

**OFFICE OF THE COMMISSIONER
FOR KHADI AND VILLAGE INDUSTRIES
3, IRLA ROAD, VILE PARLE (WEST), MUMBAI-400 056**

No.PMEGP/PV.Gen.Corr./2011-12

Date: 19.09.2011

27

C I R C U L A R

Sub: Directions for implementation of PMEGP scheme as per norms set up under PMEGP guidelines.

The PMEGP scheme launched in 2008-09 is in fourth year of implementation and the Ministry has so far released an amount of ₹.2897.38 Cr. under the Scheme. 1,29,736 projects have been sanctioned till 23.8.2011. 100% physical verification is being carried out in all the States in the country for verifying the actual establishment and setting up of PMEGP units in the country and to ascertain whether they are fulfilling PMEGP guidelines and norms. Various guidelines and instructions have also been issued under signature of CEO, KVIC in this regard for expeditious completion of 100% physical verification, uploading PMEGP applications into e-tracking system, sample verification by KVIC Field Directors to check working capital utilization etc.

2. Ministry of MSME is also regularly reviewing the implementation and progress of PMEGP in various review meetings chaired by Secretary, MSME. Certain Key areas have been emphasized as a part of corrective midcourse action by Ministry of MSME vide letter D.O.No. PMEGP/Cor./1/2011(pt) dated 1st September 2011, of Joint Secretary & Economic

Advisor, Ministry of MSME, New Delhi and attention is drawn of all implementing agencies of PMEGP scheme for their immediate compliance, the same are detailed below:

- i. As per para 11(ii) of PMEGP guidelines, the margin money subsidy is credited to the borrowers loan account after three year from the date of first disbursement. Also, para 13 provides for 100% physical verification of each of the unit set up under the PMEGP as regards their actual establishment and working status to be done by KVIC. As the process of verification is on, adjustment of TDRs should be allowed by KVIC only in case of PMEGP units where physical verification has confirmed that the units have been found to be actually established and is working.
- ii. Also as per para 11(ii) (1) of PMEGP guidelines, the margin money subsidy released in favour of beneficiary is required to be kept in TDR for three years at Bank branch level in the name of beneficiary. No interest is to be charged on the TDR and no interest charged on the loan on the corresponding amount of TDR. Thus, the guidelines provide for banks to charge interest only on that part of loan by which it exceeds the TDR amount. It may be ensured that Banks are complying with these guidelines and matters be taken at SLBC, DLBC, SLMC and separately in Bankers review meetings for follow up and strict compliance of the provisions with no exceptions whatsoever, with Banks.

- iii. It is presumed that the first installment of loan disbursed to the beneficiary account is at least equal if not more than the TDR/ margin money subsidy amount, else Banks should pay interest for the part the TDR by which it exceeds the loan amount already disbursed. This aspect is to be observed and complied during the period of TDR.
- iv. In addition to the above, as per para 8.2 of PMEGP guidelines, banks finance working capital expenditure in the form of cash credit. Para 8.4 of the guidelines provides that working capital component should be utilized in such a way that at one point of time within three years of lock in period of margin money, the cash credit availment touches 100% of limit of the sanctioned cash credit and never falls below 75% of the said limit. If it does not touch 100% limit, proportionate amount of the margin money subsidy is to be recovered by bank concerned and refunded to KVIC at the end of third year. The cash credit availment has to be determined on the basis of the average level of daily cash credit availment by the beneficiary for the project during the entire lock-in period of three years of TDR. This may kindly be noted and compliance be ensured.

3. The compliance of the above directions is to be taken up most seriously by all the implementing agencies i.e. KVIC, KVIB, DICs and Banks and concerned officers at field level should be properly sensitized to ensure the required action as has been detailed above. Meeting with Banks implementing agencies and all concerned to ensure compliance of the above directions should be taken up by State

/Divisional Directors. Zonal Dy.C.E.Os. should ensure and monitor compliance of the above directions.

4. The above directions should be taken up on top most priority.

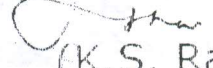

(J.S. Mishra)
Commissioner

To

1. All Zonal Dy.C.E.O.s, KVIC.
2. All State /Divisional Directors of KVIC
3. All CEOs of State/UT KVI Boards
4. Director of Industries of all State/UT Govts.
5. All CMDs of Public Sector Banks

Copy for kind information to:

1. ASFA, Ministry of MSME, GOI, New Delhi.
2. Joint Secretary and Economic Advisor, Ministry of MSME, New Delhi.
3. O.S.D to Commissioner for KVI
4. A.O to F.A Cell, KVIC
5. Dy. Director, CVO cell, KVIC, Mumbai
6. P.A. to Jt.C.E.O, KVIC
7. Director (IT) for web-site
8. Director (Publicity) for publishing in Jagriti
9. Director (Hindi Cell) for Hindi version.


(K.S. Rao)
Director (PMEGP)