

Standing Committee Report Summary

Implementation of the Prime Minister's Employment Generation Programme

- The Public Accounts Committee (Chair: Mr. Adhir Ranjan Chowdhury) submitted its report on the implementation of Prime Minister's Employment Generation Programme (PMEGP) on March 15, 2021. PMEGP was launched in 2008 with the aim of providing credit-linked subsidy to set up micro enterprises in non-farm sectors by traditional artisans and unemployed youth. The report is based on an audit by the Comptroller and Auditor General of India of the programme for the period 2008 to 2016. Key observations and recommendations include:
 - **Nodal banks:** The Committee noted that a single nodal bank for disbursing funds was introduced under PMEGP in 2016 to ensure faster processing of claims and to minimise idle parking of funds. The Corporation Bank was appointed as a nodal bank from 2016 to 2020. The Committee noted that the Corporation Bank released funds in excess of what it was allotted in this period. The Committee recommended instituting adequate checks to ensure that funds are not sanctioned by the nodal bank before validating claims under PMEGP. The Indian Bank was appointed as the nodal bank in 2020. The Committee noted that Rs 154 crore was not disbursed by the Bank as of 2020. The Committee recommended following the prescribed time to ensure that funds are not kept outstanding for a long period.
 - **Excess interest and interest rates:** Under REGP, concessional credit and government subsidy is provided to enterprises. The Committee observed interest was levied on government subsidies provided to some enterprises. The Committee recommended developing mechanisms to ensure that excess interest from enterprises is not charged. It also recommended developing an interest calculator to be displayed on the PMEGP portal, for beneficiaries to calculate their own interest liability. It recommended charging uniform and lowest possible interest rates to applicants under PMEGP.
 - **Rural Employment Generation Programme (REGP):** The PMEGP was initiated after merging the Prime Minister Rojgar Yojana and REGP. The Committee noted that while REGP was closed in 2008, funds allocated towards PMEGP were released in 2011-12 to settle old claims under REGP. The Committee highlighted that of the funds allocated to REGP in 2011, Rs 12.5 crore were unutilised as of 2020. The Committee recommended settling pending cases and winding up claims and settlements filed under REGP at the earliest.
- **Physical verification:** Physical verifications of projects are mandated under REGP for the first three years of operation to ensure sustainability of projects sanctioned. The Committee observed that there was a significant backlog for physical verification. The Committee recommended monitoring the performance of projects beyond the stipulated period to: (i) assess the impact of PMEGP and make improvements, (ii) help well performing units to expand, (iii) extend hand holding to distressed units.
- **Slow pace of loan sanctions:** The Committee highlighted that bank sanctions of loans were slower in the first two quarters of the financial year during the period of audit. This led to crowding out of sanctions in the last quarter and sanction of poor-quality projects. The Committee cautioned that this may lead to a rise in non-performing assets. It noted that according to an RBI directive, loans to Medium, Small, and Micro Enterprises must be sanctioned or rejected within 30 days. The Committee recommended that this must be complied with, and a list of nodal officers must be published on an e-portal to provide support to applicants under PMEGP.
- **Collateral security:** The RBI has mandated banks not to ask for collateral security for loans up to Rs 10 lakhs. The Committee noted that this was violated by banks in the audit period and recommended taking penal action for violating these guidelines.
- **Second loans:** Under PMEGP, second loans with subsidies can be provided for upgradation of units which are performing well in terms turnover, profit making, and loan repayment. The Committee noted that response for this has not been encouraging and recommended: (i) revising guidelines to increase off take of the second loan, and (ii) conducting physical verifications of enterprises whose loans have been repaid within the stipulated period to enable them to apply for a second loan.
- **Awareness:** The Committee recommended publicising PMEGP and its success stories in regional languages to maximise its reach. Further, it noted that establishing help desks and small call centres to assist potential entrepreneurs can help increase awareness and reach

DISCLAIMER: This document is being furnished to you for your information. You may choose to reproduce or redistribute this report for non-commercial purposes in part or in full to any other person with due acknowledgement of PRS Legislative Research ("PRS"). The opinions expressed herein are entirely those of the author(s). PRS makes every effort to use reliable and comprehensive information, but PRS does not represent that the contents of the report are accurate or complete. PRS is an independent, not-for-profit group. This document has been prepared without regard to the objectives or opinions of those who may receive it.