

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

UNSTARRED QUESTION NO:5939
ANSWERED ON:08.09.2011
REBATE ON KHADI PRODUCTS
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Will the Minister of MICRO, SMALL AND MEDIUM ENTERPRISES be pleased to state:

- (a) whether the Government proposes to discontinue the rebate being provided on Khadi clothes;
- (b) if so, the details thereof indicating the reasons therefor;
- (c) whether new system of production based rebate has been introduced by the Government under the Marketing Development Assistance Scheme by discontinuing the rebate on Khadi clothes;
- (d) if so, the details thereof; and
- (e) the steps taken by the Government for the promotion of Khadi and its sales centres ?

Answer

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

(a) to (d): In order to promote market for khadi, the Government had continued through the Khadi and Village Industries Commission (KVIC) a policy of rebate on sale of khadi and khadi products till 2009-10. Normal rebate @10% of sales used to be given throughout the year whereas a special rebate of additional 10% used to be given for 108 days in a year coinciding with Gandhi Jayanti and / or local festivals. However, on the recommendations of Expert Committees and after trying pilot projects and extensive consultations with stakeholders, the Government has introduced with effect from 01 April 2010 a more flexible, growth stimulating and artisan centric scheme, namely, Market Development Assistance (MDA) Scheme on production of khadi in place of existing scheme of Rebate on sales. The MDA scheme envisages financial assistance @ 20% of production value of khadi and polyvastra to be shared among artisans, producing institutions and selling institutions in the ratio of 25:30:45. 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 was not the case 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.

(e) Government in the Ministry of Micro, Small and Medium Enterprises through KVIC has taken several steps for the promotion of Khadi and its sales centres. These include:(i) introduction of a scheme named 'Strengthening Infrastructure of Existing Weak Khadi Institutions and Assistance for Marketing Infrastructure' which, inter alia, provides for renovation of 30 khadi sales outlets, during XI plan period, (ii) flexibility given under MDA scheme to selling institutions to utilize their share of 45% of MDA available under the scheme for, inter alia, renovation of outlets, training of sales persons, computerizations, designing, publicity, providing discount etc. and (iii) a comprehensive 'Khadi Reform and Development Programme' with assistance to the tune of US \$ 150 million from Asian Development Bank (ADB) to be implemented in 300 selected khadi institutions over a period of three years from 2009-10, which inter alia, provides for opening of new sales outlets in metropolitan cities and state capitals and renovation and modernization of sales outlets, besides setting up of a Marketing Organization under Public Private Partnership.