

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

UNSTARRED QUESTION NO:881

ANSWERED ON:24.11.2009

IMPACT OF GLOBALISATION ON KHADI AND VILLAGE INDUSTRIES

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

- (a) whether globalisation has adversely impacted the khadi and village industries in the country;
- (b) if so, the details thereof;
- (c) the total number of units of the khadi and village industries closed down during each of the last three years, State-wise;
- (d) whether the Government has provided any funds to the khadi and village industries to re-open the old units and open new centres; and
- (e) if so, the details thereof

**Answer**

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

(a) & (b): Most of the products of the khadi and village industries (KVI) sector are produced with locally available raw material and manpower, which are largely sold in the domestic market itself except a small percentage of export. In this context, there has been no tangible negative impact on KVI sector due to globalization. With the globalisation of Indian economy, the khadi and village industries (KVI) set up with the assistance provided through the Khadi and Village Industries Commission (KVIC) are facing greater competition in the market. However, there is no report of closure of any KVI unit as a result of competition from the multinational companies. In fact, liberalisation has resulted in realization by the units that their operations have to be efficient, cost effective and based on optimal deployment of resources. This has oriented the KVI units towards sustainability which is a healthy trend in the long run.

(c): Some Village Industry units /self-employment ventures do suffer losses and close down. The reasons for such losses include use of obsolete technology, inconsistent quality of products, product design not being in keeping with market demand, lack of entrepreneurial and managerial skills, etc. The information regarding such units is not maintained centrally.

(d) & (e): The Government (in the Ministry of Micro, Small and Medium Enterprises), through KVIC, had been implementing Rural Employment Generation Programme (REGP) from 01.04.1995 to 31.03.2008, in the rural areas and small towns with population up to 20,000. Under REGP, eligible entrepreneurs were assisted in establishing new village industry units, by availing of loans from public sector scheduled commercial banks, selected Regional Rural Banks, cooperative banks, etc., and also margin money assistance (subsidy) from the KVIC, for projects with a maximum cost upto Rs. 25 lakh. REGP was a Central Sector scheme and the approved grants for the scheme were used to be released to the KVIC which, in turn, released the funds (towards margin money assistance) to the banks against the projects sanctioned in each State/Union Territory (UT). The State/UT - wise details of margin money allocated by KVIC under the REGP as well as those of margin money utilised during 2006-07 and 2007-08, are given at Annex.

PMEGP has been discontinued from 2008-09 and a new scheme, namely, Prime Minister's Employment Generation Programme (PMEGP) was approved in August 2008 by merging the then existing REGP and Pradhan Mantri Rozgar Yojana (PMRY) schemes of this Ministry. It is a significant initiative with a higher level of subsidy than PMRY and REGP. The permissible margin money assistance provided under PMEGP is as under:

Categories	Beneficiary's Contribution	Rate of Subsidy
of beneficiaries	(of project cost)	(of project cost)
under PMEGP	Urban	Rural

Area (location of project/unit)

General Category	10%	15%	25%
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Special Category	05%	25%	35%
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(including SC / ST  
/ OBC /Minorities/Women,  
Ex-servicemen,  
Physically handicapped,  
NER, Hill and Border  
areas etc.)

PMEGP is implemented through KVIC as the single nodal agency at the national level. At the State/Union Territories level, the scheme is being implemented through field offices of KVIC, State/Union Territory Khadi and Village Industries Boards (KVIBs) and District Industries Centres (DICs) with involvement of banks. The State/UT - wise details of margin money utilised under PMEGP during 2008-09, are given at Annex.