

## **MINUTES OF MEETING OF CORE COMMITTEE ON IMPLEMENTATION OF ISEC(KVI) AND PMEGP**

### **History**

A high level meeting was held at Parliament House, Annexe at New Delhi on 15th April, 2014 to review the progress in implementation of the Scheme of Interest Subsidy Eligibility Certification (ISEC) operated through KVIC and Prime Minister's Employment Generation Programme (PMEGP). In the meeting, officials from Ministry of MSME emphasized the need for adequacy and timely availability of bank loans to the beneficiaries under ISEC Scheme.

A significant issue raised at the meeting was wide difference between Working Capital assessment by KVIC and banks. It was brought to the notice that KVIC while evaluating credit, use the stipulation of Debt / Equity ratio of 10:1, whereas the Bankers usually assess by taking this ratio between 2:1 to 4:1. Also, for limits upto ₹5 crore, banks use the Nayak Committee norms.

After discussion, it was suggested that a Core Committee would be formed at SLBC level with representatives from Banks, KVIC and State officials to work out a Model Project Report. The group can also deliberate on standardized processing templates at District Level Task Force (DLTF) for processing of PMEGP applications. It is expected that by standardizing the assessment process, deviation in credit requirement, recommended by KVIC and approved by banks will be minimized. It was also decided that pending cases under the scheme should be discussed at District Level Consultative Committee (DLCC) and SLBC level. The above line of action was endorsed by the Managing Committee of the Association at its meeting held on 25th April, 2014.

### **Action taken**

A Core Committee was constituted at SLBC Delhi as suggested by the IBA for the implementation of ISEC and PMEGP in Delhi State. The following persons were nominated as the members of the core committee:-

1. Sh. K.S.Shergill, General Manager OBC, Convener SLBC Delhi
2. Sh. S.P.Singh, State Director, KVIC or in his absence Sh. D S Bhatti, Asstt. Director
3. Sh. R.P.Vaishya, Director, MSME D-I New Delhi, or in his absence Sh. V M Jha, Director
4. Sh. V.K.Ahuja, Asstt. General Manager, State Bank of India
5. Sh. P.K.Mohanty, Asstt. General Manager, Punjab National Bank
6. Sh. Manmohan Singh, Asstt. General Manager, Oriental Bank of Commerce
7. Sh. Dyshyant Dash, Sr. Manager, Canara Bank

## Minutes of the Meeting

The 1<sup>st</sup> meeting of Core Committee was held on 22.05.2014 at 11.30 A.M. at Oriental Bank of Commerce, Conference Hall, 4<sup>th</sup> floor, Harsha Bhavan, Connaught Place, New Delhi-110001 under the Chairmanship of Sh. K.S.Shergill, GM, SLBC Delhi State to work out project cost details along with KVIC and State Government officials and also to discuss other issues on implementation of PMEGP/ISEC. Meeting was attended by the following persons.

S.No	Name	Designation	Name of Department/Bank
1	Sh. S.P.Singh	State Director	KVIC, New Delhi
2	Sh. R P Vaishya	Director	MSME – DI New Delhi
3	Sh. V K Ahuja	Asstt. Gen. Manager	State Bank of India
4	Sh. Manmohan Singh	Asstt. Gen. Manager	Oriental Bank of Commerce
5	Sh. L K Mehra	Chief Manager	Punjab National Bank
6	Sh. Dushyant Dash	Senior Manager	Canara Bank
7	Sh. Hitender Singh Hooda	M.M.O.	KVIC, New Delhi
8	Sh. N P Chauhan	S. O.	KVIC, New Delhi
9	Sh. B K Pandey	Chief Manager	SLBC Delhi
10	Sh. Ravi Krishnan	Manager	SLBC Delhi

Sh. K.S.Shergill welcomed all the participants. He informed the house the purpose of the meeting is to provide budgetary support to KVIC/KVIB by the banks and to review the progress of pending cases of PEMGP with the banks. He invited Sh. S.P.Singh to address the house.

Sh. S.P. Singh stated that banks will send the information regarding funds made available for sanctioning the limits to eligible borrowers for discussions to be held in the Budget Section of KVIC. He has shown his concern over issue that the Khadi sector is not getting the proper attention from banks as they are not lending the money as per the Interest Subsidy Eligibility Certificate (ISEC) issued to banks. He also stated that since 1977 the average sanction to Khadi and Village Industries is not picking up and is about 50% of the ISEC issued to the banks.

Sh. Singh informed that as per the new guidelines to follow the banks have to achieve 90% of the ISEC issued by the KVIC and gap should not be more than 10% under any circumstances.

He briefed that the Interest subsidy eligibility certificate is issued by the KVIC or the state Boards depending upon the Gross & Net eligibility.

Sh. Singh further informed the house that Khadi industry is a highly decentralized sector. This mission was started by Mahatma Gandhi in 1919 and is wide spread across the rural India. The women in villages use to do the job at home with help of Charkha and handlooms.

He said that the Debt Equity ratio in these cases has been prescribed as 10:1 and for this purpose stocks can be pledged by creating floating charge and also no project report is needed for the same.

Sh. Shergill clarified that whenever the nature of business activity so warrants, the banks may apply traditional method of lending and sanction need based limits instead of turn-over method as suggested in Nayak Committee recommendations for Limit upto 5 Crores.

Sh. V K Ahuja argued that as per RBI guidelines the debt equity ratio is 3:1 and not 10:1 under all the loan schemes.

Sh. Singh said that the debt equity ratio of 10:1 has been recommend by the Kalia Committee setup for this purpose and RBI has also accepted the same. It was requested that Sh. Singh to provide a copy of the guidelines in this regard for further action.

He has suggested that all these KVI loans can be covered under CGTMSE since the amount is less than One Crore. He also suggested that a study may be conducted on the banks particularly SBI, PNB and Corporation Bank where the Funds availed is much less as compared to the ISEC issued by the KVIC.

Sh. Singh emphasized the need for sanctioning one case of PMEGP per Branch to all the banks.

Sh. R P Vaishya, Director MSME, informed that house that they are conducting about 200 training programs every for the benefit of the unemployed youths. He advised the banks to identify outstanding candidates during these programs and the loans can be given to them. He said that apart from the extension of existing loans new cases should be disbursed to achieve the overall growth.

Sh. Dash informed that there are lot of problems in the field while sanctioning the PMEGP cases as most of the cases are for opening a cyber café or a beauty parlour and these are not a successful business now a days. Also the beneficiaries wanting the loan for a boutique are doing simply garment trading instead of manufacturing.

Sh. Vaishya also discussed in brief the Public Procurement Policy 2012 and insisted for a workshop on the same to be attended by the Banks.

Another Meeting may be hold after receipt of the study to be done by SBI, PND and Corporation Bank.