

KHADI SCHEMES

PROCEDURE FOR OPERATING “INTEREST SUBSIDY SCHEME” UNDER INSTITUTIONAL FINANCING FOR KHADI & VILLAGE INDUSTRIES

The Government of India vide their letter no. 4 (47/75-KVI) (I) dated 17-05-1977 have approved a comprehensive interest subsidy scheme for institutional financing of the Khadi & Village Industries Programme.

1. The Interest Subsidy Scheme shall be applicable to the following types of loans from institutional financing agencies.

i. Loans raised by the Khadi & Village Industries Commission (KVIC) for disbursement as capital investment & working capital loans to :

a. A State Khadi & Village Industries Board;

b. A registered institution: A registered institution means an institution registered under the Societies Registration Act 1860 (21 of 1860) or under any other law for the time being in force in any state.

c. A Co-Operative Society : A co-operative society means a society registered under the Co-operative Societies Act 1912 (2 of 1912) or under any co-operative law for the time being in force in any State. This includes the industrial co-operative societies, the service co-operative societies and the block level multi-purpose co-operative societies.

d. A trust created for public purposes at a charitable or religious nature.

ii. Loans raised by the Khadi & Village Industries Commission for purchasing, stocking and distribution of new materials to registered institutions & co-operative societies and for the production and sales activity undertaken by the Commission departmentally.

iii. Loans raised by the State Khadi & Village Industries Commission for disbursement of capital investment and working capital loans to institutions/co-operative societies/individual artisans or to meet requirements of its departmental activities connected with the production and sales of Khadi & Village Industries products.

iv. Loans raised by the Registered institutions to meet their capital investment and working capital needs.

v. Loans raised by the Co-operative Societies to meet their capital investment and working capital needs

2. The interest subsidy will be admissible on the funds raised for the development of Khadi & Village Industries as specified in the schedule of village industries in the KVIC Act. The industries which may be specified from time to time in pursuance of Notification under Section 3 of the said act also will qualify for the interest subsidy.

3. Financial institutions of the scheduled and non-scheduled banks, (including the State Bank of India & subsidiaries nationalized banks and co-operative banks) State Financial Corporation Industrial Development Bank of India and other financial institutions which are registered under Act of Parliament or State Legislatures.

4. The quantum of subsidy shall be limited to the difference between the actual rate of interest charged by the financing institutions and 4 (four) per cent to be borne by the borrower. If at any stage interest rate charged by the Khadi & Village Industries Commission is modified, the quantum of subsidy shall be limited to the difference between the rate of interest charged by the financial institutions and such modified rate of interest.

5. The Scheme shall be implemented in the following manner:

I. At the time of submission of proposals to the budget section of KVIC, State Khadi & Village Industries Commission/Board separately funds likely to be available to them from..... co-operative societies to the concerned State Directors and/or the Budget Societies to the Khadi & V.I Commission, before the budget discussions are helds.

II. After receipt of the above information by the budget section of the Commission/the State Directors of the Commission discussions will be held at the time of Annual Budget discussions with the concerned State Board/Institutions/Co-operative Societies and the programme for the institutions financing will be finalised. As usual, after finalisation, the budget section will send the proposals of the State Boards to the S.F.C for their approval. Similarly, after the discussions are held by the State Directors, or at the H.O of the commission proposals of charity aided institutions, co-operative Societies etc. will be sent to the concerned industry/programme directors who will place their proposals before the S.F.C.

III. After the proposals are sanctioned by the SFC of the Commission, the bank Finance cell will received copies of sanctioned orders of SFC. Only such State Boards institutions/co-operatives..... in the sanction of the S.F.C will qualify for the.....

IV. On the basis of the bank borrowing for different public sector bank finance have been Interest Subsidy Eligibility Certificate in favour of the concerned institutions/ Co-operative Societies Etc

V. In respect of institutions and co-operative societies working under the State Boards, the state Boards will issue the Interest Subsidy Eligibility Certificate for borrowings by these agencies from banks within the limits indicated in the Interest Subsidy Eligibility Certificate issued in their favour by the Commission under part (iv) above.

VI. The Interest Subsidy Eligibility Certificate to be issued by the Commission would be signed by the Chief Executive Officer (K) and Dy. Chief Executive Officer (V.I) Similarly the Interest Subsidy Eligibility certificates to be issued by the State Boards in respect of institutions and societies/working under them should be signed by their C.E.O/Secretary/Executive Officer/Administrator.

VII. On the strength of the Interest Subsidy Eligibility Certificate the State Board/Institutions/Co-operative societies etc. will negotiate with their bankers for the required financial accommodation.

VIII. The final decision to accept or reject any loan application from eligible borrower will vest with the banks. However, in case the banks reject some applications they may indicate to the Commission/the State Board the reasons for rejecting the loan applications.

IX. The Commission will have a liability of any kind either in respect of the principal amount of loan or payment of 4 per cent (or at received rate) interest to be borne by the borrowers for which interest subsidy eligibility certificate has been issued by the commission, or by KVIB. Its liability shall be restricted only to the extent of payment of interest subsidy as per scheme.

X. The concerned institutions/State Boards will inform the Commission about the amount sanctioned by the banks in each case, the terms and condition (about the rate of interest , the tenure of loan etc.) on which such amounts are sanctioned and the position about the release /drawal of funds against such sanctions as soon as the loans/limits are sanctioned by the banks and availed of by the Institutions/State Boards etc.

XI. In respect of directly aided institutions (including State Boards) the banks shall advise the Commission about the sanction and disbursement of loans to the borrowers in repeat of whom the interest subsidy eligibility certificates are issued by the Commission giving reference to the Interest Subsidy Eligibility Certificate issued by the Commission.

XII. In respect of the institutions and co-operative societies whose loan applications have been recommended by the State Khadi & V.I Boards, the banks shall advise regarding the sanction and disbursement of loans to such borrowers to the concerned State Khadi & V.I Boards.

XIII. The bank will advise to the Commission/State Boards sanction and disbursement of loans (vide above xi & xii) in Form no 2.

XIV. The State Khadi & V.I Boards, the State Directors of the Commission and Khadi & V.I Commission, Bombay will maintain interest subsidy claim register in Form No. 3 industry wise.