10%	15%	25%
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Special Category (including SC/ST/OBC/ Minorities/Women, Ex- servicemen, Physically handicapped, NER, Hill and Border areas etc.)	05%	25%	35%
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PMEGP is implemented through KVIC as the nodal agency at the national level. At the State/Union Territory level, the scheme is implemented through field offices of KVIC, State/Union Territory Khadi and Village Industries Boards (KVIIBs) and District Industries Centres (DICs) with involvement of banks. The State/UT - wise details of margin money utilised under PMEGP during 2008-09 and 2009-10, and of funds allocated for 2010-11 are given at Annex.

The criteria for eligibility for the beneficiaries under PMEGP include:

- (i) the beneficiary should be of 18 years of age or above,

- (ii) only one person from one family is eligible,
- (iii) fixed capital investment should not exceed Rs.1 lakh per worker employed in general category areas (Rs. 1.5 lakh in hilly areas),
- (iv) for setting up of projects costing above Rs.10 lakh in the manufacturing sector and above Rs.5 lakh in the Business/Services sector, the beneficiaries should possess at least VIII standard pass educational qualifications,
- (v) assistance under the scheme is available only for new projects sanctioned specifically under the PMEGP,
- (vi) the beneficiary will contribute 10 per cent of the project cost as own contribution (5 per cent for certain weaker-sections, viz., Scheduled Castes, Scheduled Tribes, Women, Ex- servicemen, etc.), etc.

KVIC being the nodal agency for implementation of PMEGP assigns targets to its field offices / KVIBs of States/Union Territories and State Governments. Target at District level is decided by State Level Bankers' Coordination Committee (SLBCC). The State-wise targets in respect of KVIC/KVIBs are made available by KVIC to SLBCC where overall allocation of district-wise targets is decided. Any modification of the targets for which KVIC is directly responsible is permitted only with the concurrence of the Ministry. KVIC also identifies the Nodal Bank Branches in consultation with State Governments and places the Margin Money (subsidy) with these branches both for rural and urban areas.

Further, for assigning the targets of subsidy and other parameters (number of units, employment opportunities, etc.), KVIC adopts the criteria of rural population of the State, backwardness of the State, past performance of the State under REGP/ PMEGP Scheme, urban unemployment level, etc.

The decision as to whether to sanction loan to a beneficiary recommended by District Level Task Force (DLTF) is finally taken by the Banks on the basis of their own judgment. Nevertheless, complaints have been received regarding insistence by Banks on collaterals even for projects having loan requirements below Rs.5 lakh, rejection by banks of cases recommended by DLTF, harassment of beneficiaries by bank staff, etc. These issues were promptly taken up with concerned authorities and grievances were mitigated as per guidelines of the schemes. KVIC, which is the Nodal Agency was asked to remain vigilant and alert the other implementing agencies and senior authorities of banks to ensure that genuine beneficiaries are not harassed. State Governments have also been requested to instruct the District Magistrates (who are heading the DLTFs) to ensure that the cases of rejection are regularly reviewed in its meetings so that there is no arbitrary rejection of recommended cases, even though Banks have the final say on sanctioning of cases.

Progress of implementation of PMEGP is reviewed at the national level periodically in National Monitoring Committee chaired by Secretary (MSME). Besides, more frequently, the progress is reviewed during visits of senior officials of Ministry and KVIC and difficulties faced, are sorted out. Government has recently formed two core Groups in the Ministry one chaired by Hon'ble Minister and the other chaired by Secretary (MSME) where all schemes of KVIC including PMEGP are reviewed. In the State level also the progress is monitored regularly by Principal Secretary/ Chief Secretary where representatives of banks are also invited.