Prime Minister's Rozgar Yojana (PMRY)

1. Objective

The Prime Minister's Rozgar Yojana (PMRY) has been designed to provide employment to educated unemployed youth by setting up of micro enterprises by the educated unemployed poor. It relates to the setting up of the self-employment ventures for industries, services and business.

2. Coverage

The scheme covers whole of the country.

3. Target Group

The scheme covers all educated youth with the minimum qualification of VIII Standard (passed). Preference will be given to those who have been trained for any trade in Govt. recognised/approved institutions for a duration of atleast 6 months.

4. Reservation

Preference should be given to weaker sections including women. The scheme envisages 22.5 percent reservation for SC/ST and 27 percent for other backward classes (OBCs). In case, SC/ST/OBC candidates are not available, States/UTs' Government will be competent to consider other categories of candidates under PMRY.

5. Eligibility Norms

(i) ***Age***

All educated unemployed youth between the age of 18 and 35 years on the date of receipt of application by the concerned DIC will be eligible for loan under the scheme in general with a 10 years relaxation for SC/ST/Ex-servicemen/ physically handicapped and women i.e. upto the age of 45.

(ii) ***Education***

Educated/unemployed youth with a minimum qualification of VIII Standard (passed). Preference is to be given to persons who have received training in any trade in Government recognised/approved institutions (ITI, etc.) for a minimum duration of six months. Applicants with higher qualifications or who are still pursuing further course of studies after their matriculation are also eligible for assistance.

(iii) ***Annual family income***

(a) Income upto Rs. 40,000/- per annum of family and upto Rs.40,000/- per annum of parents of beneficiary on the date of application should be taken into account. Family for this purpose would mean the beneficiary and spouse. Family income would include income from all sources whether wages, salary, pension, agriculture, business, rent, etc.

(b) As per this definition, family income should be upto Rs. 40,000/- per annum of the beneficiary; the beneficiary and spouse together, if married and upto Rs. 40,000/- per annum of parents of the beneficiary separately. This criterion of income ceiling for determining the eligibility under PMRY is applicable whether the beneficiary is staying separately or with the parents.

(c) Further, the family would mean the applicant and the spouse, even if two or more brothers/sisters live together, they will constitute different families and hence will be eligible for assistance under PMRY, if they satisfy other eligibility criteria laid down under the PMRY.

(d) For the married women candidates, the income of their parents-inlaw shall be considered.

(e) If the applicant was adopted 3 years prior to the date of his/her application for loan under PMRY, the annual income of the adopted parents would be taken into account to determine family income. If a period of adoption was less than 3 years, as on the date of his/her application for loan under PMRY, the annual income of his/her own parents will be taken into account to determine family income.

(f) Applicant's family income statement is to be supported by an affidavit. It is for the Task Force to be satisfied about the applicant meeting the family income criteria. In case of doubt, the Task Force can ask for additional documents or follow an appropriate procedure. Once a case is recommended by the Task Force, it should be presumed that the applicant meets the income criteria unless there is evidence to the contrary. Banks need not question the recommendations of the Task Force on grounds of family income, unless they have concrete and objective evidence. In such a case, the case shall be referred back to the Task Force with the evidence for appropriate action. Government of India have decided to allow applicants to submit a declaration on plain paper incorporating the contents of the affidavit along with the applications submitted to the DIC/banks. The formal affidavit on the relevant non-judiciary paper shall be submitted to the bank only when the loan amount is sanctioned.

iv). Residency

a. Beneficiary should be a permanent resident of the area for three years. Here 'Area' means the district. If the applicant is desirous of setting up venture at any place in the district in which he is residing for the last 3 years, he is eligible for assistance. Newly married women beneficiaries are exempted from fulfilling the above criterion of residency and instead the residency criterion is applied to the in-laws/husband of the married beneficiaries.

b. Document like ration card will constitute enough proof for this purpose. In its absence, Residency Certificate issued by the Deputy Commissioner/ District Magistrate or any other appropriate authority designated by the State Government may be accepted. In the absence of ration card, any other document to the satisfaction of District Committees/Task Force may be accepted as a proof of residence. c. The residency criteria for married men in Meghalaya is relaxed in line with the married women in the rest of the country. In Meghalaya, the residency criteria, i.e. the applicant should be resident of the area for the last three years, may be applicable to in-laws/wives of the married male applicants under PMRY.

2. Other conditions

a. A defaulter to a bank/financial institution will not be eligible for assistance under the scheme. Further, if a member of a family is a defaulter other members of the family will not be eligible for assistance.

b. More than one member of the same family may not be assisted under the scheme. However, another member of the same family having been assisted under any other Central/State/State-owned Corporation sponsored scheme (with/without subsidy) need not be a bar to assistance under PMRY.

c. A person who had been earlier assisted under a subsidy-linked programme will not be eligible for assistance under the PMRY.

6. Eligible Activities

Assistance will be provided for all economically viable activities including agricultural and allied activities but excluding direct agricultural operations like raising crop, purchase of manure, etc. However, it may be ensured that the beneficiary obtains statutory approvals that may be required under any law in force and disbursement by bank could be related to such clearances, if any. The implementing agencies will decide the eligibility and classification of the activity proposed to be financed under industry/service/business sectors. Earlier stipulation on ceilings on the activities to be covered under Industry, Service and Business sectors since stand withdrawn.

7. Relaxations of PMRY Norms for North-East Region, Himachal Pradesh, Uttaranchal and Jammu & Kashmir

Government of India has decided to provide certain relaxations on the various parameters in the implementation of PMRY in the States of North-Eastern Region viz. Assam, Mizoram, Manipur, Tripura, Nagaland, Arunachal Pradesh, Meghalaya and Sikkim as well as Himachal Pradesh, Uttaranchal and Jammu & Kashmir. These are:

a. The PMRY is expanded to cover areas of horticulture, piggery, poultry, fishing, small tea gardens, etc. so as to cover all economically viable activities.

b. Family income not exceeding Rs. 40,000/- per annum for each beneficiary along with his/her spouse and the parents of the beneficiary.

c. The upper age limit is relaxed to 40 years **in general**. For the SC/ST/Ex-servicemen, physically handicapped and women, the relaxation shall be upto the age of 45 years.

d. The subsidy will be @ 15 percent of the project cost with a ceiling of Rs. 15,000/- per borrower. Banks will be allowed to take margin money from the borrower varying from 5 percent to 12.5 percent of the project cost so as to make the total of subsidy and margin money equal to 20 percent of the project cost. (Applicable to cases sanctioned from 01.04.1999).

Prescribed conditions at (a) and (b) are now made applicable to the entire country under PMRY.

8. Project Funding

(i) Project preparation

The District Industries Centre (DIC)/Small Industries Service Institute (SISI) (for metropolitan cities) or NGOs, Industries Associations or other agencies will identify and forward the applications to the District Level Committee/Metropolitan City Committees to be set up by the Ministry of Industry, Government of India. After scrutiny by the committee, applications will be sponsored to banks. Banks may satisfy themselves about viability and bankability of the project.

(ii) Components of project cost

a). A borrower under the scheme will be eligible for sanction of a composite loan (working capital + term loan) **based on project cost** upto Rs. 2 lakh for other than business sector. The project cost for business sector will be restricted to Rs. 1 lakh.

b). The requirement of funds by the borrower for acquiring a suitable accommodation either by way of lease/rent or on ownership basis to set-up a shop, etc. may form part of the project cost, provided it is considered as essential by the financing bank. The total project cost, including such requirement should be within the stipulated limit indicated above.

c). In case of PMRY beneficiaries carrying on their activities in rented premises, the lease period as available may be taken, subject to renewal as in the case of non-PMRY loans. It is for the banks to ensure that lease agreements are renewed at the expiry of lease period during the currency of the loan.

(iii) ***Loan amount***

a) Banks may provide a composite loan (term loan/working capital) **not exceeding** Rs. 95,000/- or Rs. 1,90,000/- **per individual borrower** depending upon whether the project is in the business sector or other than the business sector respectively, after satisfying about the viability and bankability of the project. In view of lower margin money required to be given by the borrowers (varying from 5 percent to 12.5 percent of the project cost) in the North Eastern States (including Sikkim), Himachal Pradesh, Uttaranchal and Jammu & Kashmir, composite loan from banks per individual borrower may be worked out separately for these states.

b) The working capital component should be determined based on actual requirement to avoid under-financing of units, which may lead to sickness of the project. As per decision of the meeting held on 28.05.2004 under the chairmanship of Secretary (SSI&ARI), Government of India, banks have been advised to consider fixing area wise minimum unit cost of each activity under PMRY so that there is no under-financing of the project.

c) Banks should disburse the amount inclusive of margin money deposited by the borrowers.

d) The rate of interest charged for such loans are same as the rate applicable to priority sector loans upto Rs.2 lakh viz. not exceeding PLR of individual banks.

(iv) ***Margin***

a) Banks will be allowed to take margin money from the borrower varying from 5 percent to 16.25 percent of the project cost so as to make the total of subsidy and margin money equal to 20 percent of the project cost. In the North Eastern States (including Sikkim), Himachal Pradesh, Uttaranchal and Jammu & Kashmir, banks have been allowed to take margin money from the borrower varying from 5 percent to 12.5 percent of the project cost so as to make the total of subsidy and margin money equal to 20 percent of the project cost.

b)The margin money deposited by the borrower should not be retained as security for the advance.

(v) ***Subsidy amount***

a). Subsidy eligible is 15 percent of the project cost, subject to a ceiling of Rs. 7,500/- per borrower in States other than North Eastern States, Uttaranchal, Himachal and J&K. In case the amount disbursed is less than the original project cost, the subsidy eligibility will be restricted to 15 percent of the revised project cost.

b). In the case of Dairy loans, where the disbursement will be made in two stages (second batch of animals after six months), the branches may be advised to claim the subsidy from the Head Office only at the time of the final (second) disbursement of the loan.

(vi) ***Joint ventures/partnerships***

a). Group activity stands a better chance of success because it is easier to provide back up support and marketing linkages. Group activities should, therefore, be encouraged.

b). If more than one applicant join together and form partnership concern, they will be eligible for a total loan and subsidy, subject to the condition that proportionate loan/subsidy to each borrower does not exceed the prescribed ceiling per individual borrower, as indicated in 7(iii)(a) and 7(v)(a) above and the **total project cost** should not exceed Rs. 10 lakhs. Also, the individual ceiling on share of the project cost for each one of the partners will be dependant on the nature of the activity undertaken by the firm.

c). It would be preferable if the shares of partners were equal. All the partners should be *prima facie* eligible for assistance under PMRY scheme.

d). Co-operative Societies, not being partnership, are not eligible for assistance under PMRY.

e). It has been decided that Self Help Groups (SHG) could be considered for financing under the PMRY provided:

i) Educated unemployed youth satisfy the eligibility criteria laid down under the scheme volunteer to form SHG to set up self-employed ventures (Common Economic Activity)

ii) Self Help Group may consists of 5 – 20 educated unemployed youth.

iii) No upper ceiling on loan.

iv) Loan may be provided as per individual eligibility taking into account the requirement of the project.

v) SHG may undertake common economic activity for which loan is sanctioned without resorting to onward lending to its members.

vi) Subsidy may be provided to the SHG as per the eligibility of individual members taking into account relaxation provided in North Eastern States, Uttaranchal, Himachal Pradesh and Jammu & Kashmir.

vii) Required margin money contribution (i.e. subsidy and margin to be equal to 20 percent of the project cost) should be brought in by the SHG collectively.

viii) The exemption limit for obtention of collateral security will be Rs. 5.00 lakh per borrowal account for projects under Industry Sector. Exemption from collateral will be limited to an amount of Rs.1.00 lakh per member of SHG for projects under Service & Business Sectors. Banks may consider enhancement in limit of exemption of collateral in deserving cases.

ix) Implementing agencies may decide necessity of pre-disbursal training for all the members/majority of the members in the group.

(vii) *Security*

a). Apart from the margin and personal guarantee provided by the borrower as also the subsidy by the Government, the borrower will hypothecate/ mortgage/pledge to the bank assets created out of bank loan.

b). If no fixed assets are proposed to be created in the case of loans exceeding Rs. 50,000/-, banks should exercise special care while sanctioning such cases.

c). Borrowers will not be required to give collateral security under Industry Sector projects with the cost upto Rs.2.00 lakhs and upto Rs.1.00 lakh for business and service sectors. Banks overtly/covertly should not insist on collateral from the borrowers under PMRY, even though they are expected to exercise special care while scrutinising cases of loans exceeding Rs. 1 lakh where no fixed assets are created. In case of partnership, the exemption from collateral is limited to Rs. 1 lakh per person, participating in the project. The exemption limit in respect of partnership projects in Industry Sector for obtention of collateral security will be Rs.5.00 lakhs per borrowal account in the tiny sector. Even where offered, such collateral security or guarantee should not be accepted.

(viii) *Sanction/disbursement of cases*

a). Disbursement is a continuous process and disbursement of loans may be effected even after the completion of that particular programme year. While processing the applications sponsored by Task Force Committees, the branches may please ensure that -

• As far as possible the disbursement should be effected in minimum number of installments, sanctions are evenly paced and not pushed to the last quarter of the year;

• The reasons for rejection of the applications are clearly spelt out and made available every month to the District Co-ordinators so that the Task Force Committees could review the matter; and

• Number of installments.

• As per decision of the meeting held on 28.05.2004 under the chairmanship of Secretary (SSI&ARI), Government of India, banks have been advised to consider endorsing a copy of the sanction letter to the concerned DIC so that they could assist the beneficiaries to fulfill pre-disbursement formalities.

b). The sanctions accorded by banks under the scheme should be final and clearly indicate all the conditionalities to be fulfilled by the beneficiaries for the disbursal of loan amounts. This would enable the beneficiaries to comply with the bank's requirements well in time so as to enable the banks to complete the disbursement of loan amount sanctioned before the expiry of the closure date.

(ix) *Repayment schedule*

a). Repayment schedule may be fixed in the range of 3 to 7 years after an initial moratorium **as may be prescribed by the financing bank**, depending on the nature and profitability of the venture. Working capital limit should be reviewed periodically.

b). The repayment schedule is to be worked out only for the term loan component.

c). In cases where the borrowers are in a position to repay the loan earlier than the repayment schedule fixed by the bank, the repayment of PMRY loan may be rescheduled with a **minimum period of 3 years** at the discretion of the Branch

Manager so that the borrower receives an early credit of subsidy and is able to avail of additional loan facilities, if desired.

d). Recovery of loans is the responsibility of the banks concerned. Banks have been advised to constitute recovery cells at Regional/ Controlling Office level to improve recovery rate. They may seek assistance of the implementing agencies in this regard. The State Government/Committees will monitor the recovery of the loans and help the banks in the matter. In case of bona fide default, rescheduling is preferred.

(x) *Additional finance*

a). Additional finance towards working capital may be provided to the extent that the term loan component and working capital sanctioned should not exceed the prescribed ceiling amount fixed for the borrower (i.e. Rs. 1 lakh or Rs. 2 lakh depending upon whether the loan is for business sector or other than business sector) or for all the partners collectively and proposal for additional finance should also be approved by the Task Force Committee.

b). The additional assistance furnished by the banks would be considered against the original target allocated to that branch. In other words, this cannot be treated as a fresh case for that particular bank branch.

(xi) *Penal interest/processing charges*

• No penal interest or processing charges should be levied on loans granted under the PMRY scheme.

9. Subsidy Management

(i) *Subsidy disbursal*

• The subsidy will be made available by Government of India in advance and passed on to the banks through Reserve Bank of India. The subsidy portion will be kept as fixed deposit with the banks in the name of the borrower for the duration of the term loan component but will not earn any interest. The subsidy deposit will be available to the borrower for adjustment against the last instalment(s) due under the term loan component. **In any case, the fixed deposit should run for a minimum period of 3 years and would be available for adjustment only thereafter**.

(ii) *Effective date of FDR*

a). As the subsidy amount is remitted in advance to the Head Office of the bank, the date of the fixed deposit created out of subsidy amount will be the date on which the last instalment of the loan is disbursed by the branch. From that date, no interest will be charged on the subsidy portion of the loan.

b). Even if the subsidy amount is received by the Head Office after the loan is disbursed, to avoid inconvenience to the borrowers, the FD shall run from the date on which the last of instalment of the loan was disbursed and no interest on the subsidy portion of the loan shall be charged from that date.

(iii) ***Non-payment of interest on FDR representing subsidy***

• On the subsidy amount retained by the banks as fixed deposit in the name of the beneficiary, no interest will be paid by the banks and on the portion of the loan-representing subsidy, no interest would be charged by banks. The rate of interest to be charged will be decided on the basis of the loan amount net of subsidy.

(iv) ***Eligibility of subsidy***

a). If the PMRY loan is closed prematurely, the borrower will not be eligible for subsidy. Similarly subsidy will not be available in the case of misutilisation of loan, abandonment of the project by the borrow, ineligibility of the borrower due to his not complying with the criteria laid down under the scheme etc. As in all such cases, loans would not have sub-served the central objective of the scheme; the borrower will not be eligible for subsidy.

b). However, in cases where the loans have become bad/doubtful of recovery and in respect of which banks file claim with DICGC, the amount of subsidy deposit may be adjusted towards the loan outstanding even before the expiry of 3 years, provided the misutilisation occurs beyond the control of the bank.

c). It will be necessary for banks to ensure that the appraisal, procedure for sanction and disbursement of loans and post-disbursement supervision, etc. are carried out in accordance with the instructions issued by the Bank's Head/Controlling Offices in order to be eligible for the above benefit and produce necessary records, if so required.

d). The provision regarding penalty for premature closure of term deposit will not apply in such cases. However, in cases where the beneficiaries are ineligible for assistance under the scheme, the subsidy will not be allowed to be adjusted towards the loan under any circumstances and will have to be refunded.