

**GOVERNMENT OF INDIA  
AGRO AND RURAL INDUSTRIES  
LOK SABHA**

UNSTARRED QUESTION NO:3003  
ANSWERED ON:18.08.2004  
PROBLEMS OF KHADI AND VILLAGE INDUSTRIES  
Chandrapan Shri C.K.

**Will the Minister of AGRO AND RURAL INDUSTRIES be pleased to state:**

- (a): whether the Government has stopped Budgetary support grants, interest free loans and rebate to Khadi and Village Industries;
- (b): if so, the reasons therefor;
- (c): whether the Government is aware of the fact that the Khadi and Village Industries is now facing a serious crisis resulting in closure of units and massive unemployment;
- (d): whether the Government is considering any new policy to revive and revitalise the Khadi and Village Industries; and
- (e): if so, the details thereof?

**Answer**

MINISTER OF SMALL SCALE INDUSTRIES & AGRO AND RURAL INDUSTRIES ( SHRI MAHABIR PRASAD )

(a)&(b): As far as Budgetary support grants and Rebate are concerned, these continue as usual. However, allocation under loan heads has been reduced. Upto 1995, the Khadi and Village Industries Commission (KVIC) used to provide interest free loans for financing Khadi Programme and loans at the rate of 4 percent for financing village industries programme. However, with the expansion of Khadi and Village Industries Programme, arrangements for mobilization of institutional finance were made under Interest Subsidy Eligibility Scheme (ISEC). Under this scheme, Khadi institutions as well as V.I. institutions/State Boards were issued Interest Subsidy Eligibility Certificate entitling them to bear interest @ 4% while the difference between the actual rate of interest charged by the bank and 4% is borne by KVIC as Interest Subsidy. The objective behind this effort was to augment flow of institutional finance. With the Implementation of Rural Employment Generation Programme (REGP), entrepreneurs are provided assistance in the form of margin money, which is a one time grant and the required loans are provided by banks. ISEC ,however, continues for khadi institutions.

(c): No, Sir. With the support to Khadi and Village Industries sector through Rebate, Interest Subsidy Eligibility Certificate Scheme (ISEC) and Rural Employment Generation Programme (REGP), the production and employment has been increasing over the past three years. The production and Employment during the three years is shown below:

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(d)&(e): Yes, Sir. The National Common Minimum Programme (NCMP) has identified certain important areas for promotion of Agro and Rural Industries in the country. The NCMP, interalia, states that there would be a revamp of the functioning of Khadi and Village Industries Commission (KVIC) and new programmes would be launched for the modernization of traditional industries like coir, pottery, cottage industries. In view of this, the Government has proposed to set up a fund for the regeneration of traditional industries like coir, handloom, handicrafts, etc. A fund, with an initial allocation of Rs. 100 crores has been set up. The details, including mechanism for utilization of the fund are being worked out in consultation with the Administrative Ministries/Departments concerned.