



भारतीय स्टेट बैंक  
**State Bank of India**  
Corporate Centre - Mumbai

## *e-Circular*

REGIONAL RURAL BANKS, LEAD BANK  
COMMUNITY SERVICES.

Sl. No. : 57/2009 - 10

Circular No. : NBG/RRBLBCSB-LB/2/2009 - 10

Wednesday, April 22, 2009.

### MASTER CIRCULAR

PRIME MINISTER'S EMPLOYMENT GENERATION PROGRAMME (PMEGP)



STATE BANK OF INDIA  
LEAD BANK DEPARTMENT  
AGRI BUSINESS UNIT  
CORPORATE CENTRE  
MUMBAI

Master Circular No. ABU/LB/PMEGP/1

Date: 22.04.2009

All the Branches / LHOs

Madam / Sir,

MASTER CIRCULAR  
PRIME MINISTER'S EMPLOYMENT GENERATION PROGRAMME (PMEGP)

The PMEGP Scheme was introduced by the Government of India w.e.f. 15.08.2008. To enable the operating functionaries to have current instructions at one place, a Master Circular incorporating all the existing Circulars/Instructions has been prepared and is appended. We advise that this Master Circular consolidates all the previous instructions issued by us up to 31.03.2009.

Yours faithfully,

Sd/-  
Chief General Manager  
(Rural Business)

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## **SALIENT FEATURES OF PRIME MINISTER'S EMPLOYMENT GENERATION PROGRAMME (PMEGP)**

### **Scheme**

The Government of India has introduced a new credit linked subsidy programme called Prime Minister's Employment Generation Programme (PMEGP) by merging the two schemes that were in operation till 31.03.2008 namely Prime Minister's Rojgar Yojana (PMRY) and Rural Employment Generation Programme (REGP) for generation of employment opportunities through establishment of micro enterprises in rural as well as urban areas. PMEGP will be a central sector scheme to be administered by the Ministry of Micro, Small and Medium Enterprises (MoMSME). The Scheme will be implemented by Khadi and Village Industries Commission (KVIC), a statutory organization under the administrative control of the Ministry of MSME as the single nodal agency at the National level. At the State level, the Scheme will be implemented through State KVIC Directorates, State Khadi and Village Industries Boards (KVIBs) and District Industries Centres (DICs) and banks.

### **2. Objective**

- To generate employment opportunities in rural as well as urban areas of the country through setting up of new self-employment ventures/projects/micro enterprises.
- To bring together widely dispersed traditional artisans/ rural and urban unemployed youth and give them self-employment opportunities to the extent possible, at their place.
- To provide continuous and sustainable employment to a large segment of traditional and prospective artisans and rural and urban unemployed youth in the country, so as to help arrest migration of rural youth to urban areas.
- To increase the wage earning capacity of artisans and contribute to increase in the growth rate of rural and urban employment.

### 3. Quantum and Nature of Financial Assistance Levels of funding under PMEGP

Categories of beneficiaries under PMEGP	Beneficiary's contribution (of project cost)	Rate of Subsidy (of project Cost)	
		Urban	Rural
General Category	10%	15%	25%
Special (SC/ST/OBC/Minority/Woman/Ex-servicemen, Physically Handicapped, Hill & Border area)	5%	25%	35%

(Note:

(1) The maximum cost of the project/unit admissible under manufacturing sector is Rs.25 lakhs.

(2) The maximum cost of the project/unit admissible under business/service sector is Rs. 10 lakhs.

(3) The balance amount of the total project cost will be provided by Banks as term loan)

### 4. Eligibility Conditions of Beneficiaries

- Any individual, above 18 years of age
- There will be no income ceiling for assistance for setting up of projects under PMEGP.
- For setting up of project costing above Rs.10 lakhs in the manufacturing sector and above Rs. 5 lakhs in the business /service sector, the beneficiaries should possess at least VIII standard pass educational qualification.
- Assistance under the Scheme is available only for new projects sanctioned specifically under the PMEGP.
- Self Help Groups (including those belonging to BPL provided that they have not availed benefits under any other Scheme) are also eligible for assistance under PMEGP.
- Institutions registered under Societies Registration Act, 1860
- Production Co-operative Societies,
- Charitable Trusts.
- Existing Units (under PMRY, REGP or any other scheme of Government of India or State Government) and the units that have already availed subsidy under any other scheme of Government of India or State Government are not eligible.

#### 4.1 Other eligibility conditions

- A certified copy of the caste/community certificate or relevant document issued by the competent authority in the case of other special categories is required to be produced by the beneficiary to the concerned branch of the Banks along with the Margin Money (subsidy) Claim
- A certified copy of the bye-laws of the institutions is required to be appended to the Margin Money (subsidy) Claim, wherever necessary.
- Project cost will include Capital Expenditure and one cycle of Working Capital. Projects without Capital Expenditure are not eligible for financing under the Scheme. Projects costing more than Rs.5 lakhs, which do not require working capital, need clearance from the Regional Office or Controller of the Bank's Branch and the claims are required to be submitted with such certified copy of approval from Regional Office or Controller, as the case may be
- Cost of the land should not be included in the Project cost. Cost of the ready built as well as long lease or rental work shed/ work shop can be included in the project cost subject to restricting such cost of ready built as well as long lease or rental work shed/work shop to be included in the project cost calculated for a maximum period of 3 years only.
- PMEGP is applicable to all new viable micro enterprises, including Village Industries projects except activities indicated in the negative list of Village Industries. Existing/old units are not eligible (Please refer Paragraph No. 17)

(Note:

- The Institutions/Production Co-operative Societies/Trusts specifically registered as such and SC/ ST/ OBC/ Women/ Physically Handicapped / Ex-Servicemen and Minority Institutions with necessary provisions in the bye-laws to that effect are eligible for Margin Money (subsidy) for the special categories. However, for Institutions /Production Cooperative Societies/Trusts not registered as belonging to special categories, will be eligible for Margin Money (Subsidy) for general category.
- Only one person from one family is eligible for obtaining financial assistance for setting up of projects under PMEGP. The 'family' includes self and spouse)

#### 5. Implementing Agencies

5.1 The Scheme will be implemented by Khadi and Village Industries Commission (KVIC), Mumbai, which will be the single nodal agency at the national level. At the State level, the scheme will be implemented through State Directorates of KVIC, State Khadi and Village Industries Boards (KVIBs) and

District Industries Centres in rural areas. In urban areas, the Scheme will be implemented by the State District Industries Centres (DICs) only.

## **6. Financial Institutions**

- 27 Public Sector Banks.
- All Regional Rural Banks.
- Co-operative Banks approved by State Level Task Force Committee headed by Principal Secretary (Industries)/ Commissioner (Industries)
- Private Sector Scheduled Commercial Banks approved by State Level Task Force Committee headed by Principal Secretary (Industries)/ Commissioner (Industries).
- Small Industries Development Bank of India (SIDBI).

## **7. Identification of beneficiaries**

The identification of beneficiaries will be done at the district level by a Task Force consisting of representatives from KVIC/State KVIB and State DICs and Banks. The Task force would be headed by the District Magistrate / Deputy Commissioner / Collector concerned. The Bankers should be involved right from the beginning to ensure that bunching of applications is avoided. However, the applicants, who have already undergone training of at least two weeks under Entrepreneurship Development Programme (EDP) / Skill Development Programme (SDP) / Entrepreneurship cum Skill Development Programme (ESDP) or Vocational Training (VT) will be allowed to submit applications directly to Banks. However, the Banks will refer the application to the Task Force for its consideration. Exaggeration in the cost of the project with a view only to availing higher amount of subsidy should not be allowed. KVIC has devised a score card and forwarded it to the District Level Task Force and other State/District functionaries. This score board will form the basis for the selection of beneficiaries. This score card will also be displayed on the websites of KVIC and Ministry. The selection process should be through a transparent, objective and fair process and Panchayati Raj Institutions should be involved in the process of selection (Para 11 (i)(b) of the guidelines refers).

## **8. Bank Finance**

**8.1** The Bank will sanction 90% of the project cost in case of General Category of beneficiary/institution and 95% in case of special category of the beneficiary/institution, and disburse full amount suitably for setting up of the project.

**8.2** Bank will finance Capital Expenditure in the form of Term Loan and Working Capital in the form of cash credit. Project can also be financed by the Bank in the form of Composite Loan consisting of Capital Expenditure and Working Capital. The amount of Bank Credit will be ranging between 60-75% of the total project

cost after deducting 15-35% of margin money (subsidy) and owner's contribution of 10% from beneficiaries belonging to general category and 5% from beneficiaries belonging to special categories.

**8.3** Though Banks will claim Margin Money (subsidy) on the basis of projections of Capital Expenditure in the project report and sanction thereof, Margin Money (subsidy) on the actual availment of Capital Expenditure only will be retained and excess, if any, will be refunded to KVIC, immediately after the project is ready for commencement of production.

**8.4** Working Capital component should be utilized in such a way that at one point of stage it touches 100% limit of Cash Credit within three years of lock in period of Margin Money and not less than 75% utilization of the sanctioned limit. If it does not touch aforesaid limit, proportionate amount of the Margin Money (subsidy) is to be recovered by the Bank/Financial Institution and refunded to the KVIC at the end of the third year.

**8.5** Rate of interest: Normal rate of interest shall be charged.

**8.6.** Repayment: Repayment schedule may range between 3 to 7 years after an initial moratorium period of maximum 12 months

## **9. Village Industry**

Any Village Industry including Coir based projects (except those mentioned in the negative list) located in the rural area which produces any goods or renders any service with or without the use of power and in which the fixed capital investment per head of a full time artisan or worker i.e. Capital Expenditure on work shop/ work shed, machinery and furniture divided by full time employment created by the project does not exceed Rs. 1 lakh in plain areas and Rs.1.50 lakh in hilly areas.

## **10. Rural Area**

- Any area classified as Village as per the revenue record of the State/Union Territory, irrespective of population.
- It will also include any area even if classified as town, provided its population does not exceed 20,000 persons.

## **11. Modalities of operation of the Scheme**

Project proposals will be invited from potential beneficiaries at district level through press, advertisement, radio and other multi-media by KVIC, KVIBs and DICs at periodical intervals depending on the target allotted to that particular district.



(a) Sponsoring of project by any agency is not mandatory. The beneficiary can directly approach Bank/Financial Institution along with his/her project proposal or it can be sponsored by KVIC/ KVIBs / DIC/Panchayat Karyalayas etc. However, the applications received directly by the Banks will be referred to the Task Force for its consideration.

(b) A Task Force, consisting of the following members, will be set up to scrutinize the applications received by it:

- Dist Magistrate/Deputy Commissioner/Collector - Chairman
- Lead Bank Manager - Member
- Representative of KVIC/KVIB - Member
- Representative of NYKS/SC/ST Corporation - Special Invitee
- Representative of MSME-DI, ITI/Polytechnic - Special Invitee
- Representatives from Panchayats - 3 members

(To be nominated by Chairman/District Magistrate/Deputy Commissioner/Collector by rotation)

- General Manager, DIC or State Director of KVIC -Member Convener

(Note: Task Force may also co-opt representatives of other lending institutions).

(c) The Task Force will scrutinize the applications and based on the experience, technical qualification, skill, viability of the project etc., the task force will shortlist the applications and call for an interview of the applicants separately for rural and urban areas to assess their knowledge about the proposed project, aptitude, interest, skill and entrepreneurship abilities, market available, sincerity to repay and make the proposed project success.

(d) KVIC will identify the Nodal Banks at State level in consultation with State Governments and will forward the list to all the implementing agencies.

(e) Banks will take their own credit decision on the basis of viability of each project. No collateral security will be insisted upon by Banks in line with the guidelines of RBI for projects involving loan upto Rs. 5 lakhs in respect of the projects cleared by the Task Force. However, they will appraise projects both technically and economically after ensuring that each project fulfills inter alia the criteria of

- Industry
- Per Capita Investment
- Own Contribution
- Rural Areas (projects sponsored by KVIC/ KVIBs/DICs)
- Negative List (Para 17 of the guidelines refers) It is essential that the applications cleared by the District Task Force also fulfill these requirements at that stage itself so as to avoid delays in approval of loans in Banks.

(f) Once the project is sanctioned and before the first installment of the Bank Finance is released to the beneficiary, Bank will inform the State/Regional Office of the KVIC/KVIBs/State DICs, as the case may be, for arranging EDP training (Para 12(i) of the guidelines refers) to the beneficiary, if he/she has not already undergone such training. If he/she has already undergone such training of at least two weeks duration, either with the training centre of KVIC/KVIB /State DICs or the institutions recognized by or under the administrative control of Ministry of MSME or at any other training centre of repute, such beneficiary need not undergo further EDP training.

(g) First installment of the loan will be released to the beneficiary only after completion of EDP training of at least two weeks (Para 12 of the guidelines refers) specially designed for the purpose, which will be organized by KVIC / KVIBs / DICs or the institutions recognized by or under the administrative control of Ministry of MSME or at any other training centre of repute. Those who have already undergone training from the recognized institutions need not undergo further EDP training.

(h) After the successful completion of EDP training arranged by the KVIC/KVIBs/State DICs, the beneficiary will deposit with the bank, the owner's contribution. Thereafter, the bank will release first installment of the Bank Finance to the beneficiary.

(i) Projects sanctioned will be declared ineligible for Margin Money (subsidy) assistance if the EDP training is not completed.

(j) After the release of Bank finance either partly or fully, Bank will submit Margin Money (subsidy) claim in the prescribed format to the designated Nodal Branch of the State/Region where KVIC has placed lump sum deposit of Margin Money (subsidy) in advance in the Savings Bank Account in the name of KVIC, for release of Margin Money (subsidy). Though the margin money (subsidy) will be released by the designated Nodal Branch of the Bank, KVIC/State DIC is the final authority to either accept the project/claim or reject, based on the parameters of the Scheme.

(k) Once the Margin Money (subsidy) is released in favour of the loanee, it should be kept as Term Deposit for three years at the branch in the name of the beneficiary/Institution. No interest will be paid on the TDR and no interest will be charged on loan to the corresponding amount of TDR.

(l) Since "Margin Money" (subsidy) is to be provided in the form of subsidy (Grant), it will be credited to the Borrowers loan account after three years from the date of first disbursement to the borrower/institution, by the Bank.

(m) In case the Bank's advance goes "bad" before the three year period, due to reasons, beyond the control of the beneficiary, the Margin Money (subsidy) will be adjusted by the Bank to liquidate the loan liability of the borrower either in part or full.

(n) In case any recovery is effected subsequently by the Bank from any source whatsoever, such recovery will be utilized by the Bank for liquidating their outstanding dues first. Any surplus will be remitted to KVIC.

(o) Margin Money (subsidy) will be 'one time assistance' from the Government. For any enhancement of credit limit or for expansion/modernization of the project, margin money (subsidy) assistance is not available.

(p) Margin Money (subsidy) assistance is available only for new projects sanctioned specifically under the PMEGP. Existing units are not eligible under the Scheme.

(q) Projects financed jointly i.e. financed from two different sources (Banks / Financial institutions), are not eligible for Margin Money (subsidy) assistance.

(r) Bank has to obtain an undertaking from the beneficiary before the release of Bank Finance that, in the event of objection (recorded and communicated in writing) by KVIC /KVIB/State DIC, the beneficiary will refund the Margin Money (subsidy) kept in the TDR or released to him after three years period.

(s) Banks / KVIC / KVIBs / DICs have to ensure that each beneficiary prominently displays the following sign-board at the main entrance of his project site:-

.....(Unit Name)  
**Financed By ..... (Bank), District Name**  
**Under Prime Minister's Employment Generation Programme (PMEGP)**  
**Khadi and Village Industries Commission (Ministry of MSME, Govt. of India)**

(t) Margin Money (subsidy) Claim will be submitted by the Financing Branch of the Bank to the designated Nodal Branch at the earliest possible time.

## **12. Entrepreneurship Development Programme (EDP)**

**12.1** The objective of EDP is to provide orientation and awareness pertaining to various managerial and operational functions like finance, production, marketing, enterprise management, banking formalities, bookkeeping, etc. The EDP will be conducted through KVIC, KVIB Training Centers. However, the beneficiaries who have undergone EDP earlier of duration not less than two weeks through KVIC/KVIB or reputed training centers will be exempted from undergoing fresh EDP.

### **13. Physical verification of PMEGP Units**

100% physical verification of the actual establishment and working status of each of the units, set up under PMEGP, will be done by KVIC. Banks, DICs and KVIBs will coordinate and assist KVIC in ensuring 100 % physical verification.

### **14. Bankers Review Meetings**

PMEGP is a bank driven scheme and the final sanction of project and release of loan is done at the level of concerned Bank. Bankers Review Meeting at following levels shall be organized as below:

- Lead District Managers Meet (LDM): This will be organized by State Office and Divisional Office of KVIC jointly with KVIB and DIC. The focus of the meeting will be to monitor and review the implementation of the scheme. The meeting will be held on quarterly basis.
- Zonal Review Meeting: To review and monitor the PMEGP scheme, zonal review will be conducted quarterly by KVIC in 6 zones where representatives of KVIC, KVIB and DIC will participate in the review. Concerned Bank officers will also be invited.
- Top Level Bankers Meeting: KVIC will organize the Top Level Bankers meeting half yearly (in June and December) so that proper monitoring can be done at the beginning and towards the end of the financial year. CMDs/Senior Executives of nationalized Banks, representatives from Ministry of MSME, State DICs and KVIBs will participate in the National level Bankers meeting which will be chaired by CEO, KVIC.

### **15. Targets**

KVIC will assign targets to State KVIC Directorates/ KVIBs and State Governments. Target at District levels will be decided by State Level Bankers Coordination Committee.

### **16. Rehabilitation of Sick Units**

Sick units under PMEGP for their rehabilitation will be linked with RBI's Guidelines for rehabilitation of sick small scale industrial units issued to all Scheduled Commercial Banks.

## 17. Negative List of Activities

The following list of activities will not be permitted under PMEGP for setting up of micro enterprises/ projects /units:

- Any industry/business connected with Meat(slaughtered),i.e. processing, canning and/or serving items made of it as food, production/manufacturing or sale of intoxicant items like Beedi/Pan/Cigar/Cigarette etc., any Hotel or Dhaba or sales outlet serving liquor, preparation/producing tobacco as raw materials, tapping of toddy for sale.
- Any industry/business connected with cultivation of crops/ plantation like Tea, Coffee, Rubber etc. sericulture (Cocoon rearing), Horticulture, Floriculture, Animal Husbandry like Pisciculture, Piggery, Poultry, Harvester machines etc.
- Manufacturing of Polythene carry bags of less than 20 microns thickness and manufacture of carry bags or containers made of recycled plastic for storing, carrying, dispensing or packaging of food stuff and any other item which causes environmental problems.
- Industries such as processing of Pashmina Wool and such other products like hand spinning and hand weaving, taking advantage of Khadi Programme under the purview of Certification Rules and availing sales rebate.
- Rural Transport (Except Auto Rickshaw in Andaman & Nicobar Islands, House Boat, Shikara & Tourist Boats in J&K and Cycle Rickshaw).

APPLICANT ID: (OFFICE USE)

APPLICATION FORM FOR FINANCIAL ASSISTANCE UNDER PRIME MINISTER'S EMPLOYMENT GENERATION PROGRAMME (PMEGP)

Preference for sponsoring agency of the project to Bank : (mark )

KVIC		KVIB		DIC		RURAL		URBAN	
------	--	------	--	-----	--	-------	--	-------	--

TO

.....

Details in blocks should be entered in CAPITAL LETTERS only

1. Name of the applicant/ Institution


2. Date of Birth

D	D	M	M	Y	Y	Y	Y

3. Sex Male/Female

Male		Female	
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4. Father's Name /Spouse's Name/ Contact Person Name (if Institution):


5. Communication Address:

Taluk/Block:

District:

Email:

Contact No

6. Address of proposed location of unit: Rural /Urban

Taluk/Block:

District:

7. Name of the preferred Bank Name & Address in the area for Project sanction

Bank Name:  
 Address:  
 Taluk/Block  
 District:  
 Branch Code:

8. Qualification

Academic                                      Technical

9. Whether Entrepreneur Development Programme (EDP)

(at least 2 weeks) undergone: (mark ) : Yes/ No

Name & address of Training Institute	Period of training		Certificate issue date
	From	To	

10. Whether the applicant belongs to (mark)

SC	ST	OBC	PHC	Ex-serviceman	Minority	Hill Boarder Area	General

11. Whether the project is for : Manufacturing unit/ Business/Service unit

12. Name of the Project / Business Activity proposed:

13. Amount of loan required (in Rupees.)

Building Type (Own/Lease/Rented)	Capital Expenditure Loan			Working Capital/Cash Credit limit	Total
	Work shed, Building etc.,	Machinery & Equipment	Pre-operative cost		

14. Details of earlier or current Loan/grant and subsidy availed from Central/state Govt. Scheme/or any other similar scheme.

Activity of the Project with Address	Amount (in Rs.)	Year of Sanction

I certify that all information furnished by me is true; and that I and any of my dependent have not borrowed any money under Subsidy Linked Scheme from any central/State Government or bank for establishing any such project.

Date:

Signature of the applicant

NOTE:

- Own contribution must be invested 5% for SC/ST/OBC/PHC/woman/ Ex-serviceman/ North East Reason/Hill Boarder Area and 10% for General
- Total Project Cost should not exceed Rs. 25 lakhs for manufacturing units and Rs. 10 lakhs for Business/service units.
- Applicant will not be entitled for additional Margin Money (Subsidy) in case of Own Contribution over and above the prescribed limit.
- Applicant should have passed VIIIth standard for Manufacturing Units with project cost above Rs.10 lakhs and for units above Rs.5 lakhs under Service Sector
- Application should be submitted complete in all respects along with attested copies of the following documents:
  1. Certificate of qualification-academic and technical (if project cost above 5 lakhs under business/service industry or above 10 lakhs under Manufacturing industry)
  2. Relevant Certificate for SC/ST/OBC/Minority/Ex-Servicemen/PHC
  3. Entrepreneur Development programme(EDP) training, if undergone (at least for two weeks), photocopy of the certificate to be submitted

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FOR OFFICE USE ONLY:

1. (Rejected/ to be placed before District Task Force Committee)
2. Reasons (if rejected)

Place:

(Signature, Name and Designation of Officer)

Date:

KVIC/ KVIB/DIC