

August 24, 2006

The Chairman/Managing Director
/Chief Executive Officer
All Scheduled Commercial Banks
(including RRBs & LABs)

Dear Sir,

Bank Credit to Khadi and Village Industries (KVI) Sector

Please refer to our circulars RPCD.PLNFS.BC.No.16/06.06.12 (D)/94-95 dated July 28, 1994 and RPCD.PLNFS.No.620/06.02.28(i)/2002-03 dated September 11, 2003 respectively advising all Scheduled Commercial Banks to recognize Interest Subsidy Eligibility Certificate (ISEC) issued by Khadi and Village Industries Commission (KVIC) for extending credit to khadi institutions and entrepreneurs provided KVIC's assessment for working capital requirement does not exceed the assessment made by banks by more than 10%.

2. KVIC has recently brought to our notice that some of the banks are not honouring the Interest Subsidy Eligibility Certificate (ISEC) issued by them for extending credit to khadi institutions and entrepreneurs. They have further pointed out that some of the banks are insisting on collateral for extending credit to khadi institutions and entrepreneurs.

3. Since the KVI sector is playing an important role in creating employment opportunities for poor people in rural areas, we shall be glad if you please initiate necessary steps to rectify the above position. Action taken in this regard may please be advised to us at the earliest.

4. Please acknowledge receipt.

Yours faithfully,

(G.Srinivasan)
Chief General Manager