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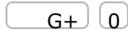
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Govt's job creation programme hit by slow bank funding

Scheme plagued by slow pace of bank sanctions and delay in disbursement of margin money.

By: [George Mathew](#) | Published: December 25, 2015 8:26 AM



The Prime Minister's Employment Generation Programme (PMEGP), a credit-linked subsidy programme launched by the Ministry of Micro, Small and Medium Enterprises (MSME) for creation of employment in

both rural and urban areas of the country seven years ago, has failed to achieve the desired results due to delays in funding and disbursement. (Reuters photo)



The government's ambitious project to generate jobs in the country seems to be floundering. The Prime Minister's Employment Generation Programme (PMEGP), a credit-linked subsidy programme launched by the Ministry of Micro, Small and Medium Enterprises (MSME) for creation of employment in both rural and urban areas of the country seven years ago, has failed to achieve the desired results due to delays in funding and disbursement.

"The scheme is plagued by slow pace of bank sanctions and delay in disbursement of margin money," Ministry of MSME said in a note to the finance ministry. Margin money claims are submitted by the financing bank to the nodal branches immediately after the release of first installment to enable disbursement to the beneficiaries' TDR (term deposit) account within one month. However, it generally takes two-three months for disbursement of margin money. In regional and Gramin banks, the average time is even more, it said.

"The bank had taken collateral as well as credit guarantee from the beneficiary. None of the beneficiaries were, however, willing to state these facts in writing for the fear of bank cancelling their loan," according to the note which was shared with banks. The maximum cost of the project admissible under manufacturing sector is Rs 25 lakh and business/services sector is Rs 10 lakh. The security is the assets created out of the bank's finance and personal guarantee of the proprietor or promoter. And no collateral security is required up to Rs 5 lakh. Eligible units will be covered under Credit Guarantee Fund scheme for Micro and small Enterprises (CGMSE).

The note said bank sanctions are quite slow during the first two quarters of the financial year which affects the fund release by the government and results in cuts in funds due to non-utilisation of funds at the stipulated rate by the Finance Ministry. For example, margin money disbursed in the first quarter of 2014-15 was Rs 29.44 crore, which is just 2.60 per cent of the total fiscal year disbursal of Rs 1,122 crore. The total disbursal in 2013-14 was Rs 1,075 crore. More than 60 per cent of the margin money was disbursed during the last quarter of 2014-15.

According to the note, there are complaints from various quarters that MSE borrowers are returned by the banks or their loan applications are not being acknowledged. The average number of days taken for margin money disbursement was 142 days in the case of State Bank of Travancore followed by State Bank of Bikaner and Jaipur at 107 days. As many as 19 PSU banks, out of 26 PSU banks, failed to achieve the target.

While the target for year-on-year growth in credit to MSEs is set at 20 per cent, the growth in MSE credit during 2014-15 in respect of public sector banks, private banks and foreign banks stood at 13.13 per cent, 15.6 per cent and 4.56 per cent, respectively indicating shortfalls.

The borrower is required to bring in own contribution of 10 per cent of the project cost (5 per cent for SC/ST and other weaker sections) with banks sanctioning loan for the balance 90 or 95 per cent of the project cost. After sanction of the credit by the bank, the beneficiary has to undergo EDP training and the eligible amount will be kept in a term deposit for three years in the account of the borrower.

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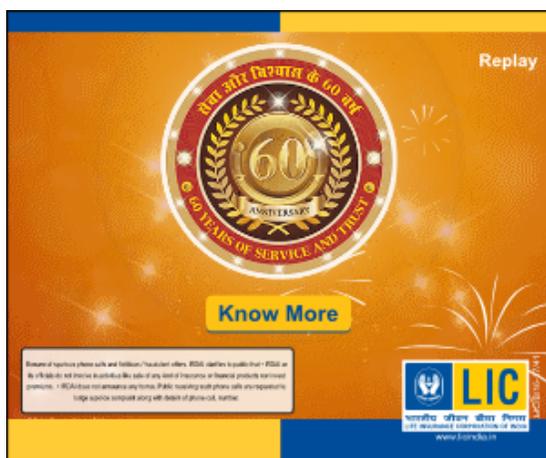
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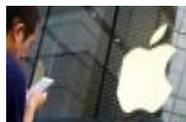
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