

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

UNSTARRED QUESTION NO:3798
ANSWERED ON:16.05.2006
CLOSURE OF COTTAGE INDUSTRIES
Gehlot Shri Thaawar Chand

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

- (a): the number of cottage industries closed during the last three years and are on the verge of closure, State-wise; and
- (b): the steps being taken by the Government to save such industries?

Answer

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

(a): Some village industry units do suffer losses and close down. The reasons for such losses include use of obsolete technology, inconsistent quality of products, product designs not being in keeping with market demand, lack of entrepreneurial and managerial skills, etc. The State-wise details of the present financial status of individual or groups of units of these industries is not maintained centrally.

(b): Existing village industry units/self-employment ventures, which were set up with credit from banks but have now become sick, are eligible for rehabilitation assistance available to sick units in the small scale industries sector, as per the guidelines of the Reserve Bank of India (RBI). These measures include, inter alia, waiver of penal interest on cash credit and term loan from the year the unit started making cash losses, segregation of unpaid interest on cash credit and term loan from the total liability and treating the former amount as a separate interest-free loan, reduced rate of interest (reduction of up to 3 per cent for tiny units) to be charged on unpaid term loans, additional working capital loan to be given at a rate of interest not exceeding the prime lending rate, etc.

Further, based on the 'Policy Package for Stepping up credit to Small and Medium Enterprises' announced by the Government in the Parliament on 10 August 2005, the RBI has issued guidelines on 8 September 2005 to all public sector banks that envisage debt restructuring mechanism for nursing sick/potentially sick SME units back to health.