

No. 9/1/2011-DCH/Cluster  
Government of India  
Ministry of Textiles  
Office of the Development Commissioner for Handlooms

Dated: 9<sup>th</sup> January 2012  
Udyog Bhawan, New Delhi

To

- 1. Secretary In-charge of Handlooms of all States/UTs**
- 2. Commissioner/ Director In-charge of Handlooms of all States/ UTs.**
- 3. Chief Executive Officer, CGTMSE, Mumbai**
- 4. Executive Director, NABARD, Mumbai**
- 5. Chief Executive of Scheduled Commercial Banks**
- 6. In-charge, Regional Rural Banks**

**Sub: Guidelines for implementation of a new component, "Institutional Credit"  
under Integrated Handlooms Development Scheme- reg.**

Sir/ Madam,

Please refer to this office letter No. 6/2/299/2011-12/DHDS dated 28<sup>th</sup> November 2011, forwarding therewith the Comprehensive Package for the Handloom Sector and it was informed that the package is under active consideration and will be approved very soon.

It is informed that Comprehensive Package, comprising Institutional Credit and Hank Yarn Price Subsidy for Handloom Sector has been approved by Cabinet Committee on Economic Affairs (CCEA) on 18<sup>th</sup> December 2011. Institutional Credit has been included as a new component of on-going Integrated Handlooms Development Scheme (IHDS) while Hank Yarn Price Subsidy has been included as a new component of on-going Mill Gate Price Scheme. Guidelines for implementation of Institutional Credit are enclosed while the guidelines for implementation of Hank Yarn Price Subsidy will be sent separately.

As you are aware, Integrated Handlooms Development Scheme is in operation since 2007-08 and has mainly four components i.e. Cluster Development Programme, Group Approach, Marketing Incentive and Strengthening of Handloom Organisations. Looking to the long felt need of the Handloom Sector, Institutional Credit has been introduced with an objective of bringing about a

paradigm shift by converting individual weavers into micro entrepreneurs by empowering them with concessional credit.

Under the Institutional Credit, individual weaver will be eligible to avail financial assistance towards Margin Money and Interest Subsidy while the Handloom Cooperatives, State Handloom Development Corporations, National Level Handloom Organizations and Producers' Company/consortia will be eligible for Interest Subsidy. All such loans will be guaranteed by the Government through CGTMSE. Margin Money will be provided @ Rs. 4200/- per weaver, Interest subsidy @ 3% for three years and guarantee covers of such loans for a period of three years. Margin Money and Interest Subsidy, sub-components of the Institutional Credit will be implemented by the NABARD, SIDBI and Nationalized Banks while the Credit Guarantee will be implemented by CGTMSE.

A meeting to brief Commissioner/Director In-charge of all States/UTs, Convener of SLBC of various all States/UTs, NABARD and CGTMSE, inter-alia on the guidelines of the Institutional Credit was convened in New Delhi on 4<sup>th</sup> January 2012.

You are requested to circulate the guidelines of the Institutional Credit to your field functionaries, Banks concerned, Regional office of NABARD etc. and hold meetings with their officials concerned. Also, this may be taken up this as one of the agenda items in SLBC and DLCC meetings so that all concerned are aware of the Scheme and may accordingly extend the benefits to the eligible handloom weavers/Handloom Organizations.

Yours faithfully

Encl.: as above.

Sd/-  
(R.N. Choubey)  
Development Commissioner (Handlooms)

Copy to:

1. Planning Commission (VSE), Yojana Bhawan, New Delhi
2. I.F. Wing, Ministry of Textiles, Udyog Bhawan, New Delhi
3. Pay & Accounts Office (Textiles) Udyog Bhawan, New Delhi
4. All ADCs/DDC/DD, Office of the DC (Handlooms), Udyog Bhawan, New Delhi
5. All Weavers Service Centres/Indian Institutes of Handloom Technology (WSC/IIHTs)
6. NIC – for uploading the guidelines on the website: **handlooms.nic.in**

**GUIDELINES  
OF THE  
INSTITUTIONAL CREDIT,  
A NEW COMPONENT OF  
THE  
INTEGRATED HANDLOOMS  
DEVELOPMENT SCHEME**

**OFFICE OF THE DEVELOPMENT COMMISSIONER FOR HANDLOOMS  
MINISTRY OF TEXTILES**

## **INSTITUTIONAL CREDIT TO THE HANDLOOM SECTOR**

### **1. Background**

- 1.1 Handloom sector is unorganized, dispersed and rural based. While the Banks have financed some weavers under their existing lending programmes, it is found that credit needs of a large number of weavers are being met through informal channels. Past experience in this sector has pointed to the need for institutional finance to promote the handloom activity on a large scale. The Government of India has been implementing various schemes, including Integrated Handlooms Development Scheme (IHDS), wherein the financial assistance is provided to the individual weavers towards margin money. Further, under the Comprehensive Handloom Cluster Development Scheme (CHCDS), financial assistance is proposed to be released towards margin money, interest subvention and credit guarantee fee. However, under CHCDS, financial assistance will be limited to the weavers of mega handloom clusters at Varanasi, Murshidabad, Virudhunagar and Sivasagar only.
- 1.2 In order to address the requirement of the working capital of the handloom weavers and the handloom organizations to carry out their economic activities with a loan at subsidized rate. Margin Money @ Rs. 4200/- per weaver and interest subsidy @ 3% per annum will be provided. At the same time, it is observed that the banks are reluctant to extend credit to the handloom weavers & handloom organizations and therefore, credit guarantee coverage will be provided to such loans under the Credit Guarantee Scheme of Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE).

### **2. Components of the Scheme:**

The components of Institutional Credit are as follows:

- i. Margin money assistance will be provided @ Rs.4200 per weaver to individual weavers, their self help groups and joint liability groups (but not to cooperative societies and producer companies) by the Government of India so as to raise

borrowings from the Banks/Financial Institutions. In case the requirement of margin money by the weaver is more, then the beneficiary or the State Govt. or Implementing Agency or any combination thereof will be required to contribute additional amount of margin money.

- ii. Interest Subsidy @ 3% per annum for 3 years from the date of first disbursement will be provided by the Government of India so that weavers can get loan at subsidized rate. However, interest subsidy will not be given from the date on which the loan becomes NPA even within the period of 3 years.
- iii. Credit Guarantee: The loans extended by the Banks/Financial Institutions to the handloom weavers will be guaranteed for 3 years by the Credit Guarantee Fund Trust for Micro & Small Enterprises (CGTMSE) to the tune of 85% ( or as modified by CGTMSE from time to time) of the outstanding. For this purpose, the required guarantee fee and annual service fee will be paid by the Government of India.
- iv. IEC Activity: This will be carried out to make the beneficiaries aware of the scheme. The local Lead Banks will also be made aware of the broad parameters of the scheme to enable them to guide and advise the local weavers.
- v. Service Charge: Implementing Agency will be paid service charges @ 2% of the amount of margin money and interest subsidy disbursed by them for coordinating with Banks and handloom weavers for loan disbursement.

### 3. **Eligible Agencies to avail Loan from Banks/Financial Institutions**

The following agencies are eligible to avail the benefits listed above and to obtain loan from the Banks/Financial Institutions:

- i. Handloom Weavers involved in weaving activity,
- ii. Self Help Groups (SHGs)
- iii. Joint Liability Groups (JLGs)
- iv. Primary Handloom Weavers' Co-operative Societies (except margin money)
- v. State Handloom Development Corporations (except margin money)
- vi. National Level Handloom Organizations (except margin money)
- vii. Producers' Companies/Consortia working for handlooms (except margin money)

#### **4. Implementing Agencies**

NABARD, SIDBI and Nationalized Banks (where they are Lead Banks) are the eligible implementing agencies for margin money assistance and interest subvention, and CGTMSE is the implementing agency for the purpose of credit guarantee.

#### **5. Operational Details**

- a. Financial assistance towards margin money and interest subvention will be provided to the Implementing Agency for onward release to the Banks/Financial Institutions for extending loan to the beneficiaries. The financial assistance towards Credit Guarantee Fee will be paid to the CGTMSE directly.
- b. Interest Subsidy will be provided @ 3% per annum for 3 years from the date of first disbursement.
- c. To disincentivise the loans from becoming Non-Performing Assets (NPA), the borrower will not be eligible for interest subvention for the period subsequent to the account becoming NPA and Banks will be free to charge normal interest for subsequent period as per RBI guidelines.
- d. The provision for interest subvention, margin money and credit guarantee will not be open ended, and this will be capped as per the budget provision.
- e. A weaver is required to approach the Scheduled Commercial Bank/Regional Rural Bank/Co-operative Bank (Guarantee cover not applicable through Co-operative Banks) concerned for availing the loan, for which an application form is to be filled by the applicant and deposited in the Bank along with relevant documents i.e. photocopy of Weavers I-card, photocopy of the Voter I-card/Ration card, his/her photograph etc. Based on the information furnished by the applicant, the application will be scrutinized by the Bank concerned and in case, the applicant is found eligible to avail the loan, the details will be sent on-line to CGTMSE for obtaining confirmation for guarantee cover of such loan. On confirmation of the guarantee cover of a particular loan by CGTMSE, the bank concerned will intimate to the Implementing Agency for release of margin money and interest subsidy. Guarantee cover will be effective from the date of disbursal of the loan by the bank.

## **6. Release of Funds**

Funds will be released to the Implementing Agency (ies) directly as advance based on the number of beneficiaries that are projected to be covered in a period of six months. Subsequent installment will be released on utilization of 70% of the previous installment.

## **7. Monitoring Mechanism**

### **7.1 National Implementation and Monitoring Committee**

A National Implementation and Monitoring Committee will be chaired by Secretary (Textiles) with members from Department of Expenditure, Planning Commission, NABARD, Indian Bank Association, Ministry of Textiles and State Govt. representatives will be constituted. The Committee will be empowered to review and make amendments in these guidelines for operational reasons from time to time, without involving any additional financial commitment and without changing the financial parameter of the scheme.

### **7.2 State Implementation and Monitoring Committee**

A State Implementation and Monitoring Committee will be chaired by Principal Secretary (Handlooms & Textiles) with members from NABARD, Regional Rural Bank, State Lead Bank, representative of Handloom Corporation/National Level Handloom Organization, Special Invitee and Commissioner/Director of Handlooms as Convenor. The Committee will play a vital role in facilitating, problem-solving and monitoring overall implementation of the programme in the State.

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