



Ref.No.KSFC/HO/CMD/ED(F)/307/2010-11

Date : 11.06.2010

**CIRCULAR No.908**

Sub: Interest subsidy scheme for SC/ST Entrepreneurs.

Ref: 1) Circular No.786 dated 30.03.2007;

2) Circular No.868 dated 28.07.2009;

3) Circular No.887(A) dated 24.02.2010.

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As you are aware, the Government of Karnataka vide its GO No.SWD 122 SLP 2006, dated 05.03.2007 and GO No. SWD 76 SLP 2008, dated 15.07.2009 has implemented the interest subsidy scheme for SC and ST entrepreneurs respectively. However, these GOs were silent about the maximum limit on project cost and list of activities that can be financed. Further, the Social Welfare Department vide its letter dated 19.02.2010 advised the Corporation to follow certain guidelines till further orders. The same has been implemented in the Corporation vide Circular No.887 (A) dated 24.02.2010.

Now, the Government of Karnataka vide its Government Order No. SWD 76 SLP 2008, Bangalore dated 22.05.2010 has issued revised interest subsidy scheme with detailed guidelines prescribing about ceiling on the term loans, activities that are eligible for finance, promoters who are eligible to be covered under the scheme etc., A copy of the said GO is enclosed herewith for ready reference. All the concerned are hereby instructed to go through this revised GO and follow the guidelines given therein strictly while considering the loan proposals under the scheme. This circular supersedes the earlier guidelines issued on the subject.

The contents of this Circular shall be brought to the notice of all the concerned in your office / department.

Sd/-

**CHAIRMAN & MANAGING DIRECTOR**

To:

All BMs

All ZMs / DGMs of Super 'A' Branches / IA Cells

All Principal Officers / Section Heads in HO

All General Managers

Library

Executive Directors – for information.



PROCEEDINGS OF THE GOVERNMENT OF KARNATAKA

Subject: Interest subsidy scheme for SC/ST entrepreneurs – reg.

- Read:- (1) G.O.No.SWD 122 SLP 2006, dated 05.03.2007.  
(2) G.O.No.SWD 76 SLP 2008, dated 05.06.2009.  
(3) G.O.No.SWD 76 SLP 2008, dated 15.07.2009.

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The Government of Karnataka in Social Welfare Department had issued the government orders in 2007 and 2009 providing details of interest subsidy schemes to Scheduled Caste/Scheduled Tribe entrepreneurs. However, in the above said government orders the maximum limit of project cost and the list of activities were not indicated. It is informed by the Karnataka State Finance Corporation through which the interest subsidy scheme is being implemented, that the Karnataka State Finance Corporation is receiving applications for large loan amounts in the range of Rs.1.00 crore and above etc., and also for various activities including real estate. Hence, they suggested to review the existing Government Orders in order to make it clear and specific.

In this connection, a meeting was also convened by the Social Welfare department inviting the officers of Karnataka State Finance Corporation and the officers of department. After discussing in detail, it was felt necessary to prescribe a limit of project loan for availing interest subsidy and also to specify certain activities. It is also felt that prescribing a ceiling on the project loan is desirable in order to assist a large number of entrepreneurs, instead of giving large scale assistance to few persons. Generation of employment is very important aspect of any incentive scheme. Further, the subsidy amount available with the concerned departments is also limited. The assistance may be extended on priority to first generation entrepreneurs. Therefore, it is essential to review the scheme.

Hence the following order.

GOVERNMENT ORDER NO.SWD 76 SLP 2008, BANGALORE, DATED:22-05-2010

In view of the above and in order to encourage Scheduled Caste/Scheduled Tribe entrepreneurs to establish micro and small scale industrial / service / business units, it is hereby ordered to extend the revised interest subsidy scheme on term loans to Scheduled Caste/Scheduled Tribe entrepreneurs being sanctioned by Karnataka State Finance Corporation Limited.

2. The interest subsidy amount shall be reimbursed to the Karnataka State Finance Corporation Limited by the Commissioner for Social Welfare for Scheduled Caste beneficiaries and Director for Scheduled Tribes for Scheduled Tribe beneficiaries on receiving the claims from Karnataka State Finance Corporation Limited.
3. The amount of interest subsidy is to be met from the pooled funds under its respective head of accounts.
4. The terms and conditions of the scheme are as under.



- (1) The scheme is to be implemented through Karnataka State Finance Corporation Limited. The units engaged in the business activities as per Karnataka State Finance Corporation Limited norms are eligible to claim interest subsidy under the scheme.
- (2) The scheme may be made applicable to promoters / entrepreneurs:
  - (a) who takes up the business proposals for the first time
  - (b) who takes up expansion, modernization and diversification of existing units but not availed the interest subsidy earlier
  - (c) the entrepreneurs are eligible to avail the benefit only once
- (3) The unit shall be fully owned i.e., 100% by Scheduled Caste / Scheduled Tribe entrepreneurs. The ownership / share holding of units even in part by other than Scheduled Caste / Scheduled Tribe are not eligible for interest subsidy. But all partners / entrepreneurs either can be Scheduled Castes / Scheduled Tribes or both.
- (4) In case of combined entrepreneurship of both Scheduled Caste / Scheduled Tribe, then the unit will be categorized based on the maximum holdings of partners / share holders. In case of equal ownership the subsidy amount will be borne by both Scheduled Caste / Scheduled Tribe departments equally.
- (5) The KSFC should also prescribe a condition that the unit availing the interest subsidy scheme should provide employment to SC/ST persons to the extent of 50% of the employees to be employed.
- (6) The person(s) who applied for availing the interest subsidy scheme should submit the caste certificate issued by competent authority of Revenue department along with the Application. In case of doubt on the Caste Certificate or on the issue of eligibility of person (s) to avail the benefit of the scheme, the same may be referred to the Social Welfare department for clarification etc. Further, the applicants may be asked to furnish an affidavit attested by notary public declaring by his / her self should be liable for prosecution as well as to pay back the entire interest subsidy availed in case the Caste Certificate found to be false.
- (7) The units will be eligible for interest subsidy for a period of five years from the date of first disbursement of the loan.
- (8) The minimum loan size is Rs.5.00 lakhs for all activities except existing units going for expansion / diversification / modernization. In case of Medical and Veterinary Doctors where the minimum limit is Rs.2.00 lakhs only.
- (10) The Karnataka State Finance Corporation is at liberty to consider any amount of the project cost However, the interest subsidy is restricted to:

Rs.2.00 crores of the loan. If the loan amount is more than Rs.2.00 crores, then the full interest amount on the balance loan beyond Rs.2.00 crore is required to be borne by the entrepreneurs.



- (11) Karnataka State Finance Corporation may sanction loans with normal applicable rates of interest. The effective interest rate to be paid by the beneficiary / borrower in all cases is 4%. The difference between the normal lending rate of Karnataka State Finance Corporation and effective interest rate of 4% will be reimbursed by the Government of Karnataka.
- (12) This scheme shall only be an interest subsidy scheme. The overall financial eligibility criteria shall not be relaxed and Karnataka State Finance Corporation may not treat the loanees of Scheduled Caste / Scheduled Tribe differently with respect to their eligibility for the loan.
- (13) Karnataka State Finance Corporation will be fully responsible for recovery of the principal and interest @4%. Government shall release its subsidy over and above the 4% interest only after the due principal installments and the interest have been collected from the borrower.
- (14) The units which availed the interest subsidy under any other scheme of Government of Karnataka / Government of India are not eligible for interest subsidy under this scheme.

This issues with the concurrence of Finance Department vide no.FD 252 Exp.3/10, dated 17-05-2010.

By order in the name of  
Governor of Karnataka

Sd/-  
(A.M.Chidanandaswamy)  
Under Secretary to Government-1  
Social Welfare Department.