

GOVERNMENT OF INDIA  
MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES

**LOK SABHA**  
**STARRED QUESTION NO. \*239**  
TO BE ANSWERED ON 17.03.2022

**LOANS UNDER PMEGP**

\*239.       SHRI ANUBHAV MOHANTY:

Will the Minister of MICRO, SMALL AND MEDIUM ENTERPRISES be pleased to state:

- (a) whether the individuals seeking loan under the Prime Minister's Employment Generation Programme (PMEGP) are being asked for hypothecation and collateral and if so, the details thereof and the reasons therefor;
- (b) whether such a move would cause impediments in the success of the programme; and
- (c) if so, whether the Government has any proposal to do away with the conditions of hypothecation and collateral for seeking loan under the scheme and if so, the details thereof?

**ANSWER**

MINISTER OF MICRO, SMALL AND MEDIUM ENTERPRISES  
(SHRI NARAYAN RANE)

(a) to (c):   A statement is laid on the table of the House.

**STATEMENT REFERRED TO IN REPLY TO PARTS (a) to (c) OF THE  
LOK SABHA STARRED QUESTION No.\*239 FOR ANSWER ON 17.03.2022**

(a) to (c): Prime Minister's Employment Generation Programme (PMEGP) is a bank appraised and financed credit linked subsidy programme, being implemented by the Ministry of MSME for generation of employment opportunities through establishment of non-farm based micro enterprises in rural as well as urban areas of the country.

The scheme guidelines provide that the bank will appraise the projects and take their own credit decision, including hypothecation, on the basis of viability of each project.

As per RBI instructions of 2010, banks are mandated not to ask for collateral security in case of loans up to Rs.10 lakh extended to units in the MSE sector. Accordingly, PMEGP guidelines provide that no collateral security shall be insisted upon by Banks in line with the guidelines of RBI for projects involving loan up to Rs.10 lakh.

Banks may ask for collateral for loans above Rs.10 lakh. This causes no impediment in the success of the PMEGP scheme as Banks are sanctioning more projects than the target. During the FY 2020-21, against the target of setting up of 78617 micro-units, the Banks had sanctioned 95805 projects. Similarly, during the current FY 2021-22, against the target of setting up of 94181 new micro enterprises, the banks have already sanctioned 1,00,756 projects till 10.03.2022.

Further, to facilitate PMEGP entrepreneurs, collateral free credit facility (term loan and/or working capital) is available under Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE) scheme of the Ministry.

CGTMSE has been set up to facilitate flow of credit to the MSE sector by reassuring the lender that if a MSE unit, which has availed collateral free credit facilities, fails to discharge its liabilities to the lender, the Trust would make good the loss incurred by the lender, as per applicable conditions.

The guarantee cover under CGTMSE extends from 50% to 85% of the credit with a guarantee fee of 0.5 to 1.5% for a loan up to Rs. 2 crore.

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