REPORT NO.
251

PARLIAMENT OF INDIA
RAJYA SABHA

DEPARTMENT-RELATED PARLIAMENTARY STANDING COMMITTEE ON INDUSTRY

TWO HUNDRED AND FIFTY ONE REPORT
ON
IMPLEMENTATION OF PRIME MINISTER'S EMPLOYMENT GENERATION PROGRAMME (PMEGP)

PERTAINING TO
THE MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES

(PRESENTED TO THE HON'BLE CHAIRMAN, RAJYA SABHA ON 23.07.2013)

(FORWARDED TO THE HON'BLE SPEAKER, LOK SABHA ON 23.07.2013)

(PRESENTED TO RAJYA SABHA ON 06.08.2013)

(LAID ON THE TABLE OF LOK SABHA ON 06.08.2013)

Rajya Sabha Secretariat, New Delhi
July, 2013/Ashadha, 1935 (Saka)

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C O N T E N T S

COMPOSITION OF THE COMMITTEE
(CONSTITUTED W.E.F. 31ST AUGUST, 2012)

RAJYA SABHA

1. Shri Tiruchi Siva — *Chairman*
2. Shri Narendra Budania
3. Shri Ashk Ali Tak
4. Shri Ananda Bhaskar Rapolu
5. Shri Natuji Halaji Thakor
6. Shri Basawaraj Patil
7. Prof. S. P. Singh Baghel
8. Shri Vivek Gupta
9. Shri Nandamuri Harikrishna
10. Shri M.P. Achuthan

LOK SABHA

11. Dr. Rattan Singh Ajnala
12. Shri Khiladi Lal Bairwa
13. Shri N.S.V. Chitthan
14. Smt. Poonamben Veljibhai Jat
15. Shri Ram Singh Kaswan
16. Shri Hassan Khan
17. Shri Kaushalendra Kumar
18. Shrimati Ingrid Mcleod
19. Shri Bharat Ram Meghwal
20. Shri Somen Mitra
21. Shri P.R. Natrajan
22. Shri Gorakhnath Pandey
23. Shri Jayaram Pangi
24. Shri R. K. Singh Patel
25. Shri B. Y. Raghavendra
26. Shri Gopal Singh Shekhawat
27. Shri Ijyaraj Singh
28. Ch. Lal Singh
29. Shri Kirit Premjibhai Solanki
30. Shri E.G. Sugavanam
31. Shri Ramsinh Rathwa

SECRETARIAT

1. Shri S.N. Sahu, Joint Secretary
2. Smt. Sunita Sekaran, Director
3. Shri Roshan Lal, Joint Director
4. Shri Ranjan Chaturvedi, Assistant Director

INTRODUCTION

I, the Chairman of the Department-related Parliamentary Standing Committee on Industry, having been authorized by the Committee, hereby present this Two Hundred and Fifty One Report on Prime Minister Employment Generation Programme (PMEGP) pertaining to Ministry of Micro, Small and Medium Enterprises.

2. The Committee heard the representatives of Ministry of Micro, Small and Medium Enterprises, Ministry of Finance, select Public Sector Banks in Delhi and State Governments during its study visits.

3. The Committee in its meeting held on 22nd July,2013 considered and adopted the report.

TIRUCHI SIVA
Chairman
Department -related Parliamentary
Standing Committee on Industry

New Delhi,
July, 2013

Report

“The role of the M/o MSME and its organizations is to assist the States in their effort to encourage entrepreneurship, employment and livelihood opportunities and enhance the competitiveness of MSMEs in the changed economic scenario”

Annual Report(2012-13)of Ministry of MSME

Prime Minister’s Employment Generation Programme (PMEGP) is an important instrument for achieving the aforesaid objective. The Scheme was launched in 2008-09 after merging Prime Minister Rojgar Yojna (PMRY) and Rural Employment Generation Scheme (REGP). The aim of the scheme is to create entrepreneurs in rural as well as urban areas by providing sustained self employment opportunities. It is achieved by providing 15%-35% Margin Money subsidy to the unemployed youth for setting up projects in non-farm sector, There is a strong component of training and skill development which is built in the scheme. The scheme focuses on the micro enterprises.

2. Any individual above the 18 years of age and with education qualification of 8th standard, can avail of opportunities under this scheme for setting up a new manufacturing unit of maximum investment of Rs. 25 lakhs and business/service enterprise with investment of Rs. 10 lakhs. Per capita investment has been stipulated at Rs 1 lakh and Rs. 1.5 lakh for hilly areas. Self-help groups and production-based Cooperative societies too can avail of the benefits under the scheme provided they have not availed benefit under any other such scheme. Under the scheme the beneficiary is required to bring 10% of the cost as his/her contribution whereas the banks provide finance for remaining 90% of the investment. In case of ST/SC/OBC/minorities/women/ex-servicemen, physically challenged/ and those from NER and border areas, the beneficiaries contribution is only 5%. In addition to the financial assistance, the scheme provides for entrepreneurship development training to the beneficiaries whose projects have been sanctioned. As per PMEGP guidelines, once project is sanctioned by Bank, before releasing the second instalment of loan, beneficiary is required to undergo a two week Entrepreneurship Development Programme arranged by KVIC through its accredited institutions.

3. Annual Budgetary allocation under the scheme is devolved to States based on a formula wherein rural population of the State, backwardness of the State, Urban unemployment and past performance are taken into account. The Committee was also informed that based on SC/ST Sub plan communicated by the Ministry, KVIC has worked out targets State-wise for SC and ST beneficiaries proportionate to existing population of these categories for 2013-14.

4. Annual allocation of margin money subsidy is released in two instalments of 50% each. The first instalment is released when the State has used at least 50% of the allocation of previous year. And the second instalment is released after 50% of the current year's release is utilized. The release is made by the Ministry to KVIC which further devolves the fund to concerned State's nodal bank branches. The applicant can submit application with KVIC, KVIB, District Industries Centers (DIC) or Banks, which is forwarded to District Level Task Force (DLTF) headed by District Magistrate. The DLTF has 10 members including the representatives of District Industries Center and Lead Bank. It was informed that the DLTF also has representation of urban local bodies and three panchayat representatives nominated by the District Magistrate/Deputy Commissioner. Of the three Panchayat members one should be SC/ST and another should be woman. The Task Force after conducting screening and interview, forwards shortlisted applications to financing bank. The financing branch further scrutinizes the application and sanctions the loan. The financing branch after making first disbursement, submits its claim to its nodal branch. The nodal branch settles the claims and transfers the fund to financing branch. The financing branch keeps the subsidy amount in the name of beneficiary in his Term Deposit account, which is eventually credited to the beneficiary's loan account on the verification after two years from the date of first disbursement of the loan. The Committee was informed that the Banks have been requested to provide margin money adjustment accounts in prescribed format for units sanctioned during 2008-09 and 2009-10.

5. **The Committee finds that the structure of the scheme is too complex. The stakeholders like KVIC, DLTF and Bankers do not coordinate seamlessly. The Committee is of the view that for efficient implementation of such an important scheme the structure of the scheme must be simplified. The Committee proposes that along with existing system of extending margin money to the entrepreneur an interest**

subvention scheme may also be considered for encouraging the youth to become self-employed.

6. To give greater emphasis to the rural areas, rate of margin money subsidy for urban area is 15% of the project cost which is raised to 25% for the rural areas.

7. There is a negative list of enterprises which are excluded from this scheme. These are businesses related to production/processing or sale of meat, intoxicant items like tobacco, cigarette, beedi etc., cultivation, sericulture, horticulture, manufacturing of polythene bangs of less than 20 micron or containers of recycled plastic, rural transport, though few exceptions have been made for J&K, NE region and the Andaman and Nicobar Islands. In addition, trading and retail outlets have been permitted under PMEGP in the NE region subject to the condition that only 10% of the allocation made for the State, is to assigned to such projects. More than 450 model projects have been devised by the KVIC for the benefit of prospective entrepreneurs. In addition, 150 projects have been designed by the NSIC incubation centers, which could be adopted by prospective entrepreneurs for their projects. Also the KVIC has accredited around 560 training centers for imparting EDP training to the beneficiaries.

8. The KVIC is the implementing agency of PMEGP at national level. At the State Level, the scheme is implemented through State Directorates of KVIC; State Khadi and Village Industries Boards (KVIBs) and District Industries Centres (DIC) of State Governments at a ratio of 30:30:40. Regarding involvement of State KVIBs in the Scheme, it was informed that the KVIC assigned 30% target to respective State KVIBs. Funds under backward and forward linkages too are delegated to State KVIBs to organize exhibitions, workshops etc., .for the promotion of the Scheme.

9. The finance under PMEGP scheme is provided through 27 Public Sector Banks, SIDBI, Regional Rural Banks, Cooperative Banks and Private sector Scheduled Commercial Banks, as approved by State Level Task Force Committee headed by the Principal Secretary (Industries)/Commissioner (Industries) and the SIDBI. The Committee observed that Cooperative banks and Regional Rural Banks have significant role in implementing this Scheme. They use more than 17% of the total margin money allocated under the scheme which is higher than any Public Sector Bank.

10. The programme is envisaged as a comprehensive scheme including backward and forward linkages to meet the requirements of potential entrepreneurs. It involves training, awareness camps, publicity, workshops, . banker's review meetings and district, state and national level exhibitions and physical verification of the units set up, concurrent evaluations and electronic tracking of applications. A certain percentage of annual allocations for PMEGP are assigned for backward and forward linkages like training, publicity, marketing etc.

11. For improved implementation of the scheme, the progress made under PMEGP is reviewed in the Ministry at regular intervals. Regular review meetings by National Level Monitoring Committee, KVIC and others are also held.

12. In order to make an in-depth appraisal of the implementation of this important scheme, the Committee examined the issue with different stakeholders viz. the KVIC, the State Governments and the Public Sector Banks during its various study tours. The Committee interacted with representatives of the State Government of Kerala and Indian Overseas Bank, State Bank of Travencore, Canara Bank and Union Bank (February 2012) and again with State Bank of Mysore and State Bank of Travencore (February 2013); State Government of Tamil Nadu and Indian Bank (May 2012) and with State Bank of India and Canara bank (February 2013); representative of the State Government of J&K and State Bank of India and Punjab national Bank (June 2012), Representatives of Punjab and Sindh bank and State Bank of Patiala (June 2012); representatives of State Government of Karnataka ,Syndicate Bank and Vijaya bank (November 2012); representatives of State Government of Maharashtra, Bank of India and Bank of Baroda (November 2012) and again with representatives of Bank of Maharashtra and Central Bank of India (July, 2013); representatives of State Government of West Bengal, UCO Bank, Allahabad Bank and United Bank of India (June 2013); representatives of the State Government of Nagaland and State Bank of India (June 2013) and representatives of the State Government of Assam and State Bank of India (June 2013).

13. The Committee sought to know sector-wise distribution of PMEGP projects. The Committee observed that manufacturing sector constituted larger component in the PMEGP projects. The following was placed before the Committee.

PMEGP - ALL INDIA % OF MANUFACTURING AND SERVICE

YEAR	PERCENTAGE

	Manufacturing	Service	Total
2010-11	**57**	**43**	**100**
2011-12	**56**	**44**	**100**

14. **The Committee is of the view that manufacturing sector has greater employment potential, therefore it should have larger share under the Scheme.**

15. The Committee also sought investment-category-wise information of the PMEGP project. The KVIC provided the following information:

PMEGP - ALL INDIA RANGE-WISE % OF PROJECTS

Range of Projects	% of Projects	
	2010-11	**2011-12**
Upto Rs.1.00 lakh	16.4	11.9
Upto Rs.5.00 Lakhs	72.3	68.9
Upto Rs.10.00 lakhs	86.7	82.6
Upto Rs.25.00 lakhs	100	100

16. The Committee observed that maximum projects were in the range of Rs 1lakh to Rs 5 lakh. Also there is gradual shift towards higher end projects.

17. The Committee also took note of the annual performance in implementing the Scheme:

Year wise Performance under PMEGP

YEAR	Target		Achievement		
	MM (Rs. Cr.)	**Projects**	**MM (Rs.i cr.)**	**No. of Projects**	**Achievement (% of MM)**
2008-09	734.80	61227	356.23	19166	48
2009-10	559.70	46640	762.44	40918	136
2010-11	836.00	59714	891.18	49064	107
2011-12	800.00	57143	1057.84	55135	132
2012-13	1238.00	53826	1080.26	57078	87
Total	**4168.50**	**278550**	**4147.95**	**221361**	**99.50**

18. The Committee took note of the figures of 2012-13 as provided in the Annual Report of the Ministry. It is mentioned that till 31.12.2012, 53, 143 applications were recommended to the banks of which only 24,464 were sanctioned by the Banks and disbursement has been made only to 18,160 with margin money assistance of Rs. 361.46 crores.

19. The Committee observed that till 2011-12 despite more than 100% utilization of margin money the number of projects assisted, missed the target, whereas in 2012-13 despite 87% utilization of margin money the achievement in term of projects exceeded the target. This pattern of utilization is inexplicable. The Committee feels that the efficacy of this employment generation scheme should be measured in terms of employment opportunities created and not in terms of margin money utilized. The Committee finds a distinct disjoint in utilization of funds and actual achievement of objectives of this scheme.

20. The Committee noted that till 31.1.13, Margin Money of only Rs 403.35 crores was utilized for 20374 projects, with an achievement of only 33% till that date, however, by the end of Financial Year 2012-13, Rs. 1080.26 crores were utilised to finance 57078 projects and overall utilisation was recorded at 87%, i.e. 54% utilization in last two months. Significantly the annual target in terms of project was surpassed despite lower utilisation of Margin Money. The Committee noted this pattern of over spending towards last months of every Financial Year. In this regard, the Committee took note of the submission made by the Ministry that " There is a tendency on the part of Banks to decide on the sanction/disbursement/settlement of claim under PMEGP towards the end of financial year resulting in rush of expenditure at the fag end of the year."

21. **However, the Committee is of the opinion that such state of affairs can not be attributed to Banks alone. There has to be regular meetings of District Level Task Force as per the prescribed guidelines. Also the DLTF the DLTF should do due diligence while examining a proposal, so that they recommend only sound and viable projects and least time is wasted by the Banks in further scrutinizing the applications. The KVIC and RBI should formulate templates against which the**

DLTF should examine a proposal. The Committee also noted that Banks reject applications approved by the DLTF. One of the major cause of rejection is Service Area Norms of Banks. The Committee notes that despite KVIC's suggestion to relax Service Area Norms, some Banks were in favour of retaining these norms to discourage unscrupulous applicants from misusing the scheme. Still, **the Committee finds prevailing state of affairs grossly unsatisfactory, where the KVIC has admitted that the number of applications exceed the annual target and yet they are not disposed off within a financial year and instead , the money allocated remains idle with the Banks. And yet, the KVIC claims to have met the target. The Committee recognizes that PMEGP has great potential for remunerative self employment by imparting skill. The Scheme will enable urban and rural unemployed youth to use their skills for earning their livelihood. The Committee has therefore always supported enhanced allocation for the PMEGP. There is however need for greater and effective monitoring by the KVIC, RBI, State Governments and Ministry of Finance**.

22. **The Committee was dismayed to note that in certain States like Tamil Nadu and West Bengal, no fresh applications were entertained for a year, in order to clear the backlog of applications pending from previous years. Such instances constitute the violation of mandate and intent of this Scheme. The Committee feels that there should not be any embargo on submitting the applications, which should be accepted throughout the year. The DLTFs should regularly meet at least once in two months to examine and approve the cases. The objective should be to expand the coverage of this Scheme and intent of this Scheme must not be diluted due to procedural nuances.**

23. The Committee also noted that in order to avoid such year-end rush, the KVIC has formulated 100 days schedule for disposal of applications, which is as follows:

•Time limit of maximum 30 days for forwarding applications to banks from date of receipt by implementing agency through DTFC.

•Time limit of maximum 30 days for sanctioning of PMEGP loan by banks from date of receipt at Financing bank.

•Time limit of maximum 30 days for disbursement of loan from the date of sanction by banks.

- The above requisite formalities and requirement should be completed so that the project can commence within a period of 90-100 days

24. **The Committee however, observes that the above time-line is seldom adhered to either by DLTF or Banks. The Committee therefore recommends that the KVIC with elaborate process of monitoring at every level, must ensure scrupulous adherence to the time schedule. The Committee also recognizes that the guidelines provide for meeting of district level task force every two months. The Committee recommends this should be a mandatory provision instead of being a near guideline. In addition, the KVIC in consultation with RBI should prescribe norms against which any application is scrutinized by the DLTF.**

25. Notwithstanding assertions made by the KVIC regarding meeting the annual targets the Committee notes that during XI Plan for the period of 2008-09 to 2011-12, 37.38 lakh employment was proposed to be created under the PMEGP scheme with Rs 4485 crores as Margin Money. However, Rs 3131.65 crores budgetary support could be provided. Accordingly there was gross under achievement of target. Despite such under achievement, the XII Plan projections are even more ambitious. An enhanced outlay of Rs.8060 crore has been proposed for XII Plan out of which Rs.7800 crore would be used as margin money subsidy and Rs.260 crore will be spent for backward and forward linkages. It is estimated that 27.13 lakh additional employments would be created by assisting 3.30 lakh enterprises. The Committee was informed that in the XII Plan the project ceiling has been enhanced from Rs.25.00 to Rs.50.00 lakhs for manufacturing and from Rs 10 lakh to Rs.25.00 lakhs for service sector. Trading activities/sales outlets too have been included in the service sector.

26. **The Committee agrees that there is a scope of scaling up the PMEGP scheme. The Committee also supports higher allocation for PMEGP in view of the fact that with current level of allocation certain States like Tamil Nadu and West Bengal are not able to cater to growing number of applications. However, the structure of the Scheme is too complex and needs to be streamlined. The figures and pattern of expenditure suggest that different agencies involved in this scheme do not coordinate seamlessly. The Committee therefore recommends that there is scope for**

improving the institutional framework by closely involving the stakeholders and monitoring their performance.

27. The Committee is pained to note the repeated cases of indifference by branch level bank officers towards the PMEGP applicants. There are wide-spread complaints of delay in processing the applications and eventual rejections without informing the applicant. This indifference persist despite the guidelines of RBI, Ministry of Finance and the repeated assurances given to this Committee by the senior most representative of respective banks. The Committee is of firm opinion that such an attitude will further marginalize already demoralized sections of youth and will lead to serious social problems. Instead, the Banks should hand hold the new entrepreneurs as their potential customers. The Committee in this regard seriously takes note of significant number of rejections of applications despite being approved by the DLTF. In Maharashtra a senior State level officer informed the Committee that she personally visited the banks and without disclosing her identity wanted to know the grounds on which PMEGP applications were rejected by those banks. On scrutinizing those applications she found that most of the applications were rejected because those did not contain one document or other. She informed the Committee that she urged the banks not to reject the applicants on frivolous grounds and rather requested them to clear the applications first and later the District level Task Force would accord its stamp of approval. Her deposition before the Committee proved the point that the banks need to clear PMEGP applications at a faster pace. **Therefore, the Committee is of the view that the processing of projects designed by KVIC and NSIC, should be fast tracked and should be decided favourably**. The Committee also appreciates that E-tracking system has been introduced to track the status of applications. The Committee takes note of recent initiative in this respect. According to which e-tracking has been made mandatory by the Ministry of MSME from 2013-14, **Therefore the Banks must ensure filling in the relevant data in the e-tracking system relating to the bank's sanction and disbursement. Banks should encourage and ensure that application must be entered in the e-tracking system**. As per the recent initiative by KVIC no margin money will be released to banks in respect of PMEGP applications not entered in the e-tracking system**. The Committee recommends that all the banks should join in e-tracking platform and that banks should start receiving applications online.**

28. The Committee was informed of the initiatives taken by the KVIC to increase funding linkages for the scheme. It was informed that to step up the achievement under scheduled caste category for PMEGP, convergence has been established with National Scheduled caste Financial Development Corporation (NSFDC). **The Committee recommends that similar linkages should be established with North Eastern Development Financial Corporation (NEDFiC), proposed Women's Bank as envisaged in Budget (2013-14), National Minority Development Finance Corporation (NMDFC) and other similar financial institutions.**

29. The Committee was also informed that the scheme is included under "Priority sector lending**". The Committee is of firm view that priority sector must not only get easy access to the bank finance but also terms and conditions and the cost of credit too should be affordable. In this respect the Committee found that the rate of interest charged by banks was universally high and also the banks were charging differential rate of interest. The Committee recommends that the Government through RBI should impose a cap on the rate of interest which should in any case be reduced for PMEGP. As stated earlier, the Committee also suggests that along with the existing system of extending margin money to the entrepreneurs an interest subvention scheme may also be considered for encouraging the youths to become self-employed. This in Committee's view would simplify the procedure and minimize the discretion of banks in deciding on an application. In addition, all the loans under PMEGP should be automatically covered under Credit Guarantee Scheme and no collateral must be sought from the beneficiary. The premium for credit guarantee should be borne by the KVIC. The Committee notes that despite the written provision that banks would not ask for collateral for a certain amount of loan, in practice they ask for collateral from the beneficiaries. The Committee finds this is an unacceptable situation which must be monitored by the Banks and the RBI at the Branch level and remedial action taken. The Committee also recognized that the Ministry of Finance is represented on the Boards of the Public Sector Banks through their officers. The representatives of the Ministry should monitor the implementation of Government Schemes particularly employment generation Schemes like PMEGP by Banks.**

30. The Committee notes that the scheme was applicable for both rural as well as urban areas and suggests that KVIC should conduct a study on the rural and urban spread of this scheme. The Committee is of the view that the self employment opportunities in rural areas should be emphasized. In this respect the Committee takes note of the recent study done by Institute of Applied Manpower Research on informalization of labour force which suggest that unskilled and semi skilled manpower from villages is migrating to bigger cities and is being absorbed as casual labourers without much social security cover. Similarly the recent figures released by NSO (National Statistical Organisation) indicate massive job loss and low wages for rural women. In such a situation implementation of schemes like PMEGP in rural areas will hugely benefit people in rural areas and successfully address poverty and unemployment situation in our villages. However, the Committee notes that the negative list prescribed under the scheme includes industry and business connected with cultivation, sericulture, horticulture, floriculture etc. Therefore such a negative list seriously constricts the options of village entrepreneurs. The Committee therefore recommends that negative list should be reviewed in the context of village/rural industries and in the context of region. For instance in the context of States of north eastern region the negative list must be prepared taking into account specificities of the States of the region. The respective State Governments too should be consulted while preparing State specific negative list.

31. The Committee feels that if synergized with other similar schemes, the scope of PMEGP will expand and its potentiality will be realized significantly. The Committee was informed that to provide employment opportunities under PMEGP to unemployed youths who have availed of skill development training from NIESBUD, DCMSME, NSIC etc. convergence has been established. In this regard the Committee also notes the proposal for setting up one Cluster in every district. **The Committee accordingly suggests that PMEGP projects should be developed as clusters with common facilities like training, finance and marketing.**

32. **The Committee also notes that there is a prominent training component built in the PMEGP scheme. The training institutions should be spread all over the State.**

The selection of training institutions should be transparent under standard terms and conditions. The KVIC should monitor the training module and employability of trainees.

33. A certain percentage of the annual allocation for PMEGP scheme is meant for backward and forward linkages including marketing and publicity. **The Committee strongly recommends that the KVIC should give wide publicity to PMEGP Scheme jointly with Banks. It must be done across the country and in target areas among potential target groups. The recommends that the banks must publicise PMEGP as a bankable scheme. The Committee appreciates that the KVIC has developed an exclusive web portal to showcase and promote the product range of PMEGP units. This will project PMEGP products to domestic and international markets. The Committee recommends that possibility should be explored for promotion of PMEGP products internationally as a single Brand name.**

34. **The Committee also recommends that the scope of the scheme should be expanded. So far the mandate of this scheme has been to assist the new units. The Government should explore the possibility of assisting the existing PMEGP units for their expansion and for this purpose some percentage of the allocation should be earmarked.**

35. During its visit to North Eastern region, the Committee found that there is great scope for implementation of schemes like PMEGP which will enable people to employ their traditional skills. Implementation of this schemes will economically empower people and put an end to their alienation. However, the implementation of this scheme has been hampered due to lack of network and manpower of KVIC in this region and difficulty experienced in getting access to institutional finance. The Committee was also informed that the negative list of PMEGP did not allow many vocations which had great scope and demand in North Eastern region. **The Committee therefore recommends that the negative list should be reviewed considering the specific requirements of States particularly the North Eastern region. The Committee also recommends that the Government should enhance the presence of KVIC in that region and should undertake a special drive for the financial inclusion of the region by**

expanding banking network. The Committee noted that North Eastern Development Financial Corporation has implemented Micro Finance scheme for the entrepreneurs. The Committee suggest that the KVIC and NEDFiC should compliments their efforts in expanding the PMEGP in North Eastern region. The Committee also suggests that Ministry should develop PMEGP clusters in NE region under its Cluster development programme. These Clusters should have financial, marketing and training facilities.

36. **The Committee has been informed of proposal for engaging an agency for concurrent monitoring and evaluation of PMEGP. The Committee expects that the observations and recommendations contained in this Report will constitute important references for such evaluation.**

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Recommendation/observation at a glance

1. **The Committee finds that the structure of the scheme is too complex. The stakeholders like KVIC, DLTF and Bankers do not coordinate seamlessly. The Committee is of the view that for efficient implementation of such an important scheme the structure of the scheme must be simplified. The Committee proposes that along with existing system of extending margin money to the entrepreneur an interest subvention scheme may also be considered for encouraging the youth to become self-employed.**

(Para 5)

2. **The Committee is of the view that manufacturing sector has greater employment potential, therefore it should have larger share under the Scheme.**

(Para 14)

3. **However, the Committee is of the opinion that such state of affairs cannot be attributed to Banks alone. There has to be regular meetings of District Level Task Force as per the prescribed guidelines. Also the DLTF the DLTF should do due diligence while examining a proposal, so that they recommend only sound and viable projects and least time is wasted by the Banks in further scrutinizing the applications. The KVIC and RBI should formulate templates against which the DLTF should examine a proposal.** Still, **the Committee finds prevailing state of affairs grossly unsatisfactory, where the KVIC has admitted that the number of applications exceed the annual target and yet they are not disposed off within a financial year and instead , the money allocated remains idle with the Banks. And yet, the KVIC claims to have met the target. The Committee recognizes that PMEGP has great potential for remunerative self employment by imparting skill. The Scheme will enable urban and rural unemployed youth to use their skills for earning their livelihood. The Committee has therefore always supported enhanced allocation for the PMEGP. There is however need for greater and effective monitoring by the KVIC, RBI, State Governments and Ministry of Finance**.

(Para 21)

4. **The Committee was dismayed to note that in certain States like Tamil Nadu and West Bengal, no fresh applications were entertained for a year, in order to clear**

the backlog of applications pending from previous years. Such instances constitute the violation of mandate and intent of this Scheme. The Committee feels that there should not be any embargo on submitting the applications, which should be accepted throughout the year. The DLTFs should regularly meet at least once in two months to examine and approve the cases. The objective should be to expand the coverage of this Scheme and intent of this Scheme must not be diluted due to procedural nuances.

(Para 22)

5. **The Committee however, observes that the above time-line is seldom adhered to either by DLTF or Banks. The Committee therefore recommends that the KVIC with elaborate process of monitoring at every level, must ensure scrupulous adherence to the time schedule. The Committee also recognizes that the guidelines provide for meeting of district level task force every two months. The Committee recommends this should be a mandatory provision instead of being a near guideline. In addition, the KVIC in consultation with RBI should prescribe norms against which any application is scrutinized by the DLTF.**

(Para 24)

6. **The Committee agrees that there is a scope of scaling up the PMEGP scheme. The Committee also supports higher allocation for PMEGP in view of the fact that with current level of allocation certain States like Tamil Nadu and West Bengal are not able to cater to growing number of applications. However, the structure of the Scheme is too complex and needs to be streamlined. The figures and pattern of expenditure suggest that different agencies involved in this scheme do not coordinate seamlessly. The Committee therefore recommends that there is scope for improving the institutional framework by closely involving the stakeholders and monitoring their performance.**

(Para 26)

7. **Therefore, the Committee is of the view that the processing of projects designed by KVIC and NSIC, should be fast tracked and should be decided favourably. Therefore the Banks must ensure filling in the relevant data in the e-tracking system relating to the bank's sanction and disbursement. Banks should**

encourage and ensure that application must be entered in the e-tracking system. The Committee recommends that all the banks should join in e-tracking platform and that banks should start receiving applications online.

(Para 27)

8. **The Committee recommends that similar linkages should be established with North Eastern Development Financial Corporation (NEDFiC), proposed Women's Bank as envisaged in Budget (2013-14), National Minority Development Finance Corporation (NMDFC) and other similar financial institutions.**

(Para 28)

9. **The Committee is of firm view that priority sector must not only get easy access to the bank finance but also terms and conditions and the cost of credit too should be affordable. In this respect the Committee found that the rate of interest charged by banks was universally high and also the banks were charging differential rate of interest. The Committee recommends that the Government through RBI should impose a cap on the rate of interest which should in any case be reduced for PMEGP. As stated earlier, the Committee also suggests that along with the existing system of extending margin money to the entrepreneurs an interest subvention scheme may also be considered for encouraging the youths to become self-employed. This in Committee's view would simplify the procedure and minimize the discretion of banks in deciding on an application. In addition, all the loans under PMEGP should be automatically covered under Credit Guarantee Scheme and no collateral must be sought from the beneficiary. The premium for credit guarantee should be borne by the KVIC. The Committee notes that despite the written provision that banks would not ask for collateral for a certain amount of loan, in practice they ask for collateral from the beneficiaries. The Committee finds this is an unacceptable situation which must be monitored by the Banks and the RBI at the Branch level and remedial action taken. The Committee also recognized that the Ministry of Finance is represented on the Boards of the Public Sector Banks through their officers. The representatives of the Ministry should monitor the implementation of Government Schemes particularly employment generation Schemes like PMEGP by Banks.**

(Para 29)

10. The Committee notes that the scheme was applicable for both rural as well as urban areas and suggests that KVIC should conduct a study on the rural and urban spread of this scheme. The Committee is of the view that the self employment opportunities in rural areas should be emphasized. In this respect the Committee takes note of the recent study done by Institute of Applied Manpower Research on informalization of labour force which suggest that unskilled and semi skilled manpower from villages is migrating to bigger cities and is being absorbed as casual labourers without much social security cover. Similarly the recent figures released by NSO (National Statistical Organisation) indicate massive job loss and low wages for rural women. In such a situation implementation of schemes like PMEGP in rural areas will hugely benefit people in rural areas and successfully address poverty and unemployment situation in our villages. However, the Committee notes that the negative list prescribed under the scheme includes industry and business connected with cultivation, sericulture, horticulture, floriculture etc. Therefore such a negative list seriously constricts the options of village entrepreneurs. The Committee therefore recommends that negative list should be reviewed in the context of village/rural industries and in the context of region. For instance in the context of States of north eastern region the negative list must be prepared taking into account specificities of the States of the region. The respective State Governments too should be consulted while preparing State specific negative list.

(Para 30)

11. **The Committee accordingly suggests that PMEGP projects should be developed as clusters with common facilities like training, finance and marketing.**

(Para 31)

12. **The Committee also notes that there is a prominent training component built in the PMEGP scheme. The training institutions should be spread all over the State. The selection of training institutions should be transparent under standard terms and conditions. The KVIC should monitor the training module and employability of trainees.**

(Para 32)

13. **The Committee strongly recommends that the KVIC should give wide publicity to PMEGP Scheme jointly with Banks. It must be done across the country and in target areas among potential target groups. The recommends that the banks must publicise PMEGP as a bankable scheme. The Committee appreciates that the KVIC has developed an exclusive web portal to showcase and promote the product range of PMEGP units. This will project PMEGP products to domestic and international markets. The Committee recommends that possibility should be explored for promotion of PMEGP products internationally as a single Brand name.**

(Para 33)

14. **The Committee also recommends that the scope of the scheme should be expanded. So far the mandate of this scheme has been to assist the new units. The Government should explore the possibility of assisting the existing PMEGP units for their expansion and for this purpose some percentage of the allocation should be earmarked.**

(Para 34)

15. **The Committee therefore recommends that the negative list should be reviewed considering the specific requirements of States particularly the North Eastern region. The Committee also recommends that the Government should enhance the presence of KVIC in that region and should undertake a special drive for the financial inclusion of the region by expanding banking network. The Committee noted that North Eastern Development Financial Corporation has implemented Micro Finance scheme for the entrepreneurs. The Committee suggest that the KVIC and NEDFiC should compliments their efforts in expanding the PMEGP in North Eastern region. The Committee also suggests that Ministry should develop PMEGP clusters in NE region under its Cluster development programme. These Clusters should have financial, marketing and training facilities.**

(Para 35)

16. **The Committee has been informed of proposal for engaging an agency for concurrent monitoring and evaluation of PMEGP. The Committee expects that the**

observations and recommendations contained in this Report will constitute important references for such evaluation.

(Para 36)

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Rajya Sabha Secretariat
Department Related Parliamentary Standing Committee on Industry

XXIII

Twenty-third Meeting

The Committee met at 11.00 A.M on Monday, the 22nd July, 2013 in Committee Room 'D', Parliament House Annexe, New Delhi.

Present

Shri Tiruchi Siva — ***Chairman***

RAJYA SABHA

1. Shri Ashk Ali Tak
2. Shri Ananda Bhaskar Rapolu
3. Shri Basawaraj Patil
4. Prof. S. P. Singh Baghel
5. Shri Vivek Gupta

LOK SABHA

6. Dr. Rattan Singh Ajnala
7. Shri Hassan Khan
8. Shri. Kaushalendra Kumar
9. Shri Bharat Ram Meghwal
10. Shri Somen Mitra
11. Shri P. R. Natarajan
12. Shri Gorakhnath Pandey
13. Ch. Lal Singh
14. Dr. Kirit Premjibhai Solanki
15. Shri Ramsinh Rathwa

Secretariat

1. Shri. S.N. Sahu, Joint Secretary
2. Smt. Sunita Sekaran, Director
3. Shri. Roshan Lal, Joint Director

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At the outset, the Chairman of the Committee welcomed the Members and briefed them that the agenda of the meeting, was to consider and adopt the Draft 246th report on Revival of Nagaland Pulp & Paper Company Ltd pertaining to the Department of Heavy Industry, M/o Heavy Industries & Public Enterprises, 249th report on Revival and Restructuring of the Fertilizers and Chemicals Travancore Ltd pertaining to the Department of Fertilizers, M/o Chemicals & Fertilizers, 250th and 251st reports on Impact of Foreign Direct Investment in Multi Brand Retail on MSME Sector and Implementation of Prime Minister's Employment Generation Programme (PMEGP), pertaining to the M/o Micro, Small & Medium Enterprises, respectively, of the Committee.

2. Thereafter, the Committee took up the reports for consideration and after some discussion, affected few changes and unanimously adopted the Draft 246th, 249th, 250th & 251st Reports.

3. The Committee then authorized the Chairman to present the 245th, 246th, 247th, 248th, 249th, 250th & 251st reports to the Hon'ble Chairman, Rajya Sabha since the House was in recess and the term of the Chairman of the Committee was ending on 24th July, 2013.

4. The Committee also decided to present/ lay its 245th, 246th, 247th, 248th, 249th, 250th & 251st reports in both the Houses of Parliament during the coming Monsoon Session. The Committee authorized Shri Ananda Bhaskar Rapolu, Member, Rajya Sabha and in his absence, Prof. S. P. Singh Baghel, Member, Rajya Sabha, and in the absence of both

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Shri Ananda Bhaskar Rapolu and Prof. S. P. Singh Baghel, Shri Vivek Gupta, Member, Rajya Sabha to present the 245th, 246th, 247th, 248th, 249th, 250th & 251st reports in the Rajya Sabha. The Committee also authorized Dr. Rattan Singh Ajnala and in his absence Shri P. R. Natarajan, Members, Lok Sabha to lay copies of all the Reports on the Table of the Lok Sabha.

4. Thereafter, the Members expressed their appreciation on the functioning and performance of the Committee under the leadership of the Chairman. The Chairman then thanked everyone for their cooperation.

The meeting adjourned at 1.45 P.M

New Delhi
22nd July, 2013

Roshan Lal
Joint Director

To
The Chairman and Members of the
Department –Related Parliamentary Standing Committee on Industry