

**No. 6/2/99-DCH/FP/DHDS**  
**Government of India**  
**Ministry of Textiles**  
**Office of the Development Commissioner for Handlooms**

Udyog Bhavan, New Delhi  
Dated:28<sup>th</sup> November 2011.

To

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

Subject: GUIDELINES FOR IMPLEMENTATION OF "REVIVAL, REFORM AND RESTRUCTURING PACKAGE FOR HANDLOOM SECTOR"

Sir / Madam,

The "Revival, Reform and Restructuring Package for Handloom Sector" will be implemented, starting with the current financial year, as a new Centrally Sponsored Plan Scheme with a total outlay of Rs.3884 crore. The required funds will be placed with NABARD as the implementing agency. This intervention is likely to benefit 15000 Cooperative Societies and 3 lakh Weavers across the country. Under the scheme, funds will be provided for repayment of 100% of principal and 25% interest as on date of loan becoming NPA which is overdue as on 31.3.2010 in respect of viable and potentially viable Primary Weavers Cooperative Societies and Apex Societies as well as in respect of individual handloom weavers, master weavers, Self Help Groups (SHGs) and Joint liability groups (JLGs) who have taken such loans for handloom weaving purposes, provided the banks agree for sanctioning fresh loans. There would be an overall ceiling of Rs.50,000 per individual beneficiary as far as funding under this scheme is concerned in respect of waiver of overdues of individual handloom weavers.

2. The Government has further approved an interest subvention of 3% for 3 years to be extended from the date of disbursement of the fresh loan extended by banks to the eligible handloom cooperative societies and individual handloom weavers covered under the scheme. The interest subvention would not be available after the date on which a loan becomes non-performing asset. The Government will make necessary provision towards payment of Guarantee Fee @1 % and Annual Service Fee@0.5% , to be paid to CGTMSE, for credit guarantee for a period of three years for the fresh loans.

The Guidelines are enclosed herewith for further suitable action at your end.

Yours faithfully,

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

Encl. As above.

**Copy to:-**

- 1. Planning Commission (VSE), Yojana Bhavan, New Delhi**
- 2. I.F. Wing, Ministry of Textiles, Udyog Bhavan, New Delhi.**
- 3. Pay & Accounts Office (Textiles) Udyog Bhavan, New Delhi.**
- 4. All ADCs/ DDC/DD, O/o D.C. Handlooms, Udyog Bhavan, New Delhi**
- 5. All Weavers Service Centres/Indian Institutes of Handloom Technology (WSCs/IIHTs).**
- 6. NIC for posting the guidelines on the Handloom website [www.handlooms.nic.in](http://www.handlooms.nic.in)**

**Guidelines for implementation of Scheme**

**“REVIVAL, REFORM and RESTRUCTURING  
PACKAGE for  
HANDLOOM SECTOR”**

OFFICE OF THE DEVELOPMENT COMMISSIONER FOR HANDLOOMS  
MINISTRY OF TEXTILES  
GOVERNMENT OF INDIA

Office of the Development Commissioner for Handlooms  
Ministry of Textiles

**Guidelines for the implementation of “Revival, Reform & Restructuring of the Handloom Sector”**

In the Budget speech for 2011-12 on 28.2.2011, the Finance Minister had announced that the Government of India would provide Rs.3000 crore to NABARD for implementing the financial package for handloom sector for waiver of overdue loans. As a follow up of the Budget announcement, the Government has now approved the scheme.

2. The “Revival, Reform and Restructuring Package for Handloom Sector” will be implemented, starting with the current financial year, as a new Centrally Sponsored Plan Scheme with a total outlay of Rs.3884 crore. The component-wise details of the Financial Package are as follows for which the required funds will be placed with NABARD as the implementing agency :

S.No.	Component	Rs. crore
1.	Loan waiver and recapitalization of handloom weavers cooperative societies as on 31.03.2010.	3021
2.	Waiver of individual weaver loans as on 31.3.2010	500
3.	Strengthening of weaver cooperative societies	88
4.	3% Interest Subsidy for fresh loans	180
5.	Credit Guarantee for fresh loans	25
6.	Training for the functionaries	30
7.	Loss assessment exercise & Cost of Implementation	40
	Total	3884

3. Out of the total amount of Rs. 3884 crore, the share of the Government of India will be Rs. 3137 crore and that of the State Governments will be Rs.747 crore.

4. The funds required for loan waiver and recapitalization of handloom weavers cooperative societies and that for individual weavers (Sl.No.1 and 2 respectively in the table above) will be shared in the following ratio between the Government of India and States concerned:

S.No.	Beneficiary	General Category States (Centre : States)	Special Category States (Centre : States)
(i)	State level apex societies	75 : 25	90 : 10
(ii)	Primary handloom cooperative societies	80 : 20	90 : 10
(iii)	Individual weavers/SHGs etc.	80 : 20	90 : 10

5. Under the scheme, funds will be provided for repayment of 100% of principal and 25% of interest as on the date of loan becoming NPA and which is overdue as on 31.03.2010 in respect of viable and potentially viable Primary Weavers Cooperative Societies and Apex Societies as well as in respect of individual handloom weavers, master weavers, Self Help Groups and Joint Liability Groups who have taken such loans for handloom weaving purposes, provided the banks agree for sanctioning fresh loans. There would be an overall ceiling of Rs. 50,000 per individual beneficiary as far as funding under this scheme is concerned in respect of waiver of overdues of individual handloom weavers.

6. The Government has further approved an interest subvention of 3% for 3 years to be extended from the date of disbursement of the fresh loan extended by banks to the eligible handloom cooperative societies and individual handloom weavers covered under this Scheme. The interest subvention would not be available after the date on which a loan becomes non-performing asset.

7. The Government will make necessary provision towards payment of Guarantee Fee @ 1% and Annual Service [Fee@0.5%](#) , to be paid to CGTMSE, for credit guarantee for a period of three years from the date of first disbursement of the fresh loans.

8. The Government has further approved the constitution of three levels of Committees at the national, state and district levels for implementing and monitoring the scheme. The role, responsibility and powers as indicated in the **Annexure-I**.

9. 80% of the share of Government of India will be released upon the signing of the MOU by a State Government and completion of special audits by NABARD's team in that state, and the balance 20% will be released upon fulfillment of commitments by State Government concerned after completing the legal and institutional reforms as per the MoU.

10. The repayment from this package for loan waiver will be limited to 100% of overdue principal and only 25% of overdue interest as on the date of loan becoming non-performing asset (NPA). The balance 75% of overdue interest and the entire penal interest, if any, will have to be written off by the bank as a pre-condition.

11. Receivables such as subsidies etc from Central and State Governments, including institutions/agencies under the control of the State Governments, which amount to approximately Rs. 300 crore, will be paid outside the package separately by the government concerned, as a pre-condition.

12. On the lines of Agriculture Debt Waiver and Debt Relief (ADWDR) Scheme of Government of India, wherein banks agreed to issue fresh loans once the overdue agricultural loans were written off, the recapitalization and repayment of outstanding loans of handloom cooperative societies to Banks under the package would be subject to a commitment by the Bank concerned to give fresh loans.

13. It needs to be noted that the amount projected under the Package is tentative, and that the scheme is essentially "demand-driven", i.e., all "eligible" weaver cooperative societies and individual weavers who fulfill the criteria will have their overdue loans and interest waived off. The actual amount of such waiver will be known only after the special audit and scrutiny of all such claims is completed by NABARD.

14. Funding will not be provided for the losses arising out of frauds, embezzlement and misappropriation etc., which have to be borne by the respective institutions such as Primary Weavers Cooperatives and Apex Weavers Societies (stakeholders).

15. The definition of “viable” and “potentially viable” societies will be as follows :

**(a) Viable PWCS are identified based on the following norms/criteria.**

- (i) Capacity utilization during the last 3 years should have been equal or more than economic level of operation (Break even level).
- (ii) Net Disposable Resources (NDR) and net worth should be positive.
- (iii) Sales should be at least to the extent of 75% of average production for the last 3 years.
- (iv) **Audit may be completed upto for the year 2009-10.**
- (v) Working capital/Cash credit limit should be rotated at least twice in a year.

**(b) Potentially viable PWCS are identified by the following norms / criteria :**

- (i) Net worth should be positive but incurring operative losses in not more than two of last three years.
- (ii) Sales should be at least to the extent of 50% of average production for last 3 years.
- (iii) **Audit may be completed upto for the year 2009-10**
- (iv) Working capital/Cash credit limit should be rotated at least once in a year.

**(c) Non-viable** societies are those which do not fall under the above two categories.

National Implementation, Monitoring and Review Committee ( NIMRC) is empowered to consider any modification in these definitions, but only with the prior approval of Department of Expenditure in the Ministry of Finance.

**16.** The Scheme for Revival of Handloom Weavers Cooperative Societies (Primary and State level) and the Scheme for Waiver of loan of individual weavers are enclosed in **Annexure-II & III**. However, NIMRC will have the power to suitably modify these schemes for operational reasons, provided such modifications are in line with the approval granted by CCEA as contained in para 7 of the CCEA Note.

17. The Legal and Institutional Reforms proposed under the Package as well as the Memorandum of Undertaking to be signed among the Govt. of India, State Governments and NABARD, are enclosed as **Annexure IV and V**. However, NIMRC will have the power to suitably modify these schemes for operational reasons, provided such modifications are in line with the approval granted by CCEA as contained in para 7 of the CCEA Note.

18. NABARD is the convener of NIMRC. It will convene meeting of NIMRC urgently in order to operationlise the Scheme quickly. It will also prepare the Loss Assessment Manual and get it approved by NIMRC.

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**Annexure I**

**Composition, Role, Responsibility and Powers of National Implementation Monitoring & Review Committee (NIMRC), State Implementation Monitoring & Review Committee (SIMRC) and District Implementation, Monitoring & Review Committee (DIMRC)**

**I. National Implementation Monitoring & Review Committee (NIMRC)**

NIRMC is entrusted with the responsibility to implement the Revival Package in a time bound manner.

**Composition**

- a) Secretary, Ministry of Textiles, Govt. of India - **Chairperson;**
- b) DC (Handloom), Ministry of Textile, Govt. of India;
- c) Representative of the Department of Expenditure, Ministry of Finance, Govt of India;
- d) Representative of the Department of Financial Services, Ministry of Finance, Govt of India;
- e) Representative of Planning Commission;
- f) Principal Secretary (PS)/Director, Handloom of the State Government; (of Package implementing States);
- g) General Manager (Priority Sector) of Public Sector Commercial Banks;
- h) State Level Banker Committee Convenor; (of Package implementing States);
- i) Managing Director, State Cooperative Bank; (of Package implementing States);
- j) Representative of Reserve Bank of India (RBI);
- k) Representative of Indian Bank Association (IBA):
- l) Chairman, NABARD or his representative - **Convenor**
- m) Special invitee (Chairmen RRBs; MD,SCARDBs besides any other representative as decided by NIMRC may be invited)

**Roles, Responsibilities and Powers**

1. To review and monitor implementation of Package, contemplated under the Revival Package;
2. To ensure timely compliance of the covenants of MoU by the States;
3. To approve the Manual for Special Audit to ensure proper and timely conduct of special audit in the AWCS and PWCS;
4. To finalise and approve overall quantum of financial assistance in respect of (AWCS, PWCS & individual weavers) and recommend the same for release to NABARD;
5. To formulate policy for implementation of a Common Accounting System(CAS) and proper MIS;
6. To frame policy on HRD initiatives in the AWCS and PWCS;
7. To decide the eligibility of primary weavers cooperative societies and state level apex weavers cooperatives societies by suitably defining “viable” and “potentially viable”

- cooperative societies (Annexure V), after obtaining the concurrence of the Department of Expenditure, Ministry of Finance.
8. To formulate, modify and approve the schemes of implementation of financial package for cooperative societies (Annexure VI) and for Individual weaver (Annexure VII)
  9. To approve Memorandum of Understanding (MOU) in Annexure III to be signed by Government of India, State Governments and NABARD and to decide about the release of funds,
  10. Any other issue related to the implementation of the Package as decided by the Chairperson.

Periodicity : The Committee will meet on quarterly basis or earlier as per requirement.

## **II. State Implementation Monitoring & Review Committee (SIMRC)**

The role of SIMRC is one of planning, facilitating, problem-solving and monitoring overall implementation of the programme in the state.

### Constitution

- i. Principal Secretary (Handloom & Textiles) of the State - **Chairperson**;
- ii. Representative of NABARD;
- iii. Managing Director, State Cooperative Bank;
- iv. Managing Director, Apex Weavers Society;
- v. A renowned Chartered Accountant.
- vi. Representative of State Level Banker Committee Convenor
- vii. Special invitee (To be decided by SIMRC as per the requirement)
- viii. Commissioner/Director, Handloom of the concerned State (Nodal Department)-**Convenor**;

### Roles & responsibilities

1. To monitor implementation of Package as contemplated under the Revival Package in the State;
2. To ensure proper and timely conduct of special audit in the AWCS and PWCS;
3. To vet and finalise the quantum of financial assistance in respect of AWCS and PWCS and recommend to NIMRC for release to NABARD;
4. To ensure installation of a Common Accounting System(CAS) and proper MIS;
5. To guide and monitor HRD initiatives in the AWCS and PWCS ;
6. To submit necessary information and feedback to NIMRC, NABARD etc. from time to time;
7. To ensure timely compliance of the covenants of MoU by AWCS and PWCS ;
8. To sort out field level operational problems and guide and supervise the overall implementation of the Package in the state;
9. Any other issue related to the implementation of the Package in the State.

Periodicity : Meeting on quarterly basis or earlier as per requirement.

### **III District Implementation Monitoring & Review Committee (DIMRC)**

All district may not constitute a DIMRC. A cluster approach be adopted depending upon the number of Viable and Potentially Viable Primary Weavers Societies (identified by the state Government as per the audit statement of the Year 2009-10) which are to be recapitalised under the Package.

#### **Constitution**

- i. Representative of Director, Handloom of the Concerned State (Nodal Department) - Convenor;
- ii. Representative of NABARD (Distt. Dev. Manager of the concerned district/ major district where the number of societies under recapitalisation is maximum);
- iii. Chartered Accountant;
- iv. Lead District Manager of the Lead Bank in the district/ major district where the number of societies under recapitalisation is maximum)
- v. Special invitee (as decided by DIMRC as and when required)

#### **Roles & responsibilities**

1. Ensure timely completion of special audits in PWCS;
2. Finalisation of the amount of financial assistance to PWCS in the district/ cluster of district and recommendation to SIMRC and NABARD;
3. Overseeing computerisation, HRD & CAS in the district; and
4. Submission of necessary information and feedback to SIMRC, NABARD etc. from time to time.

**Periodicity** : Meeting may be held on quarterly basis or earlier as per requirement.

**Annexure II**

**Scheme for Revival of Handloom Weavers Cooperative Societies (Primary and State Level Apex)**

The Finance Minister, in his Budget Speech for the Year 2011-12, announced a Financial Package for handloom weavers Primary Cooperative Societies and State Level Apex Societies. The Revival, Reform and Restructuring Package for Handloom Sector includes:

(i) Reform of the legal and institutional framework of the handloom weaver Cooperative Societies,

(ii) Detailed assessment, and subsequent one-time waiver, of overdue loans and interest as on 31<sup>st</sup> March, 2010, (other than “receivables” from Central and State Governments) of Handloom cooperative societies at the primary and the apex level,

**Explanation :**

- a) In the case of NPA loans, no interest will be applied from the date when the loan account was classified as NPA. Hence, interest on loans classified as NPA for any period after it is so classified can neither be claimed from the Government by way of waiver nor claimed from the weaver borrower;
- b) Insurance premia/ inspection charges etc if levied by the lending institutions by debiting to the borrower account will not qualify for waiver assistance from the GoI/ State Government;
- c) Any type of admissible back ended subsidy under any Government sponsored scheme will have to be netted by the lending institutions before arriving at the waiver amount.

(iii) Covers only viable and potentially viable societies

(iv) Provision of cheap credit to handloom weavers by providing interest subsidy of 3% for an annual cycle of up to 3 years for each fresh loan,

(v) Creating mechanism with adequate fund for credit guarantee, including fund for providing relief to weaver in case of calamity like flood, fire etc.,

(vi) Computerisation of accounts of all viable and potentially viable weavers' societies and putting in place a Common Accounting System for all weaver societies across the country.

(vii) The repayment from this package for loan waiver will be limited to 100% of overdue principal and only 25% of overdue interest as on the date of loan becoming NPA. The balance 75% of overdue interest and the entire penal interest, if any, will have to be written off by the bank as a pre-condition.

(viii) Receivables from Central and State Governments, including institutions/agencies under the control of the State Governments, which amount to approximately Rs. 300 crore, will be paid outside the package, separately, as a pre-condition.

(ix) The release of recapitalisation assistance would be linked to commitment to carry out institutional & legal reforms by the State Governments in accordance with the MoU. 80% of the funds will be released upon the signing of the MOU by the State Governments and completing the special audit, and the balance of 20% to be released upon fulfillment of their commitment towards legal and institutional reforms.

(x) On the lines of ADWDR Scheme of Govt.of India, wherein banks agreed to issue fresh loans once the overdue agricultural loans were written off, Recapitalisation of losses & repayment of outstanding loans to Banks under the package would be subject to commitment to give fresh loans. A commitment wherein banks agree to extend fresh loans in lieu of receipt of old outstanding loans would be an integral part of the loss assessment guidelines.

(xi) NABARD would be designated as the implementing agency for the scheme. However, for guiding and monitoring the implementation of the scheme at National, State and District levels, Implementing and Monitoring Committees would be constituted. The scheme will be implemented once an MOU is signed by the major stake holders, viz, Government of India, State Governments and NABARD.

**(xii) It needs to be noted that this amount is tentative, and that the scheme is essentially “demand-driven”, i.e., all “eligible” weaver cooperative societies and individual weavers who fulfill the criteria will have their overdue loans and interest waived off. The actual amount of such waiver will be known only after the special audit and scrutiny of all such claims is completed.**

**(xiii) It also ensures that funding is not provided for the losses arising out of frauds, embezzlement and misappropriation etc., which is to be borne by the respective institutions such as Primary Weavers Societies / Apex Weavers Societies (stakeholders).**

### **Interpretation and power to remove difficulties**

1. If any doubt arises on the interpretation of any paragraph of this Scheme or any instructions issued thereunder, the NIRMC shall resolve the issue and this decision of the NIRMC shall be final.
2. If any difficulty arises in giving effect to the provision of the Scheme or any instructions issued thereunder, the Government of India may by order do anything which appears to it to be necessary or expedient for the purposes of removing the difficulty.
3. NIRMC will have the powers to suitably modify this scheme to meet the operational requirements.

For the purpose of loss assessment exercise of handloom weavers cooperative societies, Special Audit Manual would be drafted. It will provide detailed guidelines to auditors conducting loss assessment exercise in Apex WCS and Primary WCS all over the country. The Manual will facilitate not only working out the actual losses for recapitalization incurred by the weaver societies but also gives insight of their functioning and highlighting the problems & possible solution thereof. The auditor will conduct special audit of the accounts of societies with reference to financial year 2009-10, i.e. as at the end of 31 March 2010.

Keeping in view the above objectives, it is expected that the Special Audit Manual would be drafted which will broadly cover the following aspects:

<b>Sl. No.</b>	<b>Particulars</b>	<b>Coverage</b>
1	<b>Objective</b>	Loss Assessment of Apex & Primary Handloom Weavers Coop. Societies
2	<b>Methodology</b>	<ul style="list-style-type: none"><li>• Viable &amp; Potential Viable with reference to Net-worth, Net Disposable Resources (NDR), Sales, Rotation of credit limit, etc as per definition.</li><li>• Devising &amp; applying a uniform criteria &amp; standard for assessment of Losses.</li><li>• Determining share of recapitalized for GoI &amp; St. Govt. &amp; Banks</li><li>• Norms for capital adequacy &amp; its assessment</li></ul>
3	<b>Pre-requisite of Special Audit/ Documents or Records required for Special Audit</b>	<ul style="list-style-type: none"><li>• The statements / Returns</li><li>• Balance Confirmation Certificates &amp; Loan Status certificate.</li></ul>

		<ul style="list-style-type: none"> <li>• Ledgers</li> <li>• Other records, valuation of stock etc.</li> </ul>
4	<b>Treatment of various items in the Balance sheet during Audit exercise</b>	
a.	Cash in Hand	<ul style="list-style-type: none"> <li>• short cash</li> </ul>
b.	Cash in Bank	<ul style="list-style-type: none"> <li>• short cash</li> </ul>
c.	Other receivables from GoI / State Government - All prior commitments	<ul style="list-style-type: none"> <li>• Working out / Calculations</li> <li>• <b>CARE: To be provided as upfront</b></li> </ul>
d.	Investments	<ul style="list-style-type: none"> <li>• Methodology to evaluate various investments</li> <li>• Booking of losses, if any</li> <li>• Dividend</li> <li>• Deposits in other societies which are under liquidation</li> </ul>
e.	Loans due from members (asset side)	<ul style="list-style-type: none"> <li>• Critical assessment</li> </ul>
f.	Dues to members (liability side)	<ul style="list-style-type: none"> <li>• Critical assessment of losses, if any *</li> </ul>
g.	Borrowing (Loans) from financing agency	<ul style="list-style-type: none"> <li>• Assessment of borrowing outstanding</li> <li>• Assessment of overdue loans</li> <li>• Assessment of interest – total and till a/c turned NPA</li> <li>• Bifurcation into – Principal and interest and interest further be bifurcated into 25% * to be booked for recapitalization and remaining 75% to be borne by banks.</li> </ul>
h.	Closing stock (Inventory)	<ul style="list-style-type: none"> <li>• Standards for evaluation of stock, both raw material and finished goods</li> <li>• Shortage in stock</li> <li>• Stock over one year to be taken as loss *</li> <li>• Certificates</li> </ul>
i.	Sundry creditors	<ul style="list-style-type: none"> <li>• Tools for critical assessment</li> <li>• Over dues on account of borrowing from various agencies including NCDC but other than financial institution *</li> </ul>
j.	Sundry debtor	<ul style="list-style-type: none"> <li>• Tools for critical assessment</li> <li>• Receivables, other than Govts., and pending for more than one year</li> <li>• Wages to weavers without finished goods</li> <li>• Outstanding wages of weavers against finished goods *</li> <li>• Other outstanding dues in r/o allied activities and procurement of yarn *</li> </ul>

k.	Land & building	<ul style="list-style-type: none"><li>• Assessment</li><li>• Depreciation *</li><li>• Rent, taxes, etc.</li></ul>
l.	Machinery	<ul style="list-style-type: none"><li>• Valuation &amp; Depreciation</li></ul>
m.	Fixed asset	<ul style="list-style-type: none"><li>• Valuation &amp; Depreciation</li></ul>
5	<b>Capital Adequacy</b>	<ul style="list-style-type: none"><li>• Bringing post recapitalization NDR to a level equal to 10% of Working capital requirement.</li></ul>
6	<b>Others</b>	<ul style="list-style-type: none"><li>• Any other item affecting the Loss Assessment and not included above.</li></ul>

\* To be shared by GoI and St. Govt. in the ratio of 80:20 respectively in all the states except in special category states where the ratio will be 90:10 respectively.

The Manual will be approved by NIRMC.

**Note : The ‘Manual’ will be finalized in consultation with the NABARD. NIRMC will have the powers to modify this scheme to meet operational requirements.**

**Annexure III**

**Scheme for Revival of Handloom Weavers by Waiver of Working Capital and Term Loans of Individual Weavers, Self Help Groups (SHGs), Joint Liability Groups(JLGs), and Master Weavers**

**1. Introduction**

1.1 The Finance Minister, in his Budget Speech for the Year 2011-12, announced a Financial Package for handloom weavers.

1.2 Guidelines for implementation of the Scheme covering Working Capital and Term Loans of Individual weavers, Self Help Groups (SHGs), Joint Liability Groups(JLGs), and Master Weavers are given below.

**2. Scope**

2.1 The Scheme will cover direct loan made to Individual weavers, Self Help Groups (SHGs), Joint Liability Groups(JLGs), including Master Weavers by Public Sector Schedule Commercial Banks, Regional Rural Banks, State/ District Central Cooperative Banks and State / Primary Cooperative Agriculture Development Banks hereinafter referred as the " lending institutions" subject to a maximum overdue amount of Rs.50,000 (including eligible portion of interest i.e. 25% of interest overdue) per individual.

2.2 The Scheme shall come into force with effect from the date of notification by the Ministry of Textiles, Government of India.

**3. Definitions**

3.1 "Direct" loan means term loans for acquisition and modernisation of looms as well as working capital extended to the categories of borrowers as indicated in para 2.1 above including Master Weavers to support weavers under him as per records in the bank established by prior documentation with the lending institutions.

Explanation :

1. Direct loan taken for handloom purpose availed under programmes like Artisan Credit Card, Swarozgar Credit Card and Prime Minister Rozgar Yojna etc will be covered under the scheme.

3.2 "Master Weavers" will be defined as follows:

- he should be employing weavers on wage basis on their own/hired looms and guiding/providing them various support services in terms of inputs ( yarn, dyes, chemicals) supply, designing and other services like cash advance for meeting weavers' urgent needs;
- he should be engaged in production and marketing of cloth and he should not be functioning only as a trader who merely procures finished goods and sells them;
- the weavers employed by Master Weaver should preferably be residing and operating in the same village/ compact area.
- Loans extended by banks to master weavers in terms of NABARD Circular No. 143/PCD-19/2007 dated 1/8/2007 (addressed to all banks) will be covered.

#### **4. Eligible amount**

4.1 The amount eligible for waiver (hereinafter referred to as the eligible amount), shall comprise of overdues as on 31 March 2010 (including Principal and 25% of interest) but excludes loans restructured and rescheduled in the normal course by the lending institutions in the past under any GoI/ State Government scheme or under OTS of the bank as per the RBI guidelines, being covered under SARFAESI Act/other legal recourse by the lending institutions as on the date of the scheme.

Explanation :

- a. advances against pledge or hypothecation may be included under the scheme;
- b. finance to corporates, partnership firms, weaver cooperative societies and any similar institutions will be excluded under the scheme.

4.2 Nothing contained in this scheme shall apply to any loan disbursed by the lending institutions after 31 March 2010.

#### **5. Waiver**

5.1 The purpose of the scheme is to revive the activities of the handloom weavers by opening the existing blocked lines of credit by giving a commitment to extend credit. The lending institutions are expected to shortlist those cases on merit which are to be covered under the scheme. In such case, the lending institutions shall waive 75% of the overdue interest and entire penal interest. The remaining amount will be waived by the GoI and the concerned State

Government in a ratio of 80:20 and in the ratio of 90:10 for special category states of NER including Sikkim, Jharkhand, Chhattisgarh, Uttrakhand, Himachal Pradesh and Jammu & Kashmir. It will be upto the lending institutions to take a decision for waiver on a case to case basis and they will be fully responsible for their decisions in the matter.

5.2 A waiver of loan and interest for a particular beneficiary as above will be done only if the branch simultaneously agrees to extend a fresh loan of Rs.20,000 or more to that beneficiary. If the bank is not willing to extend fresh loan simultaneously to that weaver, then that weaver's loan will not be covered under this scheme. Therefore, a fresh sanction order for a new loan shall be a pre-condition to waiver.

Explanation :

(i) In the case of NPA loans, no interest will be applied from the date when the loan account was classified as NPA. Hence, interest on loans classified as NPA for any period after it is so classified can neither be claimed from the Government by way of waiver nor claimed from the weaver borrower;

(ii) Insurance premia/ inspection charges etc if levied by the lending institutions by debiting to the borrower account will not qualify for waiver assistance from the GoI/ State Government;

(iii) Any type of admissible back ended subsidy under any Government sponsored scheme will have to be netted by the lending institutions before arriving at the waiver amount.

(iv) In case the overdue loan amount including interest exceeds Rs 50, 000/-, then the amount of waiver assistance under this package will be restricted to Rs 50,000/- and amount exceeding this limit may be either claimed from the weaver borrower or waived off by the lending institutions.

## **6. Implementation**

6.1 Wide publicity for the scheme will be given in both print and electronic media informing eligible weavers to apply to their bank branch for waiver.

6.2 Every branch of a lending institutions covered under this Scheme as a one time measure, shall prepare a list of borrowers who are eligible for waiver under this Scheme in consultation with the competent authority of the nodal department of the State Government about the status of the borrower as a handloom weaver and likely assessment of his credit needs in future. The list shall be displayed on the notice board of the branch of the lending institutions by a date stipulated at their discretion but not later than 60 days from the date of issuance of this Scheme.

If possible, the list may be posted on the website of the lending institutions. Subsequently, the shortlisted borrowers to be covered under the Scheme can be approached by a suitable formal letter seeking their willingness to take up handloom weaving activity in future by availing credit from the lending institutions.

6.3 While the Ministry of Textiles, Government of India will issue supplemental instructions to the lending institutions in respect of all incidental and ancillary matters on the Scheme, all legal disputes arising out of the decision in implementation of the scheme will be dealt with by the lending institutions.

6.4 NABARD shall be the nodal agency for releasing waiver assistance to the lending institutions. The same may be claimed by them in the manner as prescribed by NABARD.

6.5 The lending institutions shall extend fresh credit to the handloom weavers ( as in para 5.2 above) at the rate of interest as prescribed under the interest subvention scheme to be separately advised by NABARD. The details of credit guarantee available, if any, for such advances will also be notified by NABARD separately.

## **7. Obligations of the lending institutions**

7.1 Every lending institution shall be responsible for the correctness and integrity of the lists of weavers eligible under this Scheme and the particulars of the eligible waiver assistance to each handloom weaver. Each and every document maintained, list prepared and certificate issued by a lending institution for the purposes of this Scheme shall bear the signature and designation of an authorised officer of the lending institution.

7.2 Every lending institution shall appoint one or more Grievance Redressal Officers for each State (having regard to the number of branches in that State). The name and address of the Grievance Redressal Officer concerned shall be displayed in each branch of the lending institution. The Grievance Redressal Officer shall have the authority to receive representations from aggrieved weavers and pass appropriate orders thereon. The order of the Grievance Redressal Officer shall be final.

7.3 Any handloom weaver who is aggrieved on the ground that his name has not been included in either of the list referred to in paragraph 6.2, may make a representation through the branch from which he received the loan or directly to the Grievance Redressal Officer of the lending institution concerned and every such representation shall be disposed of within 30 days of receipt thereof.

## **8. Audit**

The books of account of every lending institution that has granted waiver assistance under this Scheme (including the books of accounts maintained at the branches) shall be subject to an audit in accordance with the procedure that may be prescribed by GoI. The audit may be conducted by concurrent auditors, statutory auditors or special auditors as may be directed by the GoI. The GoI, if it is satisfied that it is necessary to do so, may direct a special audit in the case of any lending institution or one or more branches of such lending institution.

## **9. Publicity**

9.1 A copy of this Scheme in English and in the official language or languages of the State/Union Territory shall be displayed in each branch of the lending institutions covered under this Scheme.

9.2 A copy of this Scheme will be available on the websites of the Ministry of Textiles, GoI, NABARD and all the lending institutions.

## **10. Interpretation and power to remove difficulties**

10.1 If any doubt arises on the interpretation of any paragraph of this Scheme or any instructions issued thereunder, the NIRMC shall resolve the issue and this decision of the NIRMC shall be final.

10.2 If any difficulty arises in giving effect to the provision of the Scheme or any instructions issued thereunder, the Government of India may by order do anything which appears to it to be necessary or expedient for the purposes of removing the difficulty.

## **11. NIRMC will have the powers to suitably modify this scheme to meet the operational requirements.**

**Annexure IV**

**Legal & Institutional Reforms Proposed under the Package**

The Revival, Reform & Restructuring Package for the handloom weavers societies is subject to the conditionalities related to Institutional & legal reform. It is also imperative that the State governments make a formal commitment for making specific changes in their legal and administrative framework related to functioning of weaver Cooperative societies. Although the willingness to participate in the Package will be totally optional, once exercised, the concerned State Government and the weaver society would have to accept the package in toto.

**A . LEGAL REFORMS**

1. In the light of categorization of Primary Weavers Cooperative Societies as viable, potentially viable and non viable units and the decision taken to exclude the non viable units from the purview of the financial Package, the State Governments may decide on the fate of the non viable weavers cooperatives, as there will be no recapitalisation for such non viable units.
2. States may initiate steps to undertake amendments to the relevant provisions of the State Cooperative Societies Act / Bye laws of the Societies to ensure the following:
  - To ensure democratic functioning of the weavers cooperatives and to conduct timely elections to the Board of Directors of the Primary and Apex Weavers cooperative societies.
  - To professionalize the management in Apex and Primary Weaver Societies.
  - To enable the cooperative banks to finance the Handloom Weavers Groups/members of the groups, Master weavers and Producer Companies floated in the handloom sector.
  - To ensuring functional autonomy in administrative and financial matters relating to:
    - I. Personnel policy & staffing pattern;
    - II. Recruitment, posting and compensation to staff;
    - III. Internal control systems, appointment of auditors and compensation for audit;
    - IV. Service conditions, appointment, salary structure and selection process of staff ;and
    - V. Freedom for societies on entry and exit from the structure at any level with no mandated restrictions of geographical boundaries for its operations.

3. Remove all restrictions on marketing of products to institutions/agencies, public or private, in and outside the State.
4. Remove restrictions if any in every day financial decisions by weaver cooperatives and enter into financial transactions with any financial institution regulated under the BR Act 1949. Freedom to weaver cooperatives, to borrow from other financial institutions, to supplement their own resources on the basis of their credit worthiness in the market.
5. Direct state interference in the financial management of the system, which is inimical to the health of the system, must be eliminated.
6. Making use of the geographical indication of goods (registering and production) Act,1999 for preserving the uniqueness of handloom products and prevent unauthorised copying by power looms. The “Handloom Mark” may be insisted up on all handloom products.
7. Ensure that CEOs and all staff of weavers Cooperative societies are appointed by Cooperatives themselves within certain norms and that they also decide on their service conditions. All employees also are answerable only to the Board of the weaver societies.

## **B. INSTITUTIONAL REFORM**

1. It is desirable to lay down clear norms of capital adequacy and provisioning, to ensure their good health.
2. Arrangements to be made for settlement of all pending rebate claims/dues to the primary and apex societies.
3. Reactivation of idle looms and revival of dormant /inactive looms in viable/potentially viable societies.
4. Need to lay down rules for proper investment and administration of the Porivent Fund collected from the weavers, currently placed in PWCS which in turn place the same in SB a/c with DCCBs.
5. Adopting mechanism for credit guarantee on weaver loans.
6. Initiating scheme for insurance against production losses of weavers as a result of loss/damage to stock, cloth under production from natural catastrophe like fire, flood etc.
7. Need for re-organisation of the societies based on viability
8. Emergent measures are necessary to update the books of accounts of weavers cooperatives.
9. Need for ensuring up to date audit of the apex and the primary weavers society.

10. Initiate steps to cleanse the balance sheets of apex and primary weavers societies as proposed in the package.
11. Facilitate the PWCS and AWCS to access credit from any financial institution.
12. Switch over to regular audit of Apex Weavers Credit Societies (AWCS) by Chartered Accountants (CA) and ensure also regular audit of all Primary Weavers Credit Societies (PWCS) by CA's or existing audit machinery of State Government at the discretion of the Society.
13. Initiate measures for adopting the Common Accounting System (CAS) and Management Information System (MIS) to be evolved by NABARD.
  - Introducing components of accountability and house keeping.
  - Restructuring of the business by closing/pruning down the loss making showrooms/merge Regional Offices /streamline their operations.
  - HRD components for compulsory transition to more transparent and accountable management practices (ex. CAS, MIS, preparing business development plans etc.). Arrange training in this respect in coordination with NABARD.
  - Put in place a plan for computerisation of weavers society at primary level.

The release of funds under the package will be linked to the progress in actual implementation of the Revival Package by taking following steps on weaver societies in their jurisdiction:

1. Release of State government dues to Apex & Primary Weaver Societies as necessary preconditions.
2. Taking steps to commence the process of legal & institutional reforms .

The State Government should further agree to :

1. the principle that the assistance will be available only to viable or potentially viable societies (as defined under the package) and those which are non viable should be liquidated.
2. The determination of the quantum of assistance to which institutional societies are eligible, will be based on a special audit of accounts upto the year 2009-10 under the supervision of the implementing agency i.e. NABARD.
3. Participate in the programme to train personnel, upgrade internal accounting, reporting and control systems at different levels to equip weaver societies for business growth & credit management.

**Annexure V**

**MEMORANDUM OF UNDERSTANDING**

THIS MEMORANDUM OF UNDERSTANDING made on the ----- day of -----

AMONG

**The President of India** (hereinafter referred to as the “the Central Government”) as represented by ----- OF THE FIRST PART

AND

**The Governor of the State of** ----- (hereinafter referred to as the “the State Government”) as represented by ----- OF THE SECOND PART

AND

**National Bank for Agriculture and Rural Development**, a body corporate established under National Bank for Agriculture and Rural Development Act, 1981 and having its Head Office at C-24, G-Block, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051 hereinafter referred to as “NABARD” (which expression shall, unless repugnant to the context or meaning thereof, include its successors and assigns) as represented by ----- OF THE THIRD PART

**WHEREAS**

1. It is considered necessary as a national priority to take necessary steps and implement the package for revival of the Handloom Sector comprising of :
  - (a) Apex/Regional Handloom Weavers Co-operative Societies
  - (b) Primary Handloom Weavers Co-operative Societies at ground level, in the cooperative fold.
2. The complementary roles of State Governments and NABARD are recognized with the Central Govt. for implementation of the package, particularly focussing on policy matters, fund support for implementation of the development packages, directing, advising and guiding on strategies of implementation, monitoring and supervising the progress etc.

3. To achieve the objectives outlined herein above, it is considered expedient for the Central Govt., State Govts. and NABARD to enter into this Memorandum of Understanding (MoU) for implementation of the Revival Package for the Handloom Sector (herein after referred as the “**Package**”) as per consensus arrived at by the Central Govt. with State Govts. on the Revival and Reform of Handloom Sector.

**NOW, IT IS THEREFORE AGREED BY AND AMONG THE PARTIES AS FOLLOWS:-**

**1) BASIC TERMS:**

The basic terms of the scheme of the Package shall be as follows:

- a) The central Government and the State Governments shall release adequate resources as indicated in the Package for due implementation of the scheme. The Package appended to this Memorandum as Annexure A shall be read as part and parcel of this memorandum.
- (b) The State specific on-going programmes, if any, for development of weavers shall be accommodated with necessary flexibility without diluting the objectives.
- (c) State Government shall commit for legal and institutional reforms as a precondition for implementation of the package.
- (d) Issues on interpretation and implementation of the Package shall be referred to the Implementation, Monitoring and Review Committee constituted at the National Level and its decision shall be binding.
- (e) NABARD shall be implementing agency for the Package.

**2) Scope and Coverage**

a) To promote and develop handloom weavers outside the cooperative fold including agencies involved in pre-loom and post-loom activities in handloom sector on a sustainable basis, with a view to generate employment in Handloom Sector and to provide welfare measures to handloom weavers families by way of:

- (i) Facilitate formation of Handloom Weavers Groups (HWGs) with emphasis on handloom clusters, consisting of members drawn from one or more of the agencies such as Master Weavers, private entrepreneurs, individual weaver families, members of non viable primary

handloom weavers cooperative societies, etc. in a manner as set out in the Handloom Weavers Group Scheme.

(ii) Facilitate formation of Rural Producers companies registered under Companies Act, 1956 comprising of traders, entrepreneurs, Private and Public Companies, members of viable Primary Handloom Weavers Cooperative Societies, etc.

(iii) Extend financial assistance through banks for Master Weavers who extend production input, wages, marketing support, design upgradation support etc. to weavers/members of weavers in HWGs.

b) The Central Govt. has authorised NABARD to implement the Package on its behalf.

c) In addition to the assistance under the Package, NABARD may provide eligible refinance assistance subject to fulfillment of obligations by the State Govt. and the entities seeking refinance from NABARD, as outlined in the Package.

### **3) ROLE OF NABARD**

NABARD as an implementing agency shall:

(a) Assess the extent of subvention required to enable Central Govt to provide fund support under the Package.

(b) Prepare a scheme for providing appropriate relief measures to Primary and Apex Handloom Weaver Cooperative Societies, Individual weavers financed by banks by waiver of overdue loans and overdue interest as on 31 March 2010. Fund requirements for the waiver will be provided by Central Government, State Govt and financial institutions within the required provisions of the Package.

(c) Provide refinance assistance against loans extended by banks to weavers cooperatives.

(d) Provide refinance to banks against loans provided for handloom upgradation.

(e) Plan its future developmental and promotional programmes related to weavers sector taking into account the provisions of this Package.

(f) Initiate steps for Training Need Analysis for stakeholders in handloom sector (Banks, Apex Weaver Societies and PWCS) with a view to formulate training modules in the area of management, operational and financial matters.

(g) Issue guidelines to train personnel as under:

- i. Officials of PWCS and Apex Handloom Weavers Societies on financial and production management as well as marketing skills.
  - ii. Handloom Weavers Group promoting agencies such as NGOs, implementing banks, Officials of State Handloom Directorate and NABARD officials.
  - iii. Entrepreneurs/Master Weavers, member of PWCS and HWGs for skill upgradation, design development and marketing skills.
- (h) Develop Common Accounting System (CAS) & MIS for the entire country in respect of PWCS and Apex Weaver Societies.
- (i) Facilitate Organisation of Handloom Weavers Groups by NGOs/Banks/Other agencies and link them with banks for credit support with refinance assistance from NABARD.
- (j) Provide need-based support for undertaking research to Universities/IITs/ IIMs or similar recognised organisations in improving technology upgradation of looms, process improvement on post-loom and pre-loom activities.
- (k) Evolving guidelines of computerisation of Apex and Primary Weavers Societies.

#### **4) ROLE OF THE CENTRAL GOVERNMENT**

The Central Government as a main stake holder in development of Handloom sector shall:

- (a) Allocate funds for cleansing the balance sheets of the Primary and Apex handloom Weavers Cooperative Societies as well as provide relief to individual weavers financed through banks as envisaged in the package.
- (b) Central Government will formulate a scheme/package with due contribution from State Govts. and Financial Institution for waiver of overdue loans and overdue interest.
- (c) Place funds upfront with NABARD for providing subvention support in respect of loans to Societies/Weavers.
- (d) Provide support to weavers for necessary infrastructure creation such as yarn banks and upgradation of existing pit looms into Jacquard looms and Frame looms.
- (e) Initiate steps to recognise Rural Producers Companies/Public Private Partnerships as new models to organise weavers, craftsmen, traders, etc. for providing integrated credit and marketing support.
- (f) Link the subsidy oriented bankable schemes of State/Central Govts. with bank credit.

(g) Confer the **Nodal Agency responsibility to NABARD** in administering the credit Guarantee Scheme and Interest subvention schemes for handloom weavers.

(h) Provide funds and budgetary support for other components of Package mainly (i) HRD interventions (ii) Implementation costs (iii) Computerisation of PWCS / Apex WCS (iv) Designing Common Accounting and Management Infrastructure Systems.

(i) Prepare a comprehensive plan for marketing handloom products such as branding, pricing, targeting, media publicity, web site development, tie-ups, collaboration with private sector, exploring export potential, etc.

(j) Put in place appropriate norms and legislation to smoothen the registration & operation of Rural Producers Companies.

(k) Constitute a National Policy and Review Forum for innovations and initiatives to revive the rural handloom industry.

## **5) ROLE OF THE STATE GOVERNMENT**

**(I)** The State Government as a major stake holder in handloom weavers development shall:

(a) Arrange for Conducting of a special audit of Apex & Primary Weavers Society if requested by GoI and NABARD and for submitting of report within the stipulated time.

(b) Undertake to actively involve in conduct of the training/intervention programmes for the benefit of handloom weavers and its logical follow up.

(c) Allocate sufficient resources, human and financial, for meeting its commitments as the Central Govt. may like.

(d) Agree to adopt the Common Accounting System for weaver cooperatives to be developed.

(e) Develop and maintain a data bank and website on Handloom Weavers in co-ordination with Regional Offices of NABARD.

(f) Assist banks/NGOs etc. in formation of Handloom Weavers Groups (HWGs) in the State as per the provisions of the Package.

(g) Involve in identification of Handloom clusters in the State.

(h) Develop a robust system to update the audit of PWCS and Apex Societies. Using the services of Chartered Accountants for Apex Societies may be considered in this respect.

**(II)** The State Government shall make necessary amendments in the State Co-operative Societies Act, Rules and the bye-laws to facilitate implementation of the reform measures as given in the Package more specifically on the aspects given herein below:-

**i)** Providing autonomy to weavers cooperative societies in financial and internal administrative matters, especially in the following areas:

(a) Borrowings and investments,

(b) Personnel policy, staffing, recruitment, posting and compensation to staff subject to norms worked out by GoI,

(c) Internal control systems, appointment of auditors and compensation for the audit and

(d) Purchase of inputs and sale of finished products.

**ii)** Allowing freedom of entry and exit to Weavers Societies with no mandated restrictions of geographical boundaries for its operations in respect of business. Membership of the Societies may however be restricted to District / State boundaries;

**iii)** Withdrawing any restrictive orders on business/financial matters.

**iv)** Laying down sound policy guidelines for the purpose of payment of dividend by Apex Societies/PWCS.

**v)** State Government should facilitate democratic functioning of the weavers societies, and the Board of PWCS may be superseded by the RCS amongst others, under the following conditions:

(i) if serious financial irregularities or frauds have been identified, or taken place

(ii) if there are judicial directives to this effect or there is perpetual lack of quorum.

**vi)** Ensuring timely elections.

**vii)** Enabling Cooperative Institutions financing weavers to finance HWGs, Master Weavers and Producer Companies.

**viii)** Enable PWCS/Apex Societies to access credit support from any financial institution set up under any Statute.

**6)** The State shall immediately issue necessary Administrative Orders for the participation of all the connected entities in the implementation of the Package.

**7)** Weak Apex Handloom Weaver Societies should be restructured as per the Guidelines of Development Commissioner (Handloom), Government of India.

**8) Constitution of State Level Implementation, Monitoring & Review Committees (SIMRC)** to monitor progress in implementation in each State, with officials from the State Govt., NABARD, SLBC Convenor, MD(SCB), CEO (Apex Weavers' Societies) etc. Nodal department of the State will convene the meeting monthly.

**9) The National Level Implementation, Monitoring & Review Committee (NIRMC)** to be constituted by Ministry of Textiles, GoI. The Committee will be the policy making body and clearing house on any policy issues as well as oversee the overall implementation of the Package. Issues not sorted out by the SIMRC will be referred to the NIRMC.

In witness there of, the parties have signed the Memorandum of Understanding on the day, month and year first above mentioned.

Signed, sealed and delivered for and on behalf of the Ministry of Textiles, GoI represented by ---  
-----

In the presence of

- 1.
- 2.

Signed, sealed and delivered for and on behalf of Director of Handlooms/Textiles -----  
State Govt represented by -----

In the presence of

- 1.
- 2.

Signed, sealed and delivered for and on behalf of NABARD represented by -----  
-----

In the presence of

- 1.
- 2.