

DIRECTORATE OF ECONOMIC RESEARCH AND BANK FINANCE,
KHADI AND VILLAGE INDUSTRIES COMMISSION,
GRAMODAYA, IRLA ROAD, VILE PARLE (WEST), BOMBAY 400 056.

No. BF/15 (i)/77-78

Bank Finance Cell

**Procedure for operating "Interest Subsidy Scheme"
under institutional financing for**

Khadi and Village Industries

The Government of India vide their letter No. 4 (47/75-KVI (I) dated 17-5-1977 have approved a comprehensive interest subsidy scheme for institutional financing of the Khadi and Village Industries Programme.

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

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

(a) A State Khadi and 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 of a charitable or religious nature.

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

(iii) Loans raised by the State Khadi and Village Industries Boards 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 and 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.

3. The interest subsidy will be admissible on the funds raised for the development of Khadi and 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.

4. Financial institutions will include all the scheduled and non-scheduled banks, (including the State Bank of India and its subsidiaries, nationalised banks and co-operative banks), State Financial Corporation, Industrial Development Bank of India and other financial institutions which are created/registered under Act of Parliament or State Legislatures.

5. 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 and 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.

6. The scheme shall be implemented in the following manner :

(i) At the time of sending budget proposals to the budget section of KVIC, State Khadi and Village Industries Boards will indicate separately, funds likely to be made available to them from the banks industrywise, purposewise and also institutionwise. As regards the directly aided institutions/co-operative societies, similar information will be sent by the concerned institutions/co-operative societies to the concerned State Directors and/or the Budget Section of the Khadi and V. I. Commission, before the budget discussions are held.

(ii) After the 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 Boards/Institutions/Co-operative Societies, and the programme for the institutional 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 directly 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 receive copies of such sanctions of the S.F.C. Only such State Boards, institutions/co-operative societies whose names are included in the sanctions of the S.F.C. will qualify for interest subsidy from the Commission.

(iv) On the basis of the limits approved by the S.F.C. in respect of bank borrowings for different purposes the Bank Finance Cell will issue Interest Subsidy Eligibility Certificates in favour of the concerned State Boards/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 Certificates 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 para (iv) above.

(vi) The Interest Subsidy Eligibility Certificate to be issued by the Commission would be signed by the Chief Executive Officer of the Commission or he may delegate powers to the Dy. 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 borrowers 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 no liability of any kind either in respect of the principal amount of loan or payment of 4 per cent (or at revised 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 conditions (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 respect 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 and V. I. Boards.

(xiii) The bank will advise to the Commission/State Boards sanction and disbursement of loans (vide para xi and xii) in Form No. 2.

(xiv) The State Khadi and V. I. Boards, the State Directors of the Commission and the Khadi and V. I. Commission, Bombay will maintain interest subsidy claim register in Form No. 3, industrywise.

(xv) In respect of institutions (including State Boards) whose interest subsidy eligibility certificates are issued by the Commission, the banks shall submit their interest subsidy claims in Form No. 4 giving reference to the interest subsidy eligibility certificate No. and date and also the No. and date of bank's payment advices and release of funds. These claims may be sent to the Commission's concerned State Directors who will scrutinise the claims and send the same to the Bank Finance Cell of the Commission, for payment.

(xvi) In respect of institutions and co-operative societies whose interest subsidy eligibility certificates were issued by the State Khadi and V. I. Boards, the banks shall submit to the concerned State Boards their interest subsidy claims in form No. 4, giving reference to the interest subsidy eligibility certificate No. and date issued by the State Boards and also the No. and date of the bank payment advices of release of funds. The concerned State Khadi and V. I. Boards will scrutinise the claims and send the same to the Bank Finance Cell of the Khadi and V. I. Commission for payment.

(xvii) The claims received by the State Directorate of the Commission must be countersigned by an officer not below the rank of State Director of the Commission.

(xviii) In respect of claims received by the State Khadi and V. I. Boards the claims must be countersigned by an Officer not below the rank of Secretary/Chief Executive Officer/Executive Officer/Administrator of the State Khadi and V. I. Boards.

(xix) The Director, Bank Finance shall advise payment of such claims to the Chief Accounts Officer after entering them in the register.

Note: (i) For the loans raised by the State Boards, to meet the requirement of their departmental activities or for disbursement (vide para 2(iii)) the procedure prescribed for the directly aided institutions would be followed. (ii) These payments being of a routine nature and of committed character like sales rebate etc. no specific sanction of the Standing Finance Committee would be necessary for individual payment. However, they would be covered by the budget allocation made for interest subsidy to be paid to the banks.

(iii) Chief Accounts Officer shall arrange payment of interest subsidy amount as per the instructions of the Bank Finance Cell under advice to the section and the concerned State Director or the State Khadi and V. I. Board, who would make the note of such payments in their registers of claims.

(iv) It may be necessary to open a proper head in the monthly and annual accounts statements of the Commission, to indicate the disbursement of interest subsidy to the banks.

7. The above procedure takes effect from 1-4-1977 and issues with the concurrence of the Financial Adviser of KVIC.

Chief Executive Officer,
Khadi & V. I. Commission.

INTEREST SUBSIDY ELIGIBILITY CERTIFICATE
to be issued to the State Khadi and Village Industries Board

- 1) Name of the State Board :

- 2) Name of the Institutions/
Co-operative Societies,
whose budgets were approved
by the Commission, alongwith
the limits of bank's borrowings
sanctioned by the Commission
(Industry-wise, purpose-wise) :

- 3) The Khadi and Village Industries
Commission agrees to the State
Board surrendering its first
charge on the assets of
the above institution in
favour of the Banks :

- 4) The State Boards should issue to
the Banks interest subsidy
eligibility Certificate
in respect of the above
institution in Form No. 1 (B)

- 5) The Commission would be liable
to pay interest subsidy as per
the scheme only for the period
for which the loan is sanctioned
by the bank and is not liable to
pay such interest subsidy for
the defaulted period :

Chief Executive Officer
Khadi and Village Industries Commission

To,

C.E.O./E.O./Secretary/Administrator
(Khadi and Village Industries Board)

Copy to :

Address
(Of the State Office /State Board)

No. IS/
(State) (Industry) (running No.)

Date

INTEREST SUBSIDY ELIGIBILITY CERTIFICATE

Full Name of the borrower : _____
 Complete address of the borrower : _____
 Industry : _____
 Purpose : _____
 Amount of loan (Rs.) : _____

The above mentioned (Institution) has applied to

_____ (Name and address of the Bank)

for a loan of Rs. _____

for _____ (purpose and industry)

The above loan upto Rs. _____

will be eligible for the interest subsidy payable by the Commission in terms of Govt. of India, Ministry of Industry (Dept. of Industrial Development) letter No. 4 (47)/75-KVI(I) dated the 17th May, 1977.

The Commission agrees to surrender its first charge over the assets (moveable and immoveable) of the above institution in favour of the Banks.

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

The Commission will have no liability of any kind either in respect of the principal amount of loan or payment of 4 per cent or revised rate of interest to be borne by the borrowers for which interest subsidy eligibility certificate has been issued by the Commission. Its liability shall be restricted only to the extent of payment of interest subsidy as per scheme.

The Commission would be liable to pay interest subsidy as per the scheme only for the period for which the loan is sanctioned by the bank and is not liable to pay such interest subsidy for the defaulted period.

This is issued for the year

To,

C.E.O., Khadi and V. I. Board/KVIC

Bank
 (Name & Address)

No. _____

Date _____

To:

(Address of the State Office/State Board/Institution/Co-operative Society)
 Sub :- Advice about payment of

Sub - Advice about payment of

loan of Rs. _____

to _____

for _____
 under the Interest Subsidy Scheme
 of the KVIC.

Ref : Your Interest subsidy Eligibility ..
 Certificate No. _____

Date _____

Sir,

With reference to your above mentioned Interest Subsidy Eligibility Certificate,
 I am to advise you that our bank has sanctioned/dispensed a loan for Rs. _____

to _____ for _____ on _____
 (Date)

The loan carries an interest at _____ % and is repayable
 in _____.

Yours faithfully,

()
 Agent / Manager
 Bank

Copy to : The Director (Bank Finance)
 Khadi and V. I. Commission,
 BOMBAY - 400'056.

Interest Subsidy Claims Register

Date	Full name of the borrower	Complete address	Amount of loan applied for	Purpose of the loan	Interest Subsidy eligibility certificate			
					Number	Date	Amount	Name of the Bank
1.	2.	3.	4.	5.	6.	7.	8.	9.

00

Bank's Payment Advice					Interest Subsidy Claims								
No. & date of advice	Amount of loan	Date of payment	Tenure	Rate of interest	Mode of recovery of interest	Date of receipt	Period	Amount	Sent to head office	Remarks			
											Payment Advice	Amount paid	Date of payment
10.	11.	12.	13.	14.	15.	16.	17.	18.	19.	20.	21.	22.	23.

Bank
(Name & Address)

No. _____ Statement of interest subsidy payable by Khadi and Village Industries Commission
in respect of advances to Khadi and Village Industries Institutions/ Co-operatives
for _____
(Period)

Sr. No.	Name & Address of the borrower	Amount of Loan disbursed (Industry wise)	Amount of Interest at the normal lending rate of the bank		Amount of interest at 4% recoverable from the borrower	
			Rate	Period	Amount	Amount
1.						
2.		3	4.	5.	6	7.

6

Difference to be paid by the KVIC (6) — (7)	Interest subsidy-eligibility certificate		Bank's Disbursement Advice		Remarks	
	Issuing authority	Number	Number	Date		
8.	9.	10.	11.	12.	13	14.

This is to certify that the amount of interest subsidy claimed herein has not been received from the KVIC so far by the Bank.

* Statement of Accounts to be enclosed :

Agent,

State office KVIC official.

State Khadi & V. I. Board official.

_____ Bank.