

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

UNSTARRED QUESTION NO:4523  
ANSWERED ON:07.12.2010  
MODERNISATION OF KHADI BHAWANS  
Dias Dr. Charles

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

- (a) whether the Khadi and Village Industries Commission has any plan to renovate and modernise the Khadi Bhawans in various parts of the country;
- (b) if so, the details of funds likely to be incurred;
- (c) whether the Government has any proposal to withdraw the rebate on khadi products including cloth items; and
- (d) if so, the details thereof and the reasons therefor?

**Answer**

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

(a) & (b): For the modernisation and renovation of identified sales outlets of Khadi & Village Industries Commission (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 inter-alia opening of new sales outlets in metropolitan cities and state capitals and renovation and modernization of institutional sales outlets, with professional support made available through a Marketing organization set up in Public Private Partnership PPP mode.

(c) & (d): Based on the recommendation of the High Power Committee headed by the then Prime Minister in 1994, Pant Committee Report of 2001, and the Expert Committee Report of 2005 followed by implementation of pilot projects and consultations with stakeholders, the system of providing rebate on sales of khadi has been replaced with effect from 1st 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 (KVIC) during 2010-11 and 2011-12. The scheme provides for financial assistance to khadi institutions @ 20% of production value of 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](http://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 demands 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.