

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

STARRED QUESTION NO:16
ANSWERED ON:09.11.2010
MARKETING DEVELOPMENT ASSISTANCE SCHEME
Ahir Shri Hansraj Gangaram

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

- (a) whether the Government has introduced/proposes to introduce a new scheme of rebate based on production under the Marketing Development Assistance (MDA) by withdrawing the existing rebate scheme;
- (b) if so, the details thereof and the reasons for the withdrawal of the rebate alongwith the salient features of the new scheme and the extent to which such scheme is likely to be beneficial; and
- (c) the other steps taken for popularisation of khadi and modernization of its sales centres and Gandhi ashrams?

Answer

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

(a) to (c): A statement is placed on the table of the Sabha.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (c) OF THE LOK SABHA STARRED QUESTION NO. 16 FOR ANSWER ON 09.11.2010.

(a) & (b): Based on the recommendation of the High Power Committee headed by the then Minister in 1994, Pant Committee Report of 2001, and the Expert Committee Report of 2005 followed by pilot projects, and consultations with stakeholders, the scheme of providing rebate on sales of khadi has been replaced with effect from 1 April 2010 with the approval of the Cabinet Committee on Economic Affairs with a more flexible, growth stimulating and artisan-centric scheme of Market Development Assistance (MDA) on production of khadi for implementation by the Khadi and Village Industries Commission (KVIC) during 2010-11 and 2011-12. The scheme provides for financial assistance to khadi institutions @ 20% of production value on khadi and polyvastra to be shared among artisans, producing institutions and selling institutions in the ratio 25:30:45. The guidelines of the scheme are available on the KVIC's website www.kvic.org.in. Under the new system of MDA, sales are expected to be evenly spread throughout the year, and the institutions will have the flexibility to use the assistance as per their actual needs and priorities to improve production and marketing infrastructure such as improving the outlets, designing products as per market demand or even giving incentive to customers, etc.

The newly introduced MDA scheme makes it mandatory for the institutions to pass on 25% of the total MDA to the spinners and weavers as incentive or bonus in addition to their wages through their bank accounts or post office accounts which facility did not exist under the rebate scheme. Sales are also expected to be spread across the year under MDA Scheme and would not get restricted to only 108 days as used to happen under rebate scheme. The erstwhile scheme of rebate on sales usually caused delay in release of rebate claimed by the institutions as they had to wait firstly till completion of sale and then wait further till the ensuing year to get the claims reimbursed after completion of audit, wherever required. Under MDA, incentive would be provided the same year, after the end of the quarter of production and this is expected to ease the working capital situation of the institutions by ensuring immediate liquidity which would in turn ensure timely payment to the artisans.

(c): The steps taken for popularisation of khadi include organising exhibitions by KVIC national and sub-national levels to promote sale of KVI products, issuing advertisements through the print and electronic media, participation in various trade fairs in the country and also abroad, and providing financial assistance to the institutions for participation in these trade fairs. These measures have proved to be a cost effective medium for increasing the popularity of khadi as well as opening new markets for khadi products. For the modernisation and renovation of identified sales outlets of KVIC, KVIBs as well as khadi institutions, the Government, through KVIC, has introduced a pilot scheme for 'Strengthening of Infrastructure of existing Weak Khadi Institutions and Assistance for Marketing Infrastructure'. Besides, the recently launched Khadi Reforms and Development Programme with financial assistance from Asian Development Bank of around Rs.700 crore envisages revitalizing the khadi sector, through professional support in marketing of khadi products, opening of new sales outlets in metropolitan cities and state capitals and renovation and modernization of institutional sales outlets.