

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

UNSTARRED QUESTION NO:606  
ANSWERED ON:24.02.2011  
FUNCTIONING OF KVIC  
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**Will the Minister of MICRO, SMALL AND MEDIUM ENTERPRISES be pleased to state:**

(a) the steps being taken by the Government to strengthen the deteriorated functioning of Khadi and Village Industries Commission in the country; and

(b) the efforts being made for the implementation of new schemes to make the Commission profitable in future?

**Answer**

MINISTER OF MICRO, SMALL AND MEDIUM ENTERPRISES (SHRI VIRBHADRA SINGH)

(a)&(b) Khadi and Village Industries Commission (KVIC) is a statutory body established under KVIC Act 1956, mandated to promote and develop khadi and village industries (KVI) through generation of employment opportunities in rural areas, there by creating self-reliance amongst the people and building up a strong rural community spirit. KVIC has been implementing various schemes of the Ministry of Micro, Small and Medium Enterprises and its functioning to a large extent is reflected in the production and sale of KVI products as well as employment generated in the sector. KVIC has not been mandated to be a profit making organization, its activities are intended usher the sector into an era of growth, increased income and employment and increased artisans welfare. The figures of production, sale and employment of KVI products during the last five years are shown in the table below, which show that the sector has consistently grown in recent times.

YEAR	PRODUCTION		SALES		EMPLOYMENT					
	(Rs.crore)		(Rs.crore)		(Lakh persons)					
	KHADI	V.I.#	Total	KHADI	V.I.#	Total				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2005-06	468.30	11915.54	12383.84	628.69	14647.33	15276.02	8.68	15.02	18.76	
2006-07	491.52	13537.19	14028.71	663.19	16899.21	17562.40	8.84	80.08	88.92	
2007-08	543.39	16134.32	16677.71	724.39	20819.09	21543.48	9.16	90.11	99.27	
2008-09	585.25	16753.62	17338.87	799.60	21948.59	22748.19	9.50	94.41	103.91	
2009-10	608.66	17508.00	18136.98	867.01	23254.53	24121.54	9.81	98.72	108.53	

# Estimated

The following are some of the major steps taken by the Government to strengthen the KVI Sector in the country.

(i)Introduction of Market Development Assistance (MDA) Scheme on production of khadi with effect from 01.04.2010 to incentivize production and marketing of khadi and Polyvastra besides earning 25% of the assistance to provide for financial incentives to artisans.

(ii)Making available concessional credit (@ 4% interest) to khadi institutions under the Interest Subsidy Eligibility Certificate (ISEC) Scheme;

(iii)Providing financial support to institutions under the Scheme for Enhancing Productivity and Competitiveness of khadi industry and Artisans;

(iv)Providing better work environment to khadi spinners and weavers under the Workshed Scheme for Khadi Artisans;

(v)Developing around 100 clusters of khadi, village industries and Coir under Scheme of Fund for Regeneration of Traditional Industries (SFURTI) with improved equipment, business development services, training, capacity building and exposure visits, design and marketing support and common facility centres.

(vi)Apart from the above, Department of Economic Affairs, Ministry of Finance has tied up funds from Asian Development Bank (ADB)

amounting to US\$150 million over a period of three years from 2009-10 for implementing a comprehensive Khadi Reform Programme worked out in consultation with ADB and KVIC. Under this reform package, it is proposed to revitalize the khadi sector with enhanced sustainability of khadi, increased incomes and employment to artisans and increased artisans welfare. Initially, the programme will be initiated in 300 khadi institutions in keeping with the needs of regional balance, geographical spread and inclusion of backward areas.

(vii) The Government in the Ministry of MSME is also implementing Prime Minister's Employment Generation Programme (PMEGP), a credit-linked subsidy programme since 2008-09 through KVIC for generating self-employment opportunities through establishment of micro enterprises by organizing traditional artisans and unemployed youth, helping in preventing their migration besides increasing their earning capacity. At the State/Union Territories level, the scheme is implemented through field offices of KVIC, State/Union Territory Khadi and Village Industries Boards (KVIBs) and District Industries Centres (DICs) with involvement of Banks. Under this programme, beneficiaries can establish micro enterprises inter alia, under Mineral Based Industry; Forest Based Industry; Agro Based and Food Processing Industry, Polymer and Chemical Based Industry, Rural Engineering and Bio-Technology Industry, Hand Made Paper & Fibre Industry and Service Industry, by availing of margin money subsidy of 25 percent of project cost for units in rural areas to be set up by beneficiaries belonging to general category, which will be 35 percent for beneficiaries belonging to special categories such as scheduled cast/scheduled tribe /Women and others through the implementing agencies and loans from Banks, etc., for projects costing upto Rs.25 lakh each in the manufacturing sector and upto Rs.10 lakh each in the services sector.