

## **MARGIN MONEY SCHEME OF KHADI & VILLAGE INDUSTRIES COMMISSION (KVIC)**

**Implementing Agency  
Official(s) to be contacted**

**Khadi & Village Industries Board(KVIB)  
Secretary,KVIB  
KHADI AND VILLAGE INDUSTRIES COMMISSION  
IRLA ROAD,VILE PARLE(WEST),  
MUMBAI-400 056,**

### **(A) THE SCHEME**

The Scheme envisages that:

25% of the project cost for the projects upto Rs.10.00 lakhs will be provided as "Margin Money".

For projects above Rs. 10.00 lakhs and upto Rs. 25.00 lakhs, rate of Margin Money will be 25% of Rs. 10.00 lakhs plus 10% of the remaining cost of the project.

In the case of weaker section beneficiary viz SC/ST/OBC/Women/Physically Handicapped/Ex-servicemen and Minority Community beneficiary/Institution and for Hill, Border and Tribal Areas, North Eastern Region, Sikkim, Andaman and Nicobar Islands, Lakshdweep, Margin Money grant will be at the rate of 30 per cent of the project cost upto Rs.10.00 lakhs and above this amount upto Rs.25 lakhs it will be 10% of the remaining cost of the project.

Project cost will include one cycle of Working Capital.

Margin Money Scheme is applicable for viable Village industry projects(Khadi and Polyvastra and kept out of its purview).

The Bank will initially sanction 90% of the Project Cost in case of General category of beneficiary/institution and 95% of the project cost in case of Weaker Section beneficiary/institution and disburse full amount for setting up of the project.

### **(B) THE BENEFICIARIES**

Individuals/Entrepreneurs for projects upto Rs. 10.00 lakhs.

Institutions/Co-operative Societies/Trusts registered with KVIC/KVIB for projects upto Rs. 25.00 lakhs.

### **(c) MODALITIES OF THE SCHEME FINANCED THROUGH BANKS:**

(i) KVIC will place a lumpsum deposit of Margin Money in advance with the Corporate Office of each Bank or a Nodal Branch designated by the Banks in savings Account in the name of KVIC.

(ii) Banks will ensure that each project fulfills the criteria of "Village Industries", "Per Capital Fixed Investment", "Own Contribution" and is located in Rural Area".

(a) Village Industry means: Any industry located in rural area which produces any goods or renders any services with or without the use of power and in which the fixed capital investment per head of an artisan or a worker does not exceed Rs.50,000/-.

(b) Rural Area means: An area which comprises any village or includes an area outside the Municipal limits, the population of which does not exceed 20,000.

(iii) Banks will appraise projects technically as well as economically and take their own credit decision on the basis of viability of each project.

(iv) Banks must ensure investment of 'own contribution' of the entrepreneur /individual / Co-operative Society etc. @ 10% of the total cost of the project for General Category and 5% in the case of the Weaker Section beneficiary/institutions viz: SC /ST /OBC /Women /Minorities /Ex-Servicemen and Physically Handicapped persons, North Eastern Region, Sikkim, Andaman & Nicobar Islands, Lakshdweep,Hill, Border and Tribal Areas are treated as Weaker Section areas.

(v) Once the Margin Money is released in favour of the loanee, it should be kept in Term Deposit receipt for 2 years at branch level in the name of the beneficiary/institution. Interest accrued on such deposit will be utilised to service partial interest burden on the loan disbursed to the beneficiary/insrtitution.

(vi) Since 'Margin Money' is to be provided in the form of back-ended Subsidy(Grant), it will be credited to the borrower's loan account after 2 years from the date of first disbursement to the borrower/institution.

(In case, the Bank's advance goes "bad" before 2 years period is over, Margin Money will be adjusted by the banks to liquidate loan liability of the borrower either in part or full.)

(vii) In case any recovery is effected subsequently by the Bank from any source whatsoever, such recovery will be utilized by the Bank for liquidating their outstanding dues first any surplus will be remitted to KVIC.

(viii) Margin Money will be one time assistance from KVIC. For any enhancement of Credit Limit, the KVIC's Margin Money assistance will not be available.

### **FEEDBACK AND REPORTING SYSTEM:**

The Banks will submit the Margin Money claim to the Commission every quarter certifying that the criteria laid down for availing the benefits of Margin Money Scheme have been complied with by the Banks, meticulously. Claim Application Form-cum-Receipt is enclosed (Annexure-I).

The Bank will submit a State-wise Quarterly Progress Report to the Commission regarding the number of units financed under the Scheme, total

limit/credit sanctioned, funds released and Margin Money placed at their disposal, utilized. A format of progress report to be submitted to the KVIC on quarterly basis is enclosed at Annexure-II.

**MARKETING LINKAGES:**

There are over 15,000 sales outlets run by KVIC/KVIBs and voluntary organizations/institutions/Societies/Trusts assisted by KVIC/KVIBs. These sales outlets are part of the marketing support system for Khadi and V.I.products of institutions/entrepreneurs assisted by KVIC/KVIBs/Banks.

Dated: 4th August,1997

**R.K.Bhargava, IAS  
CHIEF EXECUTIVE OFFICER.**

**ANNEXURE-1**

(Application form-cum Receipt for claiming 'Margin Money' from Khadi & Village Industries Commission by beneficiary and Bank/Financial Institution).

Place:  
Date:

NO.

To

The Chief Executive Officer,  
(Directorate of Bank Finance)  
Khadi & Village Industries Commission  
Mumbai-400 056,

(THROUGH THE BANK)

Sub: Payment of "Margin Money" against the Bank Finance Sanctioned .....reg.

Sir,

I/We.....Son/Daughter of ..... Secretary /Chairman /President /Managing Trustee/Proprietor of ..... hereby inform you that a village industry project has been sanctioned in my/our favor under Margin Money Scheme of KVIC by..... Bank..... Branch..... District.....of.....State.....

**Details of Project Cost.**

A) Capital Expenditure	
(i) Building/Worshed	Rs.
(ii)Machdinery/Equipment	Rs.
B) Working Capital	Rs.

**Means of Finance**

Own Contribution	Rs.
Margin Money	Rs.
Term Loan	Rs.
Cash Credit	Rs.

Total cost: Rs.

2. I/We, therefore request you to please advise the Bank to disburse an amount .....of Rs..... Rs.....(Rupees.....)being the margin money sanctioned by the Commission.

The details of my/our project is as under:

1. (a) Full Name of the beneficiary/Society/Institution/Trust.  
(b)Full address  
(c) Legal Status.  
(d) Registration NO.and Date,if any.
2. Location of the Unit  
Village,Taluka,Dist.and State)
3. Village Industrty Activity  
(Please Specify)
4. Whether the beneficiary belongs to SC/ST/Minority/OBC/Ex-Servicemen/PHC/Women or General.
5. Per Capita Fixed Investment HBA/NE States/Sikkim/Andaman & Nicobar or Lakshadweep.
6. Employment envisaged

7. Whether own contribution has been deposited with the Bank.

Rs.

- a) full time:
- b) part time
- c) seasonal

I/We hereby agree to abide by the terms and conditions and instructions issued by the Commission in this behalf from time to time and those to be issued in future with regard to Margin Money Scheme. I/We also agree to furnish quarterly progress report on production, sales, employment, wages paid etc. to the Bank which in turn will send the information on quarterly basis to the Commission for record and advice to Govt. of India. The advance stamped receipt of Margin Money amount is also attached.

Yours Faithfully,

(Signature of the beneficiary )  
(Seal)

FORWARDED  
BRANCH MANAGER  
Seal of the Bank/Branch.

**RECEIPT**

Received Rs.....(Rupees.....)from the Chief Executive Officer, Khadi and Village Industries Commission, Mumbai-400 056 towards the payment of "Margin Money" in respect of project for manufacturing of.....Sanctioned for Rs.....by.....Bank/Financial Instituion at .....Branch.

{Revenue Stamp}  
Signature of the Applicant.

Note : in case of a Cooperative Society/Institution, Seal has to be affixed.

(For use of the Bank/Financial Institution)

In consideration of the project of the above beneficiary/instruction, this Bank/Office has sanctioned a loan of Rs.....after proper appraisal of the project at this end. As against a loan of Rs.....(C.E. Rs..... W.C.Rs. .... the Bank/this office has released first instalment/full lumpsum amount of loan of Rs..... on.....The Bank/this Office has arranged to deposit the amount of Margin Money in Terms Deposit in the name of the beneficiary for 2 years and interest earned on such TDR will be utilized to service interest burden of the loan, in part of full. The Bank is aware, that if the advance goes 'bad' before 2 years, the Commissioner's Margin Money will be adjusted to liquidate loan liability of the beneficiary with interest and recovery, if any, effected later will be remitted to the Commission.

(Signature)

(Designation of the Bank Official)

(Seal of the Bank/Financial Institution)

Place:  
Date

**ANNEXURE-II**

Name of the Bank  
Office Address:

**STATEMENT QUARTERLY PROGRESS REPORT OF DISBURSEMENT OF MARGIN MONEY BY THE BRANCHES FOR THE QUARTER ENDED**

S.No	State/Union Territory	SC/ST/OBC/MIN/WMN/XSM/PHC		Weaker Section Areas/HBA/NER/SKM/ANI/LAK DP		General		Margin Money Claim/Disbursed	
		Amt.	No.	Amt	No.	Amt.	No.	Amt	NO.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	STATE								
1.	Andhra Pradesh								
2.	Arunachal Pradesh								
3.	Assam								
4.	Bihar								
5.	Goa								
6.	Gujarat								
7.	Haryana								

8.	Himachal Pradesh								
9.	Jammu & Kashmir								
10.	Karnataka								
11.	Kerala								
12.	Madhya Pradesh								
13.	Maharashtra								
14.	Manipur								
15.	Meghalaya								
16.	Mizoram								
17.	Nagaland								
18.	Orissa								
19.	Punjab								
20.	Rajasthan								
21.	Sikkim								
22.	Tamil Nadu								
23.	Tripura								
24.	Uttar Pradesh								
25.	West Bengal								
	UNION TERRITORY								
1.	Andaman & Nicobar Islands								
2.	Chandigarh								
3.	Dadra & Nagar Haveli								
4.	Daman & Diu								
5.	Delhi								
6.	Lakshdweep								
7.	Pondicherry								

**SC-SCHEDULED CASTE ST-SCHEDULED TRIBE OBC-OTHER BACKWARD CLASSES  
MIN-MINORITIES WMN-WOMEN XSM-SERVICEMEN PHC.PHYSICALLY  
HANDICAPPED ASNI.ANDMAN & NICOBAR ISLANDS HBA.HILL AND BORDER AREA  
NER.NORTH ESTERN REGION SKM.SIKKIM LAKDP.LAKSHDWEEP**

**COPY OF**

**RESERVE BANK OF INDIA,RURAL PLANNING &CREDIT DEPARTMENT,CENTRAL  
OFFICE, MUMBAI CIRCULAR LETTER TO THE CHAIRMAN OF ALL SCHEDULED  
COMMERCIAL BANKS VIDE REF.RPCD NO.PLNFS/BC.13/ 06.06.12(D)/97-98 DATED  
28TH JULY,1997**

**The Chairman,  
All Scheduled Commercial Banks**

Dear Sir,  
Rural Employment Generation Programme of KVIC

A High Power Committee on Khadi and Village Industries headed by the then Prime Minister recommended in May, 1994, among other things, accelerated growth of rural employment generation programmes. Accordingly, KVIC has since formulated a Scheme for financing projects with investment limits upto Rs. 25 lakhs for Rural Industrialization and Employment Generation. Under the Scheme, 25 percent of the project cost is being provided as "Margin Money" by way of subsidy. The scheme was discussed in the Conference of Industry Ministers of States in August 1996. It was decided to implement the scheme throughout the country.

2. Details relating to the " Margin Money" Scheme are being furnished to you by KVIC, the salient

features thereof are given below:

i) Eligible Projects

The Scheme is applicable to all viable village industry projects set up in rural areas.

ii) Eligible Borrowers

The eligible agencies under the scheme are individuals (rural artisans/entrepreneurs) for projects upto Rs. 10.00 lakhs and institutions, Co-operative Societies, Trusts registered with K VIC/KVIB for projects upto Rs. 25 lakhs.

iii) Margin Money

25 per cent of the project cost upto Rs. 10.00 lakhs will be provided by KVIC as Margin Money by way of subsidy. For projects above Rs. 10.00 lakhs and upto Rs. 25.00 lakhs rate of margin money will be 25 per cent of Rs. 10.00 lakhs plus 10 per cent of the remaining cost of the project.

In the case of weaker section beneficiary viz. SC/ST/OBC/Women/Physically Handicapped/Ex-Servicemen and Minority Community beneficiary/Institutions and for Hill, Border and Tribal Areas, North Eastern Region, Sikkim, Andaman and Nicobar Islands, Lakshdweep, Margin Money grant will be at the rate of 30 per cent of the project cost upto Rs. 10.00 lakhs and above this amount upto Rs. 25 lakhs it will be 10% of the remaining cost of the project.

iv) Borrower's Contribution

Under the Scheme, the borrower is required to provide his own contribution of at least 10 per cent of the project cost. In case of SC/ST and other weaker section borrowers, the contribution will be 5 per cent of the project.

v) Quantum of Loan

Banks will sanction 90 per cent of the project cost in case of general category of borrowers and 95 per cent of the project cost in case of Weaker Section beneficiary/Institutions and disburse full amount of the loan.

vi) Adjustment of Margin Money

KVIC will place a lump-sum deposit of Margin Money in advance with the Corporate Office of each Bank which will be available for adjustment by banks to the borrower's loan account after a period of two years from the date of disbursement of loan. Banks should furnish quarterly progress report of adjustment of margin money directly to KVIC.

3. Kindly issue suitable Instructions to the controlling Officers/branches immediately for implementation of the scheme.

Yours Faithfully,

Sd/-

(R. M. Joshi)

General Manager