CHAPTER – 4

PRIME MINISTER’S ROJGAR YOJNA (PMRY) SCHEME - AN OVERVIEW
Chapter IV

4.1 Prime Minister’s Rojgar Yojna (PMRY) Scheme

The Prime Minister’s Rojgar Yojna is a self-employment scheme for educated unemployed youth. This government-sponsored scheme was launched on 2nd October 1993 and it has completed more than 15 years since its launching. The scheme is still in operation throughout the country.

The objective of the scheme is to provide sustainable employment to educated unemployed youth through the establishment of micro enterprises. These enterprises will cover manufacturing service and business ventures. The PMRY had a target of setting up seven Lakh micro enterprises that are expected to generate employment for 1.4 million persons by the end of 8th Five Year Plan. The scheme was intended to cover only urban areas of the country during 1993-94. During the year 1994-95 the scheme has been extended to rural areas. The erstwhile Self Employment for Educated Unemployed Youth (SEEUY) scheme has been subsumed in PMRY from the year 1994-95. There are a number of programmes launched by Government, which motivate people to take up self-employment activities. The major on-going initiatives which promote self-employment on a large scale are the Swaranjayanti Gram Swarojgar Yojana (SGSY) in the rural areas, the Urban Self-employment Programme (USEP) component under the Swarnjayanti Shahri Rojgar Yojana (SJSY) in the urban areas and the Prime Minister’s Rojgar Yojana (PMRY) in both rural and urban areas. SGSY is an anti-poverty programme, which was launched during 1999 amalgamating a number of earlier schemes like IRDP, TRYSEM, and DWCRA to make a holistic programme. Under this programme loans are provided to poor families in the rural areas for establishing micro enterprises. The loans are primarily distributed to Self Help Groups (SHGs), even though individual self-employment is also covered. The scheme is based on participatory approach and emphasizes social mobilization at grass-root level. PMRY has the same elements of choosing a self-employment venture, training and bank loan as in the other two major self-employment promotion programmes. This scheme appears to be similar to the micro-credit programme. The basic difference is that in the micro credit Programmes of SGSY and SJSY (USEP), the loans provided are of a very small size in comparison to
Another difference is that the PMRY targets unemployed persons with a minimum educational qualification while no such stipulation is there in case of micro credit, the main criterion being poverty. One more major difference in these two programmes is that under SGSY, loans are given primarily to SHGs while in PMRY loans are distributed generally to individuals or in partnerships.

The following diagram depicts the logic model of PMRY.

**Fig. 4.1 Logical Model of PMRY Scheme**
Table No 4.1 Status of PMRY Scheme at National Level during 1993 to 2007

<table>
<thead>
<tr>
<th>Year</th>
<th>Target</th>
<th>Cases sanctioned</th>
<th>Disbursement</th>
<th>% of Disbursement against</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No of Cases</td>
<td>% to Target</td>
<td>Amount (in Cr)</td>
</tr>
<tr>
<td>1993-1994</td>
<td>40000</td>
<td>30029</td>
<td>75.07</td>
<td>188</td>
</tr>
<tr>
<td>1994-1995</td>
<td>220000</td>
<td>185803</td>
<td>84.46</td>
<td>1054</td>
</tr>
<tr>
<td>1995-1996</td>
<td>220000</td>
<td>287218</td>
<td>130.55</td>
<td>1678</td>
</tr>
<tr>
<td>1996-1997</td>
<td>220000</td>
<td>271768</td>
<td>123.53</td>
<td>1653</td>
</tr>
<tr>
<td>1997-1998</td>
<td>220000</td>
<td>263622</td>
<td>119.83</td>
<td>1592</td>
</tr>
<tr>
<td>1998-1999</td>
<td>220000</td>
<td>271342</td>
<td>123.34</td>
<td>1618</td>
</tr>
<tr>
<td>1999-2000</td>
<td>220000</td>
<td>259088</td>
<td>117.77</td>
<td>1683</td>
</tr>
<tr>
<td>2000-2001</td>
<td>220000</td>
<td>237896</td>
<td>108.13</td>
<td>1559</td>
</tr>
<tr>
<td>2001-2002</td>
<td>220000</td>
<td>237392</td>
<td>107.91</td>
<td>1539</td>
</tr>
<tr>
<td>2002-2003</td>
<td>220000</td>
<td>228031</td>
<td>103.65</td>
<td>1497</td>
</tr>
<tr>
<td>2003-2004</td>
<td>220000</td>
<td>264012</td>
<td>120.01</td>
<td>1679</td>
</tr>
<tr>
<td>2004-2005</td>
<td>250000</td>
<td>298003</td>
<td>119.20</td>
<td>1923</td>
</tr>
<tr>
<td>2005-2006</td>
<td>250000</td>
<td>314876</td>
<td>125.95</td>
<td>2030</td>
</tr>
<tr>
<td>2006-2007</td>
<td>255000</td>
<td>292721</td>
<td>114.79</td>
<td>1887</td>
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<tr>
<td>Total</td>
<td>2995000</td>
<td>3441801</td>
<td>114.92</td>
<td>21580</td>
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</tbody>
</table>

Source: RBI data
Table 4.2 Employment Generation in PMRY Scheme (Reference Year March' 2007)

<table>
<thead>
<tr>
<th>Year</th>
<th>Estimated Employment (Nos.)</th>
<th>Cumulative Employment (Nos.)</th>
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<tbody>
<tr>
<td>1993-94</td>
<td>34553</td>
<td></td>
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<tr>
<td>1994-95</td>
<td>2,38,295</td>
<td>2,72,848</td>
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<tr>
<td>1995-96</td>
<td>3,62,765</td>
<td>6,35,613</td>
</tr>
<tr>
<td>1996-97</td>
<td>3,42,743</td>
<td>9,78,356</td>
</tr>
<tr>
<td>IX Plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1997-98</td>
<td>3,13,655</td>
<td>6,00,682</td>
</tr>
<tr>
<td>1998-99</td>
<td>2,87,027</td>
<td>9,05,863</td>
</tr>
<tr>
<td>1999-2000</td>
<td>3,05,181</td>
<td>11,83,198</td>
</tr>
<tr>
<td>2000-2001</td>
<td>2,77,335</td>
<td>14,67,988</td>
</tr>
<tr>
<td>Total VIII &amp; IX Plan</td>
<td><strong>24,46,344</strong></td>
<td></td>
</tr>
<tr>
<td>X Plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002-2003</td>
<td>2,85,782</td>
<td></td>
</tr>
<tr>
<td>2003-2004</td>
<td>3,29,166</td>
<td>6,14,948</td>
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<tr>
<td>2004-2005*</td>
<td>3,72,396</td>
<td>9,87,344</td>
</tr>
<tr>
<td>2005-2006*</td>
<td>4,00,922</td>
<td>13,88,266</td>
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<tr>
<td>(up to March' 2006)</td>
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<tr>
<td>2006-2007*</td>
<td>3,27,828</td>
<td>17,16,094</td>
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<tr>
<td>(up to March' 2007)</td>
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<td></td>
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<tr>
<td>Provisional</td>
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| Note :- Employment generation is estimated @1.5 persons per case disbursed.

Source: RBI Data
Table 4.3 Funds Released by Government of India for Entrepreneurial Development Programme

<table>
<thead>
<tr>
<th>Year</th>
<th>Budget Allocation Amount (in crore)</th>
<th>Funds Released</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Subsidy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(in crore)</td>
</tr>
<tr>
<td>VIII Plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1993-94</td>
<td>35</td>
<td>30</td>
</tr>
<tr>
<td>1994-95</td>
<td>124.53</td>
<td>99.53</td>
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<tr>
<td>1995-96</td>
<td>145</td>
<td>120</td>
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<tr>
<td>1996-97</td>
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<td>98</td>
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<tr>
<td>Total</td>
<td>419.53</td>
<td>347.53</td>
</tr>
<tr>
<td>IX Plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1997-98</td>
<td>95</td>
<td>79</td>
</tr>
<tr>
<td>1998-99</td>
<td>135.5</td>
<td>119.50</td>
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<tr>
<td>1999-00</td>
<td>190</td>
<td>174</td>
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<tr>
<td>2000-01</td>
<td>201</td>
<td>183</td>
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<tr>
<td>2001-02</td>
<td>193.5</td>
<td>178.8</td>
</tr>
<tr>
<td>Total</td>
<td>815</td>
<td>734.3</td>
</tr>
<tr>
<td>X Plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002-03</td>
<td>169</td>
<td>152.55</td>
</tr>
<tr>
<td>2003-04</td>
<td>169</td>
<td>147.63</td>
</tr>
<tr>
<td>2004-05</td>
<td>218.9</td>
<td>190.48</td>
</tr>
<tr>
<td>2005-06</td>
<td>273.46</td>
<td>251.36</td>
</tr>
<tr>
<td>2006-07</td>
<td>252.6</td>
<td>228.82</td>
</tr>
<tr>
<td>Total</td>
<td>1082.96</td>
<td>970.84</td>
</tr>
</tbody>
</table>

Source: RBI Data
4.2 The salient features of the scheme

i) Age

The age limit for the applicants in general category is between 18 and 35 and for SC/ST. ex-servicemen, Physically Handicapped and for Women applicants the age limit is between 18 and 45. For determining the cutoff date for reckoning the age limit of the applicants, the date of receipt of application for loan at the concerned DIC/Directorate of Industries be taken.

ii) Family Incomes

Beneficiaries having family income of less than Rs.24,000/- per annum would be eligible for assistance under the scheme. This limit has been raised to Rs.40,000/- during the financial year 1999-2000. Family for this purpose means spouse and parents of the beneficiary. Family income would include income from all sources including wages, salary, pension, agriculture. Business, rent. Etc.

The Task Force has to scrutinize and satisfy that the applicants meet the income limit criteria. Once the Task Force recommends a case, it is presumed that applicant satisfies the income criteria there is evidence to the country.

iii) Educational Qualifications

Minimum educated qualification fixed for the applicants to apply for assistance under the scheme is matriculation (passed or failed).

During the financial year 1999-2000 the Central Government has modified these criteria. Accordingly persons who have passed VIII Standard can also apply for assistance under the scheme.
Those who have passed ITI and persons who have undergone the Government sponsored Technical course for a minimum duration of 6 months can also apply for assistance under the PMRY scheme. Applicants with higher qualifications who are still pursuing further courses of studies after their matriculation are also eligible for assistance.

iv) Area of Residence

Applicants should be permanent resident of the area for the last 3 years. For this purpose area means the district. If the applicant is desirous of setting up a venture at any place in the District in which he is residing for the last 3 years, he is eligible for assistance under the PMRY scheme. Ration Card is the proof of residence for the purpose of the resident of the area in the absence of a Ration card Residency Certificate issued by the Deputy Commissioner/ District Magistrate or other appropriate authority designated by the State Govt may be taken of any other document to the satisfaction of the District Committee/ Sub Committee may be accepted as a proof of residency.

v) Defaulters

A defaulter to the Bank or Financial Institution is not eligible for assistance under the Scheme. Similarly when a member of the family is a defaulter to Bank or Financial Institutions other members of the same family will not be eligible for assistance under this Scheme.

However an applicant will be denied assistance under the PMRY Scheme on the ground that another member of the same family having been assisted under any other Central/ State owned Corporation sponsored scheme with or without subsidies.
4.3. Implementation of the Scheme

The implementation process involves Identification of beneficiary selection of specific vocation. Identification of the support system required by the beneficiary assorts services and close liaison with the banks and other local agencies concerned with the Industry, Trade and service sectors. The Scheme is implemented through the office of the Development Commissioner (Small Scale Industries) at the Central Level. The State/ UTI Level and at the field level by District industries Centers (DICs) Separate PMRY Committees at State level and District level is set up for implementation of the Scheme.

A) State PMRY Committee

A committee was constituted at State level to administer the scheme in the State. the Chief Secretary is the Chairman of the Committee. Other members in the Committee are Secretary, Department of Industries. Department of Finance, Department of Planning, Department of Rural Development, Department of Labor, and Representative of State Level Banking Institutions including Reserve Bank Of India and Commissioner/ Director of Industries and Commerce who is the member secretary. The committee can invite any person whether official or non-official if his presence is felt necessary in the meeting.

The State PMRY Committee provides leadership and guidance to the District PMRY Committees in planning and implementation and monitoring of the scheme. It co-ordinates the activities of various implementing agencies and reviews the physical targets and achievements. The State PMRY Committee has to monitor and evaluate the implementation of the scheme in the State.

B) District PMRY Committee
In each district in a District PMRY Committee is constituted under the chairmanship of District employment Officer, lead Bank Manager Chairman of Task Force Committee. District Industries Manager, District Welfare Officer and other person nominated by the Chairman if his presence is felt necessary.

The District PMRY Committee Provides necessary information to other implementing agencies about the basic parameters and requirements of the scheme and tasks to be performed by them it formulates the training programme and prescribes the terms and conditions of training and periodically reviews the same. Monitoring and evaluation of the scheme at district level and co-ordination of the activities of the various agencies are the important functions of the District PMRY Committee.

The PMRY committee will be similarity constituted in four metropolitan cities. The responsibilities of the PMRY committee are

- Motivating and selecting the entrepreneurs
- Identifying and preparing scheme in trade, service establishments and cottage and small industries.
- Determining the vocation activities for each entrepreneur.
- Recommending loan for the entrepreneurs.
- Getting speedy clearance as necessary for the authorities concerned.

4.3.1 Eligible Activities
**Nature of Activity**

The assistance under the scheme can be availed for all economically viable activities. Including agriculture and allied activities but excluding direct agriculture operations buying manure, etc. banks can activity that is economically viable and bankable including setting up of enterprises relating to servicing, business and manufacturing. Existing Activities being financed under SEEUY will also Qualify for assistance.

**Group Activity**

Group activities have a better chance of their backup support and market linkages. Group activities should therefore be encouraged. If more than two applicants join together and form a partnership firm then they will be eligible for assistance.

**Loan Amount**

A) **Individual**

An entrepreneur eligible under the scheme can take a composite loan from a bank up to Rs 1 Lakh for business activities and Rs 2 Lakh for service and industrial activities. The borrower is required to give personal guarantee for the loan taken from the bank.

B) **Partnership**

If two or more applicants join together and form partnership firm such firm will be eligible for a total loan and subsidy. The loan amount in such case is limited up to Rs 10 Lakh. But the loan amount and subsidy to each beneficiary does not exceed the prescribed limit. The maximum number of beneficiaries to join the partnership will be as per the provisions of the Partnership Act.
4.3.3 Project Cost

For getting assistance under the scheme the project cost should not exceed the prescribed limit. This limit at the time of launching the scheme in 1993 was Rs 1 Lakh. But after considering the increase in the general price level and income conditions the Govt. has revised the limit during the financial year 2000-2001 to Rs 2 Lakh.

Margin

The beneficiary would be required to bring in 5% of the project cost as margin money. In case of partnership each partner has to bring in the margin money.

Collateral Security/ Guarantee

Under the scheme, apart from the margin and the personal guarantee of the borrower. Assets created out of the bank loans availed under the scheme are to be hypothecated/ mortgaged/ or pledged to the bank till full repayment of the loan. Banks have been advised that they should not insist on any collateral security of guarantee in respect of loans sanctioned under the PMRY Scheme. Borrowers are not required to give any collateral security of guarantee for getting loans under the Scheme.

Rate of Interest

The rate of interest chargeable on the loan granted under the scheme would be as per the direction or interest rates issued by RBI from time to time on slab basis.

4.3.4 Scrutinizing the Applications

The task force committees set up at district level and subordinate task force constituted at sub-divisional level or black level are entrusted with the work of scrutinizing the applications received from eligible persons and interview the candidates. The applications approved by the task forces are referred to the banks for providing loans. The banks will sanction the loans after satisfying themselves about viability and bankability of the project.
In addition to sponsoring of application by task forces, banks themselves may also receive applications directly from the eligible persons under the scheme. However, such applications should be sent to sponsoring agency, with their observation on the viability and bankability of the project. Sponsoring agents would formally sponsor such applications back to the bank branches for sanction of loans.

4.3.5 Disbursement of the loan

The loan sanctioned under the scheme for each programme has to be disbursed within the stipulated time schedule / reasonable time, provided the borrower completes the required formalities.

Where loans sanctioned in a particular year remain undisbursed in the following year for various reasons such as borrowers lose interest or are absorbed in other activities etc. banks may treat such loans as lapsed after a period of 9 months in the financial year following from the date of sanctioning the loan.

4.3.6 Repayment

The assistance under the scheme would be given for a definite period ranging from 3 to 7 years depending on the nature and profitability of the venture. The loan sanctioned should be repaid within the prescribed time limit initial moratorium of 6 to 18 months is to be allowed. The moratorium period may be reduced in cases where surplus income generated out the profits justifies commencement of repayment. Working capital limit reviewed periodically.
4.3.7 Training

The entrepreneur selected under the scheme would be provided with training and other entrepreneurial development assistance by the Government. Training is compulsory and service ventures.

The beneficiaries have to attend the training programme before the disbursement of the loans by the banks. Training and infrastructure expenses at the rate of Rs 1500/ per beneficiary will be given to the State Government/ Union Territories by central government after getting confirmation that loans have been sanctioned by banks.

The banks have been instructed to disburse loans only to those beneficiaries who have attended the training programmes organized under the scheme.

The beneficiaries exampled from training shall not be eligible for a stipend and no training expenses shall be incurred in such exampled cases.

In case the beneficiary has undergone any training programmes as equivalent or higher Entrepreneurship Development training of same or longer duration conducted by a reputed institution of bank the beneficiary may be exempted from training under PMRY as required after the loan is sanctioned. In such cases the General Manager of the concerned District Industries Centre should issue a certificate stating therein the training that has already been attended by the beneficiary and exempting him from attending which will enable the banks to disburse loans.

The duration of the training programme is normally one month. However the District PMRY Committee can change the duration and prescribe the duration for new trade.
The training programme takes care of special needs of the educated unemployed. The training programme considers the new trends and development in the society. The programme should aim at developing the taste and inborn talents of the beneficiary. Unemployment among women is higher than among men. The more suitable area where woman can engage are manufacturing and repairing of electrical and electronic gadgets, watch assembly and Computer software, crèches, day Care Service etc. They should be given larger access to the training facilities in manufacture of computer parts software developments, repair of TV and electronic equipment running of printing presses, pharmacies, dry clearing and in small service industries like restaurants small guest houses, etc.

In manpower development importance should also be given to the emerging requirements of skill industry and other users of skilled manpower, who are aware of emerging requirements of skill should be involved in manpower development Chambers of Commerce and industries should also come forward to provide training in entrepreneurship and promote self- employment it is intended that spare capacity available in ITI, Polytechnics and other suitable training industries run by Government, private or voluntary organizations will be utilized by running double shifts and by suitable amendments in the curriculum.

The district being well- established geographical units for many programmes, it is proposed that the co–coordinated implementation of the programme will function as a nodal agency for the formulation of self- employment plans their implementation and monitoring. The Committee could set up subcommittee for the purpose.

4.3.8 Subsidy

Under this scheme the beneficiaries would be eligible for a subsidy of 15% of the project cost subject to a ceiling of Rs, 7,500/- from the Government. The subsidy portion will be kept as fixed deposit with the bank in the name of the borrower, for the duration of the term loan component. However, the beneficiary will not get interest on the subsidy amount.
retained by the bank as fixed deposit in the name of the beneficiary. The bank would not charge interest on the portion of the loan that represents the subsidy.

The rate of interest to be charged will be decided on the basis of loan amount not of subsidy. The subsidy deposit will be available to the borrower for adjustment against the installment(s) due under the loan component. In any case the fixed deposit will be kept in the bank for a minimum period of 3 years and would be available for adjustment only thereafter.

4.4 Monitoring

The scheme will be monitored at district level by District PMRY Committee, Metropolitan City Committees or City Sub –Committees set up for the purpose at State level by State PMRY Committee and at Central level by High Powered Committee under the Chairmanship of Secretary (SSI& ASI) Problems of Implementation. Co-ordination and monitoring are to be sorted out by this Committee who has to meet once in a month. The progress of the scheme will also be monitored by the District Consulting Committee (DCC) at the District Level and by the State Level Bankers committee (SLBC) at the State level during their periodic meetings.

4.4.1 Involvement of Non – Governmental Organizations

Non–Governmental Organizations can play a very important role in the implementation of the PMRY. They can be involved right from the identification motivation and selection of beneficiaries. They can also help the borrowers in proper management of assets marketing of products, repayment of loan installments, etc. training of beneficiaries is another area where they can play a very useful role States / UTS should work out the methodologies to associate the reputed NGOs in a manner which will bring the scheme to doorstep of the potential beneficiaries.
4.4.2 Evaluation

The Government of India will carry out concurrent evaluation on a regular basis. The Central Government fixes targets for each state government immediately on receipt of targets from the central government; state governments on union territories would convey district wise targets to each district. District consultation committee will allot target within the district to the banks in the metropolitan cites, this work is to be undertaken by the metropolitan city committee. The District PMRY committee/ Committees constituted for metropolitan cities or sub committees thereof would invite applications for eligible through advertisements in local newspapers Publicity would be given by display on Notice Board in the Banks or BDO’s office.

The application forms for the assistance under the PMRY Scheme are available from the office of Taluk Industries centers and District Industries Centers. The applications can also be had through the Internet facilities. These applications are to be approved by the District PMRY Committee / Committee constituted for Metropolitan cities and would then be recommended to the concerned than to the concerned bank branches. These committees would screen loan applications and forward them to the concerned bank branches for appraisal and sanction. The responsibility of approval and sanctioning the loan applications would continue to be of the branches. The committee would review the progress (including the recovery of loans) of the scheme. The number of applications recommended would be at least 100% more than the target foxed for the branch to take care of rejections at the bank level.

4.5 Reservation

Emphasis is given for the protection of the weaker sections. The scheme provides 50 % reservations Government has decided to provide 22.5% for the scheduled caste and scheduled tribes and 27.5% for the other backward classes. Further, not more than 30% of the micro entrepreneurs would be from the business sector
The proportion of scheduled castes and scheduled tribes population to total population varies from district to district, flexibility in fixing district targets for scheduled castes and
scheduled tribes and other backward classes is permitted. It should however be ensured that for the state/union territories as a whole, the percentage of reservation for scheduled castes/scheduled tribes (22.5%) and for other backward classes (27.5%) is maintained while allocating targets.

4.6 Road map of PMRY to PMEGP

Government of India has approved the introduction of 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 Centers (DICs) and banks. The Government subsidy under the Scheme will be routed by KVIC through the identified Banks for eventual distribution to the beneficiaries/entrepreneurs in their Bank accounts. The Implementing Agencies, namely KVIC, KVIBs and DICs will associate reputed Non Government Organization (NGOs)/reputed autonomous institutions/Self Help Groups (SHGs)/National Small Industries Corporation (NSIC)/Udyami Mitras empanelled under Rajiv Gandhi Udyami Mitra Yojana (RGUMY), Panchayati Raj institutions and other relevant bodies in the implementation of the Scheme, especially in the area of identification of beneficiaries, of area specific viable projects, and providing training in entrepreneurship development.

4.6.1 Objectives
➢ 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.

4.6.2 Nature of Financial Assistance

The maximum cost of project/unit admissible under manufacturing sector is Rs. 25 Lakh. The maximum cost of project/unit admissible under business / service sector is Rs. 10 Lakh. The Government subsidy under the scheme routed by KVIC through the identified banks for eventual distribution to the beneficiaries in their Bank Accounts. Banks will sanction 90% of the project cost in case of General Category of beneficiary / institution and 95% in case of special category of beneficiary / institution and disburse the full amount suitably for setting up the project.

4.6.3 Eligibility Conditions of Beneficiaries

➢ Any individual, above 18 years of age
➢ There will be no income ceiling for assistance for setting up projects under PMEGP.

➢ For setting up of project costing above Rs.10 lakh in the manufacturing sector and above Rs. 5 lakh 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, and

➢ 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 Government Subsidy under any other scheme of Government of India or State Government are not eligible.

4.6.4 Implementing Agencies

The Scheme implemented by Khadi and Village Industries Commission (KVIC), Mumbai, a statutory body created by the Khadi and Village Industries Commission Act, 1956, which is single nodal agency at the national level. At the State level, the scheme 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 implemented by the State District Industries Centres (DICs) only. KVIC coordinate with State KVIBs/State DICs and monitor performance in rural and urban areas. KVIC and DICs also involve NSIC, Udyami Mitras empanelled under Rajiv Gandhi Udyami Mitra Yojana (RGUMY), Panchayati Raj Institutions and other NGOs of repute in identification of beneficiaries under PMEGP.
Other Agencies

The details of other agencies to be associated by nodal agencies in the implementation of PMEGP are as under:

- Field Offices of KVIC and its State offices
- State KVI Boards
- District Industries Centre (DIC) of all State Governments/Union Territories Administrations reporting to respective Commissioners /Secretaries (Industries).
- Banks/Financial Institutions.
- KVI Federation
- Department of Women and Child Development (DWCD), Nehru Yuva Kendra Sangathan (NYKS), the Army Wives Welfare Association of India (AWWA) and Panchayati Raj Institutions
- NGOs having at least five years experience and expertise in Project Consultancy in Small Agro & Rural Industrial Promotion and Technical Consultancy Services, Rural Development, Social Welfare having requisite infrastructure and manpower and capable of reaching Village and Taluka level in the State or Districts. NGOs should have been funded by State or National Level Government Agency for any of its programmes in the preceding 3 years period.
- Professional Institutions/Technical Colleges recognized by Government/University and University Grants Commission (UGC)/ All India Council for Technical Education (AICTE) having department for vocational guidance or technical courses providing skill based training like ITI, Rural Polytechnic, Food Processing Training Institute, etc.
- Certified KVI institutions aided by KVIC / KVIB provided these are in category A+, A or B and are having required infrastructure, manpower and expertise for the role.
- Departmental and Non-Departmental Training Centres of KVIC / KVIBs.
Micro, Small and Medium Enterprises Development Institutes (MSME-DIs), MSME Tool Rooms and Technical Development Centres, under the administrative control of Office of Development Commissioner, MSME.

National Small Industries Corporation’s (NSIC) offices, Technical Centres, Training Centres, Incubators and Training cum Incubation Centres (TICs) set up in PPP Mode.

National level Entrepreneurship Development Institutes like National Institute for Entrepreneurship and Small Business Development (NIESBUD), National Institute for Micro, Small and Medium Enterprises (NIMSME) and Indian Institute of Entrepreneurship (IIE), Guwahati under the administrative control of Ministry of MSME, their branches and the Entrepreneurship Development Centres (EDCs) set up by their Partner Institutions (PIs).

Udyami Mitras empanelled under Rajiv Gandhi Udyami Mitra Yojana of Ministry of MSME.

PMEGP Federation, whenever formed.

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).

4.6.5 Identification of beneficiaries

The identification of beneficiaries 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 involved right from the beginning to ensure that bunching of applications is avoided. However, the applicants, who have already undergone training of at least 2 weeks under Entrepreneurship Development Programme (EDP) / Skill Development Programme (SDP) / Entrepreneurship cum Skill Development Programme (ESDP) or Vocational Training (VT), allowed submitting applications directly to Banks. However, the Banks 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 devise a score card in consultation with SBI and RBI, and forward it to the District Level Task Force and other State/District functionaries. This score board forms the basis for the selection of beneficiaries. This score card displayed on the websites of KVIC and Ministry. The selection process should be through a transparent, objective and fair process and Panchayati Raj Institutions also involved in the process of selection.

4.6.6 Bank Finance

1. The Bank 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.

2. Bank 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 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. This scheme thus requires enhanced allocations and sanction of loans from participating banks. This is expected to be achieved as Reserve Bank of India (RBI) has already issued guidelines to the Public Sector Banks to ensure 20 % year to year growth in credit to MSME Sector. SIDBI is also strengthening its credit operations to micro enterprises so as to cover 50 lakh additional beneficiaries over five years beginning 2006-07, and is recognized as a participating financial institution under PMEGP besides other scheduled/ Commercial Banks.
3. Though Banks 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 availing 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.

4. Working Capital components 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.

5. Rate of interest and repayment schedule Normal rate of interest charged. Repayment schedule may range between 3 to 7 years after an initial moratorium as may be prescribed by the concerned bank/financial institution. It has been observed that banks have been routinely insisting on credit guarantee coverage irrespective of the merits of the proposal. This approach needs to be discouraged. RBI will issue necessary guidelines to the Banks to accord priority in sanctioning projects under PMEGP. RBI also issue suitable guidelines as to which RRBs and other banks will be excluded from implementing the Scheme.

4.6.7 Modalities of the operation of the Scheme

(i) Project proposals 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. The scheme also advertised /publicized through the Panchayati Raj Institutions which assist in identification of beneficiaries.

(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, 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 Convenor.

(c) The Task Force scrutinize the applications and based on the experience, technical qualification, skill, viability of the project etc., the task force 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. The selected candidates provided project formulation guidance and orientation by KVIC, KVIBs and DICs who also assist and guide them in project formulation and submission to the concerned Bank in the area.
(d) KVIC identifies the Nodal Banks at State level in consultation with State Governments and forwards the list to all the implementing agencies.

(ii) The release of funds to the implementing agencies will be in the following manner:

(a) Government provide funds under PMEGP to the nodal implementing agency, i.e. KVIC which in turn, (within a period of 15 days of receipt of the money from the Government), place the margin money (subsidy) funds with the implementing Banks at the State level in their respective accounts in accordance with the targets allocated to each implementing agency. CEO, KVIC convey the margin money (subsidy) targets allotted to each State to the Principal Secretaries/Secretaries (Industries)/ Commissioners (Industries) simultaneously. The target among the Districts in the State will be assigned by the State Level Bankers Coordination Committee. SLBCC will ensure that targets are evenly distributed within each district. The State-wise targets in respect of KVIC/KVIBs made available by KVIC to SLBCC where overall allocation of district-wise targets decided. Any modification of the targets for which KVIC is directly responsible will be permitted only with the concurrence of the Ministry.

(b) KVIC place the margin money (subsidy) amount with the Banks involved in the implementation of the scheme in accordance with the targets allocated to the implementing Banks in the State/District. DICs, in close coordination with Banks, at least 50% of the total margin money (subsidy) allocated to them will be utilized in setting up of projects in rural areas.

(c) KVIC being the single Nodal Agency at the National level coordinates with the identified implementing agencies, i.e., KVIBs, DICs and others. KVIC will carry out most of the important tasks envisaged in the forward and backward linkages, including etracking, web management, publicity, physical verification of units, organizing EDP training programmes, awareness camps, workshops and exhibitions and therefore will require to utilize major share of the allocation under forward and backward linkages. However, KVIC ensure that it will reserve and allocate at least 25% of the total allocation under Forward and Backward linkages, under the Scheme to DICs of different
participating States appropriately taking into account the demand and extent of implementation. This money will be released to DICs, only after obtaining an undertaking from the State Government that the funds already provided under the erstwhile

PMRY Scheme’s Training and Pre motivational campaigns have been fully utilized by the DICs. Any unspent balance available under the training and contingencies of erstwhile PMRY Scheme will be utilized for training and relevant expenditure under PMEGP. DICs will submit monthly utilization report to KVIC in this regard.

(d) The Task Force, under the chairmanship of District Magistrate/Deputy Commissioner/Collector hold quarterly meeting with the Banks at district level to review the status of the project proposals. Wherever the projects are rejected, shortcomings/reasons will be furnished by the concerned Banks to the implementing agencies concerned and the applicants concerned will be requested by KVIC/KVIBs / DICs to provide additional information/documents if required and concerned representatives of KVIC, KVIBs and DICs, provide assistance to the applicants in this process. Since the Bank’s representative also is a member of the Task Force, it needs to be ensured that maximum number of projects, cleared by the Task Force, is sanctioned by the Banks. Chairman of the District Task Force review the performance of Banks and the loan repayment / recovery status in the quarterly review meetings.

(e) Banks 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 lakh 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

(i) Industry

(ii) Per Capita Investment

(iii) Own Contribution
(iv) Rural Areas (projects sponsored by KVIC/ KVIBs/DICs)

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 proposals are received by KVIC, KVIBs, DICs or Banks, the details of such proposals are to be fed in the web based application tracking system with a unique registration number for each beneficiary at the District level by the State Offices of KVIC/State KVIBs/State DICs to enable the entrepreneurs to track their application status at any point of time. Till such time the e-tracking system becomes fully operational, disaggregated data in respect of progress of each application, assistance availed by beneficiaries belonging to special categories (category wise), employment details, etc., will be maintained by KVIC/KVIBs/DICs and the data reconciled every month with the Director (PMEGP) in KVIC. The status of such reconciliation reviewed by the District Magistrate / Deputy Commissioner / Collector, in the Task Force meetings and by CEO, KVIC in the review meetings at KVIC. Separate colour code given to application form as well as applications/claim forms of Margin Money (subsidy) through KVIC/KVIBs/DICs, so as to help the beneficiaries and the processing/sanctioning functionaries to identify and monitor the progress of implementation.

(g) Once the project is sanctioned and before the first installment of the Bank Finance is released to the beneficiary, Bank inform the State/Regional Office of the KVIC/KVIBs/State DICs for arranging EDP training to the beneficiary, if beneficiaries has not already undergone such training. They have already undergone such training of at least 2 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.

(h) First installment of the loan will be released to the beneficiary only after completion of EDP training of at least 2 weeks, which 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.

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

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

(k) After the release of Bank finance either partly or fully, Bank 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). In the case of projects financed by the branches of the Regional Rural Banks, the financing branches of the RRBs have to submit the Margin Money (subsidy) Claim to their Head Office, which, in turn, will submit the consolidated claims to the designated Nodal Branch of their sponsoring Bank. In the case of projects financed by SIDBI, the guidelines issued by SIDBI for release of loan/margin money (subsidy) followed. Though the margin money (subsidy) 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. Detailed grounds for rejections shall be maintained by KVIC/KVIBs/DICs. A separate system of acknowledging grievances or complaints will be instituted by KVIC/KVIBs and DICs and a monthly report with the details of grievances / complaints received and the status / action taken for their redressal shall be furnished to CEO, KVIC by KVIBs and DICs. A consolidated report forwarded to the Ministry of MSME every quarter by CEO, KVIC.

(l) Once the Margin Money (subsidy) is released in favour of the loanee, it should be kept in the Term Deposit Receipt of three years at branch level 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.
(m) 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.

(n) 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) adjusted by the Bank to liquidate the loan liability of the borrower either in part or full.

(o) In case any recovery is affected 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.

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

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

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

(s) 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.

(u) Margin Money (subsidy) Claim submitted by the Financing Branch of the Bank to the designated Nodal Branch.

4.6.8 Physical verification of PMEGP Units
100% physical verification of the actual establishment and working status of each of the units, set up under PMEGP, including those set up through KVIBs and DICs, will be done by KVIC, through the agencies of State Government and/or, if necessary by outsourcing the work to professional institutes having expertise in this area, following the prescribed procedures as per General Financial Rules (GFR) of Government of India. Banks, DICs and KVIBs coordinate and assist KVIC in ensuring 100% physical verification. A suitable proforma designed by KVIC for such physical verification of units. Quarterly reports, in the prescribed format submitted by KVIC to the Ministry of MSME.

4.6.9 Monitoring and evaluation of PMEGP

1 Role of Ministry of MSME

Ministry of MSME is controlling and monitoring agency for implementation of the scheme. It allocate target, sanction and release required funds to KVIC. Quarterly review meeting held in the Ministry on the performance of PMEGP. CEO, KVIC, Principal Secretaries / Commissioners (Industries) responsible for implementation of the Scheme in States through DICs, Representatives of State KVIBs and Senior officials of Banks will attend the meeting.

2 Role of KVIC

KVIC is single Nodal Implementing Agency of the Scheme at the National level. CEO, KVIC review the performance with State KVIBs, DICs and Banks every month and submit a monthly performance report to the Ministry. The report include the component wise details of beneficiaries indicating the amount of the Margin Money (subsidy) allotted, employment generated and the projects set up. KVIC will ensure that the margin money
(subsidy) is utilized as per the sub component plans approved for SC, ST, Women, etc. The targets and achievement will also be monitored at the Zonal, State and District levels by the Dy.CEOs, Directors of KVIC and the Commissioner /Secretary of Industries (DIC), of the States concerned. The existing REGP units will continue to be monitored by the KVIC as hitherto fore, and separate monthly report submitted directly to Ministry of MSME.

3 Roles of State Governments / Union Territories

The Scheme reviewed half yearly by Chief Secretary of the State. Representatives KVIC, Ministry of MSME, State Director (KVIC) CEO, KVIB, Secretary / Commissioner (Industries) of the State, Senior Officials of the Banks and other officials concerned will attend the meeting. State Governments (Commissioners / Secretaries (Industries)) will forward their monthly reports to KVIC, specifying the component wise details of beneficiaries indicating the amount of the Margin Money (subsidy) allotted, employment generated and the projects set up, which will be analyzed, compiled and consolidated by KVIC and a comprehensive report forwarded to Ministry every month. The existing PMRY units will continue to be monitored by the State DICs, as hitherto fore, and report submitted directly to Ministry of MSME.

4.6.10 Negative List of Activities

The following list of activities not 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 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 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.