

**IMPLEMENTATION OF PRIME MINISTER'S
EMPLOYMENT GENERATION PROGRAMME
(PMEGP)**

[Action Taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their 31st Report (17th Lok Sabha)]

**PUBLIC ACCOUNTS COMMITTEE
(2022-23)**

FIFTY-NINTH REPORT

SEVENTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

FIFTY-NINTH REPORT

PUBLIC ACCOUNTS COMMITTEE (2022-23)

(SEVENTEENTH LOK SABHA)

IMPLEMENTATION OF PRIME MINISTER'S EMPLOYMENT GENERATION PROGRAMME (PMEGP)

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LOK SABHA SECRETARIAT
NEW DELHI

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APPENDICES

- I. Minutes of the Twelfth Sitting of the Public Accounts Committee (2022-23) held on 05-12-2022.
- II. Analysis of the Action Taken by the Governmnet on the Observations/Recommendations of the Public Accounts Committee contained in their Thirty-First Report (Seventeenth Lok Sabha)

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2022-23)

Shri Adhir Ranjan Chowdhury - Chairperson

MEMBERS

LOK SABHA

2. Shri Subhash Chandra Baheria
3. Shri Bhartruhari Mahtab
4. Shri Jagdambika Pal
5. Shri Vishnu Dayal Ram
6. Shri Pratap Chandra Sarangi
7. Shri Rahul Ramesh Shewale
8. Shri Gowdar Mallikarjunappa Siddeshwara
9. Shri Brijendra Singh
10. Shri Rajiv Ranjan Singh alias Lalan Singh
11. Dr. Satya Pal Singh
12. Shri Jayant Sinha
13. Shri Balashowry Vallabhaneni
14. Shri Ram Kripal Yadav
15. Shri Shyam Singh Yadav

RAJYA SABHA

16. Shri Shaktisinh Gohil
17. Shri Bhubaneswar Kalita
18. Dr. Amar Patnaik
19. Shri C.M. Ramesh
20. Dr. M. Thambidurai
21. Dr. Sudhanshu Trivedi
22. Vacant*

SECRETARIAT

1. Shri T. G. Chandrasekhar - Addl. Secretary
2. Smt. Bharti S. Tuteja - Director
3. Shri Girdhari Lal - Deputy Secretary
4. Ms. Pragya Nama - Assistant Committee Officer

* Shri V. Vijayasai Reddy ceased to be a Member of Committee consequent upon his retirement from Rajya Sabha on 21st June, 2022.

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2022-23) having been authorised by the Committee, do present this Fifty-ninth Report (Seventeenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their Thirty-first Report (Seventeenth Lok Sabha) **"Implementation of Prime Minister's Employment Generation Programme (PMEGP)"** relating to the Ministry of Micro, Small & Medium Enterprises (MoMSME).

2. The Thirty-first Report was presented to Lok Sabha/laid on the Table of Rajya Sabha on 15th March, 2021. Replies of the Government to the Observations/Recommendations contained in the Report were received. The Committee considered and adopted the Fifty-ninth Report at their Sitting held on 05 December, 2022. Minutes of the Sitting of the Committee are given at *Appendix-I*.

3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in **bold** in the body of the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Committee Secretariat and the Office of the Comptroller and Auditor General of India.

5. An analysis of the action taken by the Government on the Observations/Recommendations contained in the Thirty-first Report (Seventeenth Lok Sabha) is given at *Appendix-II*.

NEW DELHI:
7 December, 2022
16 Agrahayana 1944 (Saka)

ADHIR RANJAN CHOWDHURY
Chairperson,
Public Accounts Committee

CHAPTER - I

REPORT

This Report of the Public Accounts Committee deals with the Action Taken by the Government on the Observations and Recommendations of the Committee contained in their Thirty First Report (17th Lok Sabha) on "Implementation of Prime Minister's Employment Generation Programme (PMEGP)" relating to the Ministry of Micro, Small & Medium Enterprises (MoMSME).

2. The Thirty-First Report was presented to Lok Sabha/laid in Rajya Sabha on - 15.03.2021. It contained eleven Observations/Recommendations. The Action Taken Notes on all the Observations/Recommendations have been received from the Ministry of Micro, Small & Medium Enterprises and are categorized as under:

- (i) Observations/Recommendations which have been accepted by the Government:

Para Nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10 and 11

Total: 11
Chapter - II

- (ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government:

NIL

Total: NIL
Chapter - III

- (iii) Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:

NIL

Total: NIL
Chapter - IV

- (iv) Observations/Recommendations in respect of which Government have furnished interim replies/no replies:

NIL

Total: NIL
Chapter -V

3. The detailed examination of the subject by the Committee had revealed certain shortcomings/deficiencies on the part of the Ministry of Micro, Small & Medium Enterprises which *inter-alia* included excess release of Margin Money (MM), charging of interest on entire project loan and charging of excess MM, huge backlog in conducting PV, slow pace of loan sanction and Banks discretion for sanctioning of loan and interest etc. The Committee had accordingly given their observations/recommendations in their Thirty First Report.

4. The Action Taken Notes furnished by the Ministry of Micro, Small & Medium Enterprises on each of the Observations/Recommendations of the Committee contained in their Thirty First Report have been reproduced in the relevant Chapters of this Report. The Committee will now deal with the action taken by the Government, on some of their Observations/Recommendations which either need reiteration or merit comments.

5. The Committee desire the Ministry of Micro, Small & Medium Enterprises to furnish Action Taken Notes in respect of Observations/ Recommendations contained in Chapter I of the Report, positively within six months of the presentation of the Report to the Parliament.

**A. Charging of Interest on entire project loan and charging excess Margin Money (MM)
(Recommendation Para No. 3)**

6. *The Committee noted that Banks had charged interest on the entire loan amount including the Margin Money thereby placing additional burden on the beneficiary and changing the nature of the subsidy to that of a loan. The Committee further note from the reply of the Ministry on the Audit observation that since the Margin Money was parked with the Nodal Bank, the financing Bank, had in certain cases, charged interest on the MM but after the receipt of the same from the Nodal Bank the entry was reversed from the back date itself to pass the benefit on to the beneficiaries. The Committee observe that while in most cases pointed out by the Audit, the amount has been refunded to the KVIC, 5 cases pertaining to Dena Bank and 4 cases under the Oriental Bank of Commerce have still not been settled. The Committee desire that these cases may be followed up by the Ministry/ DFS and urgent action taken to get the entries reversed. The Committee further note that from the reply of the Ministry that the current online system has checks to prevent such violations, as the system captures amount of loan sanctioned and admissible subsidy. However, the DFS has expressed its apprehension on the same by submitting that the on-line portal developed by the KVIC does not have the facility to detect such violations. The Committee desire that the KVIC, in coordination with the DFS/Banks, develop a robust mechanism to ensure that such instances of charging*

excess interest do not recur. The Committee further express the need for developing and making available an interest calculator on the PMEGP portal, so that the beneficiaries themselves are able to calculate their interest liability.

7. The Ministry of Micro, Small & Medium Enterprises in their Action Taken Notes have stated as under:-

“The cases of Dena Bank and Oriental Bank of Commerce have already been settled. Details of the amount recovered and refunded to KVIC are given at Annexure-I.

As per PMEGP scheme guideline & provisions made on PMEGP online portal, respective financing bank branches have to upload the status of TDR in the appropriate column. DFS has also been requested to issue necessary directions to the banks to follow the guidelines of the scheme in respect of timely creation of TDRs.

The portal has also the provision to capture date of instalments released by the financing banks, the rate of interest charged, date of receipt of subsidy and date for generation of TDR. The availability of these details can enable the beneficiaries to check if any excess interest is being charged by the banks and any violation occurred can be corrected at the time of final adjustment of loan account.

KVIC has also been requested to build an interest calculator in the banks, so that the beneficiaries may be aware of the interest payable by them.”

8. While vetting the above ATNs, the Audit made the following comments:-

- I. Factual position please.
- II. As per Ministry of MSME there is a provision in online portal for uploading the status of Term Deposit Receipt (TDR). However, Audit noticed that the status has not been uploaded in all cases. As against 35 cases sanctioned (Sangli-Maharashtra), TDRs in respect of only two cases has been uploaded during 2018-19. Hence, the system of uploading of TDR needs improvement.
- III. Audit verified the e portal of PMEGP and noted that the portal doesn't have provision to capture the rate of interest charged by the Banks and also the second instalment paid.
- IV. Other deficiencies noticed in the e portal of PMEGP are non capture of repayment of loans by the PMEGP beneficiary to the banks and details of the visit of Nodal officers of concerned agencies to the units established under PMEGP.
- V. It has been ascertained by Audit from KVIC that no written communication has been received from the Ministry regarding building of an interest calculator.
- VI. The action taken to develop a robust mechanism in coordination with the DFS/Banks to avoid excess charging of interest and developing and making available an interest calculator on the PMEGP portal, as directed by PAC is yet to be taken.

9. In further comments to the above said Audit observation, the Ministry stated as under:-

- I & II Once the Margin Money is received by the financing bank, they have to open a TDR account and upload the TDR details in the portal manually. However, the financing banks response toward this is slow. The issue has also been discussed in the review meetings with the bankers. Ministry will also write to the CMDs of the Banks requesting them to direct the financing branches to upload the TDR details on the portal expeditiously.
- III. The tool to capture the rate of interest charged by the bank and the instalment paid are provided in the Banker's log in segment of the PMEGP portal (screen shots attached).
- IV. The details of repayment of the loans are available in the internal system of every Bank. It will be difficult to integrate the internal system of every bank with the PMEGP e-portal. Geo-tagging of all the units has been initiated. The date of visit of the officials visiting these units will be captured along with the status of the units.
- V. Ministry vide letter dated 23.08.2021 has inter-alia requested the KVIC to update the portal to include interest calculator in consultation with the banks.
- VI. The tool for interest/EMI calculation for the benefit of the applicants has now been added in the PMEGP portal.

10. The Committee had taken note of the fact that Banks were charging interest on the entire loan amount, including the Margin Money thereby placing additional burden on the beneficiaries and changing the nature of the subsidy to that of a loan. The Committee had also observed that the current on-line portal developed by the KVIC did not have the facility to detect such violations and had, therefore, recommended that the KVIC, in coordination with the DFS/Banks, need to develop a robust mechanism to ensure that such instances of charging excess interest do not recur.

The Ministry in its Action Taken Reply has stated *inter-alia* that as per PMEGP scheme, guidelines & provisions made on PMEGP online portal, respective financing bank branches have to upload the status of TDR in the appropriate column. The portal also has the provision to capture date of instalments released by the financing banks, the rate of interest charged, date of receipt of subsidy and date for generation of TDR. The Ministry has further stated that the details can enable the beneficiaries to check if any excess

interest is being charged by the banks and any violation occurred can be corrected at the time of final adjustment of loan account. The Committee however, note with concern that system of uploading of updated information in the relevant columns on the PMEGP e-portal is yet to be established. As against 35 cases sanctioned (Sangli-Maharashtra), TDRs in respect of only two cases were found to have been uploaded during 2018-19 and the Ministry would be taking up with the banks concerned, the matter of uploading the TDR details on the portal expeditiously. The Committee are of the view that violations cannot be detected unless and until real time data is made available. The Committee, therefore, while reiterating their earlier recommendation on the need for developing a robust mechanism, to avoid charging of excess interest, desire that urgent action for uploading of updated information in the relevant columns on the PMEGP e-portal is taken to enable the beneficiaries to check if any excess interest is being charged by the banks and any violation occurred can be corrected at the time of final adjustment of loan account. The Committee also desire that Ministry may issue necessary instructions to the Banks to upload the requisite data within the prescribed timelines and to make provision for generating alerts on the portal wherever the information is not filled up timely. The Committee would like to be apprised of the tangible action taken in this regard.

B. Physical Verification (PV) of the Projects
(Recommendation Para No. 4)

11. *The Committee noted that Physical Verification (PV) of units financed under PMEGP becomes due before completion of three years and KVIC has to get the PV of projects conducted through outsourced agencies. However, Audit observed that there was a huge backlog in conducting PV that was attributed to factors such as, disturbed area, change of agency and poor response to tendering at field office levels. The Committee note from the reply of the Ministry that Physical Verification of 2,95,877 (more than 92%) units against the total of 3,20,828 units set up from 2008-09 to 2014-15 has been completed through outsourced third party agencies. For the year 2015-16, of the total 44,340 units, physical verification of 19,680 units from 22 states has been completed. Further, for the year 2016-17, Physical verification of 11,807 units from 7 States has been completed. The Committee are dismayed to note that the Ministry was not able to get all the units established up to 2013-14, physically verified by June 2018, as committed by it during the sitting of the PAC held in December, 2017. The Committee further note from the reply of the*

Ministry that as per physical verification report submitted by the outsourced agencies, it is observed that on an average about 80% of PMEGP units were found working and rest were either closed or not found existing at the registered location. The Committee are of the view that the long term sustainability of the projects promoted under the PMEGP can only be gauged by carrying out the physical verification timely. Audit also found that there was no mechanism in place for ensuring and tracking recovery against call back of MM. The Committee, while expressing disappointment at the lackadaisical approach of the Ministry/ KVIC, as they allowed huge backlogs in conducting the Physical Verification of the units, opine that timely exercise would have helped the Ministry/ KVIC in better management of MM funds and also in analyzing the reasons for such a high proportion of non functional units for taking appropriate corrective action. The Committee also desire to be apprised of the mechanism put in place for ensuring and tracking recovery of Margin Money disbursed in cases where the units were found non-functional, the details of amount so recovered and amount of Margin Money disbursed and not yet recovered. The Committee further note that the Margin Money is deposited in the TDR account in the name of the beneficiary where it is kept for 3 years and after the completion of PV, the same is released to the beneficiary's account. The Committee, therefore, opine that in no circumstance should the PV be delayed as it has a direct relation with the actual release of the MM to the beneficiary's loan account. The Committee recommend that all the PV that are due may be completed at the earliest and in a time bound manner and action be taken against those responsible for conducting the PVs in case of any delays. The Committee also desire to be apprised of the manner in which Banks have treated the loan accounts of the beneficiaries who have repaid their loan within stipulated time but due to delay in Physical Verification, their Margin Money could not be released. The Committee note that to streamline the complete process of physical verification, the activity is being centralized under the Directorate of PMEGP and the KVIC Headquarter will be engaging agencies, on a long term basis, at the national level for all States/UTs. Further, Geo-tagging of PMEGP Units to identify and monitor the units is also being undertaken. The Committee while acknowledging the steps taken by the Ministry to streamline the process, feel that to regularly verify the financial soundness of an enterprise, the KVIC may tie up with the Banks for getting access to their ports of their periodic visits on the physical and financial status of the PMEGP projects with reference to the credit given by the Banks to have an idea of the sustainability of the project promoted under the Scheme. The Committee further opine that in order to ensure sustainability of the projects promoted under the PMEGP in the long run, their performance may be monitored even beyond the stipulated period of three years. This can help the distressed units in getting timely handholding and improving their performance and the Ministry in keeping track of the units; assessing the impact of the Scheme; and making further improvements to the Scheme to enable expansion of the well performing units.

12. The Ministry of Micro, Small & Medium Enterprises in their Action Taken Notes have stated as under:-

"In order to reduce pendency of physical verification, KVIC is regularly monitoring the progress in carrying out physical verification with its field offices. Out of 370853 units set up till 2015-16, 323764 units have been verified (87.30%) & 47089 units are yet to be verified (12.69%). Due to Covid-19 pandemic, verification of pending units has been delayed.

In order to expedite the Physical Verification of units, KVIC has centralized the whole process. KVIC has already engaged an outsourced agency for Physical Verification of PMEGP units funded from 1st April 2016. The selected PV Agency has already started the Physical verification work.

Information regarding all units set up since 01.04.2016 is captured online and the physical verification of the same is being carried out through the digital mode of exclusive GIS based mobile app. The outcome shall be captured on the Geo-portal developed for this purpose. As on date, 5500 Physical Verification is completed through digital mode. The availability of Physical Verification reports of these units on the PMEGP portal will facilitate the identification of non functioning units and corresponding call back of Margin Money.

Rs. 336.30 cr. has been received by KVIC as MM call-back from various financing banks during the year 2012-13 to 2020-21. (Year wise breakup attached in Annexure II).

Technical experts, financial experts (retired bankers) and marketing experts have been engaged in the field offices for providing regular handholding support to PMEGP units even after three years of their setup.

KVIC has also been requested to co-ordinate with the Banks to ascertain the physical and financial status of the units at regular intervals."

13. While vetting the above ATNs, Audit made the following comments:-

- I. Audit noticed that though the e portal of PMEGP has a column for status of physical verification, the same is not updated at regular intervals and the column remains blank and hence does not depict the correct status of physical verification.
- II. Further the e portal contains columns regarding date of conduct of PV and PV status but the same is not updated. The PV reports are yet to be uploaded on the PMEGP Portal.
- III. The physical verification of all units set up since 01.04.2016 is being carried out through the digital mode of exclusive GIS based mobile app. KVIC had issued letter of intent (1st March 2021) to M/s Genesys

International Corporation Ltd. to verify 134883 units pertaining to the year 2016-17 to 2018-19. Till 07.10.2021, total 26847 units have been verified by M/s Genesys and verification of 108036 units is still pending.

- IV. Ministry has furnished year-wise details of MM call back received from the financing banks. However, year wise details of amount yet to be recovered, as desired by PAC has not been furnished.
- V. Audit noticed that though KVIC decided (October 2020) to engage Technical, Financial and Marketing Experts, the move is yet to be fully implemented., the reply does not furnish details of PMEGP units whose performance was monitored beyond the stipulated period of three years.
- VI. The reply does not give the status about the treatment of loan accounts by banks in those cases where the beneficiaries have repaid their loan within the stipulated time but due to delay in Physical Verification, their Margin Money could not be released, as desired by PAC.

14. In further comments to the above said Audit observation, the Ministry stated as under:-

- I. In the PMEGP e-portal, the column of physical verification is now activated which is showing the complete details of a unit at every stage i.e., total no. of units assigned for Physical Venfication (PV) (completed/pending), current status of units (working/non- working/non-traceable), status of P.V report approved at different level (Level-i/Level-2), status at Implementing Agency level (KVIC/KVIB/DIC/Coir Board), status of MM at bank-level (Adjustment/Call back).
- II. The provision of the date of PV has been incorporated in the portal and the status of Physical verification at Implementing Agency level, as well as approval levels, is available in the e- portal. KVIC will be directed to upload the requisite details on the portal.
- III. Geo-tagging/mapping of the PMEGP units is being carried out by M/s Genesys. As on date, 54069 no. of units are already verified and mapped on the portal. The process is continuing, all the PMEGP units assisted since 2016-17, will be Geo-tagged. KVIC will be directed to take all necessary measures to complete the pending PV through geo-tagging, expeditiously.
- IV. The details of MM call back from various financing banks are captured through an online payment gateway introduced exclusively for the callback money/MM return back. Year-wise consolidated details of MM

call back received by KVIC from the financing banks has been given at Annexure-III A.

- V. The purpose of Technical, Financial and Marketing Experts are to provide handholding support to the prospective beneficiaries as well as existing beneficiaries. The performance of the above experts is accessed by the respective State Director. At present, 46 Technical, Marketing, Financial (Retired Bankers) experts have been engaged in 21 States. These experts have provided handholding support to approx. 35180 number of beneficiaries in the current FY. This includes 5245 number of existing beneficiaries funded 3 years or beyond, under the scheme.
- VI. The process of physical verification for the units assisted before the year 2016-17 has almost been completed in all States/UTs and the Margin Money subsidy has been adjusted in the loan accounts. However, about 30,000 units established upto 2015-16 are still to be physically verified. These are either closed or have changed their locations. Efforts are being made in consultation with Banks to identify these units and wherever necessary call back the MM subsidy available in the Banks, in respect of units not located.

15. Taking note of huge backlog in conducting the Physical Verification of the units financed under PMEGP through outsourced agencies which becomes due before completion of three years, the Committee had *inter alia* recommended that all the PVs that are due may be completed at the earliest and in a time bound manner and action be taken against those responsible for conducting the PVs in case of any delays as it this is directly connected with the actual release of the MM to the beneficiary's loan account. The Committee had also desired to be apprised of the manner in which Banks have treated the loan accounts of the beneficiaries who have repaid their loan within stipulated time but due to delay in Physical Verification, their Margin Money could not be released.

The Ministry in its Action Taken Reply has stated that the process of physical verification of the units that were provided assistance before the year 2016-17 has almost been completed in all States/UTs and the Margin Money subsidy has been adjusted in the loan accounts. However, about 30,000 units established upto 2015-16 are yet to be physically verified. These are either closed or have changed their locations. The Ministry added that efforts are

being made in consultation with Banks to identify these units and wherever the MM subsidy lying with the Banks, in respect of units that have not been located is being called back. The Committee reiterate their earlier recommendation and desire that stern action be taken against the erring officials who failed to conduct the PV of the units established upto 2015-16 within the stipulated timeframe. The Committee further note that in order to expedite the Physical Verification of units, KVIC has centralized the whole process. KVIC has already engaged an outsourced agency for Physical Verification of PMEGP units funded from 1st April 2016. The selected PV Agency has started the Physical verification work through the digital mode of exclusive GIS based mobile app. and 54069 no. of units have been verified and mapped on the portal. The Committee desire that present dispensation of physical verification of all the PMEGP units through the digital mode and uploading the status along with other required columns on PMEGP e-portal should be strengthened to ensure time bound completion of this process. As regards the status about the treatment of loan accounts by banks in those cases where the beneficiaries have repaid their loan within the stipulated time but due to delay in Physical Verification, their Margin Money could not be released, the Committee find that the action taken reply of the Ministry is silent. The Committee desire that a detailed note explaining the provisions available under the PMEGP scheme and the reply of the Ministry regarding treatment of loan accounts of such beneficiaries who have repaid their loan within the stipulated time, be furnished to the Committee within two months of the presentation of this Report.

C. Slow pace of loan sanction and Banks discretion for sanctioning of loan and interest

(Recommendation Para No. 5)

16. *The Committee noted the slow pace of bank sanctions under PMEGP. In this regard, they further observe that the Bank sanctions are slower during the first two quarters of the Financial Year thereby resulting in crowding of sanctions during last quarter and leading to poor quality projects being sanctioned and consequential increase in the number of NPAs. The Committee note that despite RBI's instructions in this regard that specifies that the Banks have to sanction or reject the loan applications in MSME sector within 30 days of receipt of application, the process of sanctioning of loans has taken up to 3- 4 months in some cases. The*

DFS, in its reply, have stated that sanction of loans may sometimes take longer than 30 days depending upon the specific requirement and circumstances of each case. However, since reduction in the Turn Around Time (TAT) has been made a parameter for assessing banks' performance on the EASE index and with processing and sanctioning of loans being increasingly digitized in each bank, TAT has been systematically improving and pendency of applications is reducing. Further, implementation of a score card approach for objective assessment of the applications, as advised by KVIC to Implementing Agencies vide its circular dated 29.7.2020, should also lead to future improvement in TAT. The DFS in its reply has also submitted that Banks have been sensitising branches on regular basis to canvass and process the business proposals regularly, setting up of dedicated centralised credit processing centres, close coordination with implementing agencies etc. The Committee while acknowledging the steps taken by the DFS to reduce pendency desire that the Banks monitor the performance of their Branches frequently, particularly, in the present times, as the assistance given under PMEGP can prove to be of major help in reviving/sustaining the MSE sector. The Committee KVIC/MoMSME to regularly follow up the status of applications that are pending for more than 30 days and to put up a list of their Nodal Officers on the KVIC's e-portal along with a list of Nodal Officers from Banks, for providing necessary support and handholding to the applicant.

17. The Ministry of Micro, Small & Medium Enterprises in their Action Taken Notes have stated as under:-

"In order to enhance the pace of loan sanction, role of District Level Task Force Committee (DLTFC) has been discontinued in the selection of applications and a Score Card system has been introduced, in consultation with Indian Bankers' Association.

During 2020-21, despite Corona pandemic, an amount of Rs.2188.80 cr. of MM for 74415 number of beneficiaries was disbursed which is the highest achievement since inception of the scheme. Banks have sanctioned about 1 lakh applications, which is 50% more over the last year. Banks' approval rate of the applications forwarded to them has also increased from 20% in 2019-20 to 25% during 2020-21.

During 2021-22, as on date 15.08.2021, an amount of Rs.700.62 cr. MM subsidy has been disbursed for 22210 number of units, which is 110% more compared to the same period of last FY 2020-21. Hence, it can be seen that there is increase in approval of sanctions across the FY.

Necessary provision has been made on the PMEGP portal to highlight long pending cases with Banks, so that credit decisions on such cases on priority. Delayed cases are also monitored during review by the Ministry and KVIC with the Banks.

Ministry is also regularly reviewing the pendency position at Banks and time taken to clear the applications. Regular letters are being addressed at CMD levels requesting them to monitor the PMEGP performance of the financing branches. A DO letter has been issued by Secretary (MSME) requesting Secretary (DFS) to impress upon the Banks to take credit decisions within 30 days as per RBI guidelines(copy at Annexure IV) KVIC has also been requested to put up the list of nodal officers of KVIC and banks on the portal, who can assist the applicants as necessary.”

18. While vetting the above ATNs, the Audit made the following comments:-

I. The performance status report (MIS Report) on e-portal of PMEGP depicts that, there are 53552, 91286 and 78954 applications pending for process for the years 2019-20, 2020-21 and 2021-22 (Till 23.09 2021). Further, the online e portal of PMEGP depict the column such as online submission of application by the beneficiaries, date of forwarding application to the Bank and date of loan sanction. There is a separate Bank remarks column, wherein Bank can furnish the data such as project not viable, credit history not proper etc., but these details are generally not filled up by the banks KVIC, is thus in a position to know the delay, but reasons for the same are not known. Hence, the system needs improvement in this regard.

II. It has been ascertained in Audit, that KVIC is yet to upload the list of nodal officers of KVIC and banks on the portal, for assisting the applicants.

19. In further comments with reference to the above said Audit observation, the Ministry stated as under:-

- I. “Noted. In the PMEGP e-portal, many remarks have been added in the dropdown system for the financing bank to make a decision as per the remark. Regular scrutiny of the reasons of rejection are undertaken by KVIC and Ministry of MSME,
- II. The contact details (mobile no. as well as email id) of every agency - KVIC/KVIB/DIC are already available in the Contact list section at the PMEGP portal.”

20. Observing that the assistance given under PMEGP can prove to be of major help in reviving/sustaining the MSE sector, the Committee had desired KVIC/MoMSME to regularly follow up the status of applications that are pending for more than 30 days and to put up a list of their Nodal Officers on the KVIC's e-portal along with a list of Nodal Officers from Banks, for providing necessary support and handholding to the applicant.

The Committee note from the Action Taken Reply of the Ministry that the performance status report (MIS Report) on e portal of PMEGP depicts that, there are 53552, 91286 and 78954 applications pending for process for the years 2019-20, 2020-21 and 2021-22 (Till 23.09 2021). Further, a DO letter has been issued by Secretary (MSME) requesting Secretary (DFS) to impress upon the Banks to take credit decisions within 30 days as per RBI guidelines. KVIC has also been requested to put up the list of nodal officers of KVIC and banks on the portal, who can assist the applicants as necessary. In view of the fact that large number of applications are pending for process, the Committee would emphasis on the need for developing a mechanism for ensuring compliance of guidelines and instructions issued from time to time. With regard to recommendation of the Committee to upload on the KVIC's e-portal, a list of KVIC's Nodal Officers along with a list of Nodal Officers from Banks, the Committee find that Ministry has only furnished the contact details (mobile no. as well as email id) of agency -KVIC/KVIB/DIC only in the Contact list section at the PMEGP portal and information of Nodal Officers from Banks is yet to be uploaded. The Committee, therefore, desire that Contact list section at the PMEGP portal should be duly updated with the required information of Nodal Officers from Banks so that necessary support and handholding are made available to the applicants.

D. Second Dose of Financial Assistance
(Recommendation Para No. 9)

21. *The Committee noted that the Government, while approving continuation of PMEGP beyond 12th Five Year Plan (2012-17), provided for sanctioning of a second loan with subsidy for upgrading the existing units, which are performing well in terms of turnover, profit making and loan repayment. The Committee note that the response for the second dose has not been encouraging as only 22 beneficiaries availed second loan in 2018-19 while 139 beneficiaries availed the same in 2019-20. The Committee note from the reply of the Ministry that lack of awareness, considerable time lag for being eligible for second loan as the first loan has to be paid-up fully and the lower subsidy on the second loan are the possible reasons for low availment of the second loan. The Committee, while opining that the successful enterprises would most certainly want to expand their businesses, desire that the Ministry examine the issues urgently and revise the guidelines suitably within a fixed time-frame to increase the off take of the second loan. The Committee further opine that the subsidy for upgradation may also be allowed to the units who did not avail the benefit under the PMEGP while setting up their business. The Committee also desire that the physical verification of the enterprises whose loans have been repaid*

within the stipulated period may be done on priority to facilitate them in applying for the second loan.

22. The Ministry of Micro, Small & Medium Enterprises in their Action Taken Notes has stated as under:-

“Awareness camps, especially for 2nd dose of financial assistance under PMEGP, are being held by KVIC. Financing banks during State Level Bankers Committee (SLBC), State Level Monitoring Committee (SLMC) and other review meetings are requested to motivate the existing PMEGP, REGP, MUDRA beneficiaries to come forward to avail 2nd dose of financial assistance.

The process to revamp the Scheme and its continuation for next five years i.e. 2021-22 to 2025-26 with appropriate modifications is in progress.

The proposed modifications also include simplification of loan process for 2nd financial assistance and also rationalization of rate of subsidy. It has now been proposed that Banks may consider sanctioning 2nd loan of upto Rs.1.00 cr. with eligible subsidy, to any PMEGP/REGP/ MUDRA unit running successfully for three years and having GST and Udhog Aadhaar Memorandum (UAM) registrations, repaying the loan continuously for three years, without considering full repayment of 1st loan.

The recommendation of the Committee on including units who have not availed PMEGP loan for second assistance can be examined in due course subject to availability of funds.”

23. While vetting the above ATNs, the Audit made the following comments:-

- I. During the financial year 2020-21 margin money of Rs.13.52 crore was disbursed to 160 beneficiaries and during 2021-22 (upto 15.09.2021) margin money of Rs.12.57 crore was disbursed to 134 beneficiaries under the second loan. It is thus observed that there has been an increase in sanction of second loan.
- II. PAC has desired that physical verification of enterprises whose loans have been repaid within the stipulated period may be prioritised to facilitate them in applying for the second loan. Action taken in this regard has not been mentioned in the Ministry reply.

24. In further comments to the above said Audit observation, the Ministry stated as under:-

- I. "During FY 2021-22 up to 10.01 .2022, 2nd loan has been disbursed to 200 beneficiaries disbursing MM subsidy of Rs.18.69 crore.
- II. Process of Physical verification has been expedited under the centralized system The Ministry will request the KVIC to direct the State Offices to identify the units, who have repaid their loan and are functioning successfully, so that such units may be encouraged for availing 2nd loan."

25. The Committee had *inter alia* desired that the physical verification of the enterprises whose loans have been repaid within the stipulated period may be done on priority so as to facilitate them in applying for the second loan.

The Committee note that the Ministry has not furnished a specific reply and has only stated that process of Physical verification has been expedited under the centralized system. Further, the Ministry will be requesting the KVIC to direct the State Offices to identify the units, which have repaid their loan and are functioning successfully, so that such units may avail a second loan. The Committee are of the view that the Ministry has not taken initiatives in this direction in right earnest as even the process of identification of such units which have repaid their loan and are functioning successfully has not yet been completed. The Committee, while emphasizing that beneficiaries repaying their loans on time must be encouraged by giving them the second installment of assistance promptly, the Committee urge the Ministry to issue instructions to the Banks to regularly forward details of the such beneficiaries and also to prioritize the process of physical verification so as to enable them to avail further benefits.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS OF THE COMMITTEE WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Observation/Recommendation

The Committee observe that funds were transferred under the PMEGP from the Ministry to KVIC-HQ, by KVIC-HQ to Field Offices and from Field Offices to Nodal Banks, although there was no corresponding demand or immediate scope for utilization thereby, resulting in idling of funds in savings bank accounts. For addressing the issue, as per the reply of the Ministry, a single Nodal Bank system has been introduced, closing 1100 Nodal Bank accounts spreading across all districts/States. According to the Ministry, the new arrangement of disbursement of margin money to all the financing banks across the country is working effectively as the single Nodal Bank generally disburses the validated margin money claim to the financing banks within 24 hours, thereby reducing the period of parking of funds and facilitating better monitoring. The Committee note that the Corporation Bank was appointed as the Nodal Bank for four years since July 2016 and the Indian Bank started functioning as the Nodal Bank from July 2020. The Committee note that a total amount of Rs 6313 crore was released to Corporation bank from July 2016 to June 2020 and an amount of Rs. 6321 crore had been disbursed by the Bank. The Committee are surprised to note that the Corporation Bank had released money in excess of what was given. The Committee in this regard also hope that the KVIC had put adequate checks in place to ensure that the Nodal bank did not release the MM prior to the validation of the respective claims by the KVIC. Further, The Committee note that the Indian Bank received Margin Money of Rs. 5808 cr. from July 2020 till 26.11.2020 out of which it disbursed Rs. 5654 cr. to the financing branches thereby indicating short disbursal of Rs. 154 crore. The Committee note from the reply of the DFS that there could be a time lag between receipt of the margin money from the KVIC and the confirmation from the KVIC for release of the money to the beneficiaries on receipt of proper demand from the respective banks, leading to a balance outstanding in the nodal bank's account. The Committee, while noting that the KVIC is required to validate claims and upload the information on the nodal bank's portal within three working days, desire that the KVIC follow the prescribed time frame to ensure that money is not kept outstanding in the nodal bank's account for a long period. The Committee also note from the submission made by the DFS that out of the Rs. 154 cr. as stated above disbursal of Rs 23 crore is moving slowly due to merger of banks and difficulty in tracing the ultimate credit details of the beneficiaries. The Committee impress upon the KVIC to urgently look into the issue and take necessary action to ensure that TDRs in the name of the beneficiaries are created immediately to sustain their interest in running the business for at least three years.

[Observations/Recommendation No. 1 of 31st Report of the Public Accounts Committee (17thLokSabha)]

Action Taken

It is to state that after introduction of single nodal bank from 1st July 2016 onwards, Corporation bank released an amount of Rs. 6321 cr. as Margin Money (MM) for the period from 1st July 2016 to 30th June 2020.

Thereafter from 1st July 2020 to 31st March 2021, an amount of Rs.1995.22 cr. was released by Indian Bank as MM.

The excess release of MM to the tune of Rs.8.00 cr. by Corporation Bank has been from Margin Money refund made by financing branches to the Nodal bank due to various reasons such as unit not working, NPA account, etc. as per the provisions of the scheme.

All the claims received from financing branches are being checked, verified and validated before it is being sent to Nodal bank for disbursement of MM. Therefore, adequate checks & balances are in place before releasing subsidy.

In order to avoid delay in settling MM claims by the Nodal bank, a lump sum amount of MM is kept in advance in the Nodal bank for timely processing of the claims as per the scheme guidelines.

As per PMEGP scheme guidelines & provision made in PMEGP online portal, respective financing bank branches have to upload the status of Term Deposit Receipt (TDR) in the appropriate column after receipt of MM from the Nodal bank. In the bank login of PMEGP e-portal, there is a provision of updating the details of TDR of PMEGP beneficiary.

As per the guidelines of the scheme, TDR has to be created by the banks within 24 hours after receiving subsidy in favour of the loanee. DFS has also been requested to issue necessary directions to the banks to the guidelines of the scheme in respect of timely creation of TDRs.

Audit's vetting comments on Ministry's ATN

- I. Ministry in its reply has cited that the excess release of margin money of Rs 8 crore by Corporation Bank was on account of refunds made by financing branches to the Nodal bank due to various reasons such as unit not working, NPA account, etc. In this regard, it is seen that margin money refund due to unit not working, NPA account etc, is required to be returned to KVIC by the nodal bank and hence the bank cannot disburse these funds again on its own.
- II. As per Ministry of MSME there is a provision in online portal for uploading the status of Term Deposit Receipt (TDR), Audit noticed that the status has not been uploaded in many cases. For example, as against 35 cases sanctioned (Sangli-Maharashtra) during 2018-19, TDRs in respect of only two cases have been uploaded. Hence, the system of uploading of TDR needs improvement.
- III. Ministry has not given the status of disbursal or Margin Money of Rs 154 crore received by Indian Bank from July 2020 to 26.11.2020 to the financing branches.

Updated Action Taken reply of the Ministry

Ministry agrees with the observations of Audit that the Margin Money subsidy received back in the Nodal Bank by way of refunds from financing branches due to non-working of units, failed claims etc. should be returned to KVIC, which may be kept separately by KVIC and transferred to Nodal Bank as additional MM subsidy fund as per requirement. Once the Margin Money is received by the financing bank, they have to open a TDR account and upload the TDR details in the portal manually. However, the financing banks response towards this is slow. The issue has also been discussed in the review meetings with the bankers. Ministry will also write to the CMDs of the Banks requesting them to direct the financing branches to upload the TDR details on the portal expeditiously.

The Committee observed that the Indian Bank received Margin Money of Rs. 5808 cr. from July 2020 till 26.11.2020, out of which it disbursed Rs. 5654 cr. to the financing branches thereby indicating short disbursement of Rs.154 cr. However, the Indian Bank was introduced as a Nodal Bank for disbursement of Margin Money w.e.f. 1 July 2020 and the disbursement through Indian Bank during the above mentioned period i.e. from 1st July 2020 to 26.11.2020 was Rs. 611.32 Cr. instead of Rs. 5654 Cr. (Copy Enclosed). The Indian bank from 1st July 2020 to 31st March 2021, has disbursed an amount of Rs.1995.22 Cr. only

**(Ministry of MSME/PMEGP Section; OM No. PMEGP/PAC/O1/2021; Dated
18.01.2022)**

Observation/Recommendation

The Committee note that REGP scheme was closed on 31st March, 2008 and an amount of Rs. 36.82 cr. was released to KVIC by the Ministry during the year 2011-12 for clearing the old REGP margin money claims. However, as per Audit, from the amount, Rs. 12.87 cr. remained unutilized for over four years. The Committee note from the reply of the Ministry that an amount of Rs.30.36 cr. was released by KVIC HQ to 26 Field Office for settling the old claims of which various KVIC State offices had utilized Rs. 24.29 cr. and refunded Rs.6.07 crore to KVIC HQ. The Committee observes that the Ministry has requested KVIC to refund the entire unspent amount of Rs. 12.53 crore as it will now be releasing funds required by the KVIC to settle the claims on case-to-case basis. The Committee, while noting that it has been more than 12 years since the REGP scheme was closed, express disappointment at the lackadaisical approach of the Ministry for having kept an amount of Rs. 12.53crore idle for more than a decade now. The Committee are of the view that the Ministry/ KVIC need to take urgent steps to expedite/ settle the pending court cases and wind-up the claim settlement process at the earliest and apprise the Committee thereof.

[Observations/Recommendation No. 2 of 31st Report of the Public Accounts Committee (17th Lok Sabha)]

Action Taken

REGP scheme was discontinued from the year 2006-07. The unspent balance of REGP fund of Rs. 12.53 Cr. was refunded to the Ministry of MSME in August 2020. At present, 66 number of court cases are pending relating to REGP scheme. KVIC has issued direction to the field offices to expedite the pending court case for early settlement. Year wise details of Court cases and Margin Money (MM) settlement after verdict of Court is given in Annexure – V.

Audit Vetting comments on Ministry's ATN

Ministry has furnished year wise details of 40 Court cases and Margin Money (MM) settlement after verdict of court amounting to Rs 22.83 lakh) .(Annexure-V). It was observed from the information provided by Ministry of MSME that there are 66 cases of REGP pending and no cases have been settled during 2020-21 and 2021-22 (August 2021

Reply on vetting comments of Audit by Ministry of Finance

The status of pending cases changes from time to time, as new cases are filed. The current status of pending court cases of REGP and PMEGP are mentioned below;

As on date 10.01.2022

Particulars	Pending cases as on 01.04.2021	(+) New cases during the year	(-) Cases settled during the year	Pending cases as on 10.01.2022
	A)	(B)	(C)	(D=A+B-C)
REGP	66	2	0	68
PMEGP	66	17	0	83
Total	132	19	0	151

(Ministry of MSME/PMEGP Section; OM No. PMEGP/PAC/O1/2021; Dated 18.01.2022)

Observation/Recommendation

The Committee note that Banks had charged interest on the entire loan amount including the Margin Money thereby placing additional burden on the beneficiary and changing the nature of the subsidy to that of a loan. The Committee further note from the reply of the Ministry on the Audit observation that since the Margin Money was parked with the Nodal Bank, the financing Bank, had in certain cases, charged interest on the MM but after the receipt of the same from the Nodal Bank the entry was reversed from the back date itself to pass the benefit on to the beneficiaries. The Committee observe that while in most cases pointed out by the Audit, the amount has been refunded to the KVIC, 5 cases pertaining to Dena Bank and 4 cases under the Oriental Bank of Commerce have still not been settled. The Committee desire that these cases may be followed up by the Ministry/ DFS and urgent action taken to get the entries reversed. The Committee further note that from the reply of the Ministry that the current online system has checks to prevent such violations, as the system captures amount of loan sanctioned and admissible subsidy. However, the DFS has expressed its apprehension on the same by submitting that the on-line portal developed by the KVIC does not have the facility to detect such violations. The Committee desire that the KVIC, in coordination with the DFS/Banks, develop a robust mechanism to ensure that such instances of charging excess interest do not recur. The Committee further express the need for developing and making available an interest calculator on the PMEGP portal, so that the beneficiaries themselves are able to calculate their interest liability.

[Observations/Recommendation No. 3 of 31st Report of the Public
Accounts Committee (17thLok Sabha)]

Action Taken

The cases of Dena Bank and Oriental Bank of Commerce have already been settled. Details of the amount recovered and refunded to KVIC is given at Annexure-II.

As per PMEGP scheme guideline & provisions made on PMEGP online portal, respective financing bank branches have to upload the status of TDR in the appropriate column. DFS has also been requested to issue necessary directions to the banks to follow the guidelines of the scheme in respect of timely creation of TDRs.

The portal has also the provision to capture date of instalments released by the financing banks, the rate of interest charged, date of receipt of subsidy and date for generation of TDR. The availability of these details can enable the beneficiaries to check if any excess interest is being charged by the banks and any violation occurred can be corrected at the time of final adjustment of loan account.

KVIC has also been requested to build an interest calculator in the banks, so that the beneficiaries may be aware of the interest payable by them

Audit Vetting comments on Ministry's ATN

- VII. Factual position please.
- VIII. As per Ministry of MSME there is a provision in online portal for uploading the status of Term Deposit Receipt (TDR). However, Audit noticed that the status has not been uploaded in all cases. As against 35 cases sanctioned (Sangli-Maharashtra), TDRs in respect of only two cases has been uploaded during 2018-19. Hence, the system of uploading of TDR needs improvement.
- IX. Audit verified the e portal of PMEGP and noted that the portal doesn't have provision to capture the rate of interest charged by the Banks and also the second instalment paid.
- X. Other deficiencies noticed in the e portal of PMEGP are non capture of repayment of loans by the PMEGP beneficiary to the banks and details of the visit of Nodal officers of concerned agencies to the units established under PMEGP.
- XI. It has been ascertained by Audit from KVIC that no written communication has been received from the Ministry regarding building of an interest calculator.
- XII. The action taken to develop a robust mechanism in coordination with the DFS/Banks to avoid excess charging of interest and developing and making available an interest calculator on the PMEGP portal, as directed by PAC is yet to be taken.

Updated Action Taken reply of the Ministry

- I & II Once the Margin Money is received by the financing bank, they have to open a TDR account and upload the TDR details in the portal manually. However, the financing banks response toward this is slow. The issue has also been discussed in the review meetings with the bankers. Ministry will also write to the CMDs of the Banks requesting them to direct the financing branches to upload the TDR details on the portal expeditiously.
- III. The tool to capture the rate of interest charged by the bank and the instalment paid are provided in the Banker's log in segment of the PMEGP portal.
- IV. The details of repayment of the loans are available in the internal system of every Bank. It will be difficult to integrate the internal system of every bank with the PMEGP e-portal. Geo-tagging of all the units has been initiated. The date of visit of the officials visiting these units will be captured along with the status of the units.

- V. Ministry vide letter dated 23.08.2021 has inter-alia requested the KVIC to update the portal to include interest calculator in consultation with the banks.
- VI. The tool for interest/EMI calculation for the benefit of the applicants has now been added in the PMEGP portal.

**(Ministry of MSME/PMEGP Section; OM No. PMEGP/PAC/O1/2021; Dated
18.01.2022)**

Comments of the Committee

Please see Paragraph No. 10 of Chapter I

Observation/Recommendation

The Committee note that Physical Verification (PV) of units financed under PMEGP becomes due before completion of three years and KVIC has to get the PV of projects conducted through outsourced agencies. However, Audit observed that there was a huge backlog in conducting PV that was attributed to factors such as, disturbed area, change of agency and poor response to tendering at field office levels. The Committee note from the reply of the Ministry that Physical Verification of 2,95,877 (more than 92%) units against the total of 3,20,828 units set up from 2008-09 to 2014-15 has been completed through outsourced third party agencies. For the year 2015-16, of the total 44,340 units, physical verification of 19,680 units from 22 states has been completed. Further, for the year 2016-17, Physical verification of 11,807 units from 7 States has been completed. The Committee are dismayed to note that the Ministry was not able to get all the units established up to 2013-14, physically verified by June 2018, as committed by it during the sitting of the PAC held in December, 2017. The Committee further note from the reply of the Ministry that as per physical verification report submitted by the outsourced agencies, it is observed that on an average about 80% of PMEGP units were found working and rest were either closed or not found existing at the registered location. The Committee are of the view that the long term sustainability of the projects promoted under the PMEGP can only be gauged by carrying out the physical verification timely. Audit also found that there was no mechanism in place for ensuring and tracking recovery against call back of MM. The Committee, while expressing disappointment at the lackadaisical approach of the Ministry/ KVIC, as they allowed huge backlogs in conducting the Physical Verification of the units, opine that timely exercise would have helped the Ministry/ KVIC in better management of MM funds and also in analyzing the reasons for such a high proportion of non functional units for taking appropriate corrective action. The Committee also desire to be apprised of the mechanism put in place for ensuring and tracking recovery of Margin Money disbursed in cases where the units were

found non-functional, the details of amount so recovered and amount of Margin Money disbursed and not yet recovered. The Committee further note that the Margin Money is deposited in the TDR account in the name of the beneficiary where it is kept for 3 years and after the completion of PV, the same is released to the beneficiary's account. The Committee, therefore, opine that in no circumstance should the PV be delayed as it has a direct relation with the actual release of the MM to the beneficiary's loan account. The Committee recommend that all the PV that are due may be completed at the earliest and in a time bound manner and action be taken against those responsible for conducting the PVs in case of any delays. The Committee also desire to be apprised of the manner in which Banks have treated the loan accounts of the beneficiaries who have repaid their loan within stipulated time but due to delay in Physical Verification, their Margin Money could not be released. The Committee note that to streamline the complete process of physical verification, the activity is being centralized under the Directorate of PMEGP and the KVIC Headquarter will be engaging agencies, on a long term basis, at the national level for all States/UTs. Further, Geo-tagging of PMEGP Units to identify and monitor the units is also being undertaken. The Committee while acknowledging the steps taken by the Ministry to streamline the process, feel that to regularly verify the financial soundness of an enterprise, the KVIC may tie up with the Banks for getting access to their ports of their periodic visits on the physical and financial status of the PMEGP projects with reference to the credit given by the Banks to have an idea of the sustainability of the project promoted under the Scheme. The Committee further opine that in order to ensure sustainability of the projects promoted under the PMEGP in the long run, their performance may be monitored even beyond the stipulated period of three years. This can help the distressed units in getting timely handholding and improving their performance and the Ministry in keeping track of the units; assessing the impact of the Scheme; and making further improvements to the Scheme to enable expansion of the well performing units.

[Observations/Recommendation No. 4 of 31st Report of the Public Accounts Committee (17th Lok Sabha)]

Action Taken

In order to reduce pendency of physical verification, KVIC is regularly monitoring the progress in carrying out physical verification with its field offices. Out of 370853 units set up till 2015-16, 323764 units have been verified (87.30%) & 47089 units are yet to be verified (12.69%). Due to Covid-19 pandemic, verification of pending units has been delayed.

In order to expedite the Physical Verification of units, KVIC has centralized the whole process. KVIC has already engaged an outsourced agency for Physical

Verification of PMEGP units funded from 1st April 2016. The selected PV Agency has already started the Physical verification work.

Information regarding all units set up since 01.04.2016 is captured online and the physical verification of the same is being carried out through the digital mode of exclusive GIS based mobile app. The outcome shall be captured on the Geo-portal developed for this purpose. As on date, 5500 Physical Verification is completed through digital mode. The availability of Physical Verification reports of these units on the PMEGP portal will facilitate the identification of non functioning units and corresponding call back of Margin Money.

Rs. 336.30 cr. has been received by KVIC as MM call-back from various financing banks during the year 2012-13 to 2020-21. (Year wise breakup attached in Annexure III).

Technical experts, financial experts (retired bankers) and marketing experts have been engaged in the field offices for providing regular handholding support to PMEGP units even after three years of their setup.

KVIC has also been requested to co-ordinate with the Banks to ascertain the physical and financial status of the units at regular intervals.

Audit Vetting comments on Ministry's ATN

- I. Audit noticed that though the e portal of PMEGP has a column for status of physical verification, the same is not updated at regular intervals and the column remains blank and hence does not depict the correct status of physical verification.
- II. Further the e portal contains columns regarding date of conduct of PV and PV status but the same is not updated. The PV reports are yet to be uploaded on the PMEGP Portal.
- III. The physical verification of all units set up since 01.04.2016 is being carried out through the digital mode of exclusive GIS based mobile app. KVIC had issued letter of intent (1st March 2021) to M/s Genesys International Corporation Ltd. to verify 134883 units pertaining to the year 2016-17 to 2018-19. Till 07.10.2021, total 26847 units have been verified by M/s Genesys and verification of 108036 units is still pending.
- IV. Ministry has furnished year-wise details of MM call back received from the financing banks. However, year wise details of amount yet to be recovered, as desired by PAC has not been furnished.
- V. Audit noticed that though KVIC decided (October 2020) to engage Technical, Financial and Marketing Experts, the move is yet to be fully implemented. Further, the reply does not furnish details of PMEGP units

whose performance was monitored beyond the stipulated period of three years.

- VI. The reply does not give the status about the treatment of loan accounts by banks in those cases where the beneficiaries have repaid their loan within the stipulated time but due to delay in Physical Verification, their Margin Money could not be released, as desired by PAC.

Updated Action Taken reply of the Ministry

- I. In the PMEGP e-portal, the column of physical verification is now activated which is showing the complete details of a unit at every stage i.e., total no. of units assigned for Physical Verification (PV) (completed/pending), current status of units (working/non-working/non-traceable), status of P.V report approved at different level (Level-i/Level-2), status at Implementing Agency level (KVIC/KVIB/DIC/Coir Board), status of MM at bank-level (Adjustment/Call back).
- II. The provision of the date of PV has been incorporated in the portal and the status of Physical verification at Implementing Agency level, as well as approval levels, is available in the e-portal. KVIC will be directed to upload the requisite details on the portal.
- III. Geo-tagging/mapping of the PMEGP units is being carried out by M/s Genesys. As on date, 54069 no. of units are already verified and mapped on the portal. The process is continuing, all the PMEGP units assisted since 2016-17, will be Geo-tagged. KVIC will be directed to take all necessary measures to complete the pending PV through geo-tagging, expeditiously.
- IV. The details of MM call back from various financing banks are captured through an online payment gateway introduced exclusively for the callback money/MM return back. Year-wise consolidated details of MM call back received by KVIC from the financing banks has been given at Annexure-III A
- V. The purpose of Technical, Financial and Marketing Experts are to provide handholding support to the prospective beneficiaries as well as existing beneficiaries. The performance of the above experts is accessed by the respective State Director. At present, 46 Technical, Marketing, Financial (Retired Bankers) experts have been engaged in 21 States. These experts have provided handholding support to approx. 35180 number of beneficiaries in the current FY. This includes 5245 number of existing beneficiaries funded 3 years or beyond, under the scheme.

- VI. The process of physical verification for the units assisted before the year 2016-17 has almost been completed in all States/UTs and the Margin Money subsidy has been adjusted in the loan accounts. However, about 30,000 units established upto 2015-16 are still to be physically verified. These are either closed or have changed their locations. Efforts are being made in consultation with Banks to identify these units and wherever necessary call back the MM subsidy available in the Banks, in respect of units not located.

(Ministry of MSME/PMEGP Section; OM No. PMEGP/PAC/O1/2021; Dated 18.01.2022)

Comments of the Committee

Please see Paragraph No. 15 of Chapter I

Observation/Recommendation

The Committee note the slow pace of bank sanctions under PMEGP. In this regard, they further observe that the Bank sanctions are slower during the first two quarters of the Financial Year thereby resulting in crowding of sanctions during last quarter and leading to poor quality projects being sanctioned and consequential increase in the number of NPAs. The Committee note that despite RBI's instructions in this regard that specifies that the Banks have to sanction or reject the loan applications in MSME sector within 30 days of receipt of application, the process of sanctioning of loans has taken up to 3- 4 months in some cases. The DFS, in its reply, have stated that sanction of loans may sometimes take longer than 30 days depending upon the specific requirement and circumstances of each case. However, since reduction in the Turn Around Time (TAT) has been made a parameter for assessing banks' performance on the EASE index and with processing and sanctioning of loans being increasingly digitized in each bank, TAT has been systematically improving and pendency of applications is reducing. Further, implementation of a score card approach for objective assessment of the applications, as advised by KVIC to Implementing Agencies vide its circular dated 29.7.2020, should also lead to future improvement in TAT. The DFS in its reply has also submitted that Banks have been sensitising branches on regular basis to canvass and process the business proposals regularly, setting up of dedicated centralised credit processing centres, close coordination with implementing agencies etc. The Committee while acknowledging the steps taken by the DFS to reduce pendency desire that the Banks monitor the performance of their Branches frequently, particularly, in the present times, as the assistance given under PMEGP can prove to be of major help in reviving/sustaining the MSE sector. The Committee KVIC/MoMSME to regularly follow up the status of applications that are pending for more than 30 days and to put up a list of their Nodal Officers on the KVIC's e-portal

along with a list of Nodal Officers from Banks, for providing necessary support and handholding to the applicant.

[Observations/Recommendation No. 5 of 31st Report of the Public Accounts Committee (17th Lok Sabha)]

Action Taken

In order to enhance the pace of loan sanction, role of District Level Task Force Committee (DLTFC) has been discontinued in the selection of applications and a Score Card system has been introduced, in consultation with Indian Bankers' Association.

During 2020-21, despite Corona pandemic, an amount of Rs.2188.80 cr. of MM for 74415 number of beneficiaries was disbursed which is the highest achievement since inception of the scheme. Banks have sanctioned about 1 lakh applications, which is 50% more over the last year. Banks' approval rate of the applications forwarded to them has also increased from 20% in 2019-20 to 25% during 2020-21.

During 2021-22, as on date 15.08.2021, an amount of Rs.700.62 cr. MM subsidy has been disbursed for 22210 number of units, which is 110% more compared to the same period of last FY 2020-21. Hence, it can be seen that there is increase in approval of sanctions across the FY.

Necessary provision has been made on the PMEGP portal to highlight long pending cases with Banks, so that credit decisions on such cases on priority. Delayed cases are also monitored during review by the Ministry and KVIC with the Banks.

Ministry is also regularly reviewing the pendency position at Banks and time taken to clear the applications. Regular letters are being addressed at CMD levels requesting them to monitor the PMEGP performance of the financing branches. A DO letter has been issued by Secretary (MSME) requesting Secretary (DFS) to impress upon the Banks to take credit decisions within 30 days as per RBI guidelines(copy at Annexure IV) KVIC has also been requested to put up the list of nodal officers of KVIC and banks on the portal, who can assist the applicants as necessary.

Audit Vetting comments on Ministry's ATN

- III. The performance status report (MIS Report) on e portal of PMEGP depicts that, there are 53552, 91286 and 78954 applications pending for process for the years 2019-20, 2020-21 and 2021-22 (Till 23.09 2021). Further, the online

e portal of PMEGP depict the column such as online submission of application by the beneficiaries, date of forwarding application to the Bank and date of loan sanction. There is a separate Bank remarks column, wherein Bank can furnish the data such as project not viable, credit history not proper etc, but these details are generally not filled up by the banks KVIC, is thus in a position to know the delay, but reasons for the same are not known. Hence, the system needs improvement in this regard.

- IV. It has been ascertained in Audit, that KVIC is yet to upload the list of nodal officers of KVIC and banks on the portal, for assisting the applicants.

Updated Action Taken reply of the Ministry

- III. Noted. In the PMEGP e-portal, many remarks have been added in the dropdown system for the financing bank to make a decision as per the remark. Regular scrutiny of the reasons of rejection are undertaken by KVIC and Ministry of MSME,
- IV. The contact details (mobile no. as well as email id) of every agency - KVIC/KVIB/DIC are already available in the Contact list section at the PMEGP portal.

**(Ministry of MSME/PMEGP
Section; OM No. PMEGP/PAC/O1/2021; Dated 18.01.2022)**

Comments of the Committee

Please see Paragraph No. 20 of Chapter I

Observation/Recommendation

The Committee note that the Banks have now been mandated to link all new floating rate loans to MSEs to an external benchmark rate and accordingly PMEGP loans are also now linked to an external benchmark lending rate. The Committee, however, note that the spread over the external benchmark rate is to be still decided by the banks as per Board approved policy in line with extant regulatory guidelines and based upon their risk assessment. The Committee while observing that the intent of RBI for taking this step was to ensure that the borrowers are invariably given the benefit of the rate cuts, urge the DFS/ Banks to charge uniform and lowest possible rates of interest as it will go a long way in helping the units in the MSME sector in the present time and thereby in the long run.

[Observations/Recommendation No. 6 of 31st Report of the Public
Accounts Committee (17thLok Sabha)]

Action Taken:

The matter has been taken up with DFS with a request to issue necessary directions to banks to charge uniform and lowest possible rate of interest from PMEGP beneficiaries. A D.O. letter (copy attached at Annexure-IV) has been issued from Secretary, MSME to Secretary DFS, in this regard.

Audit Vetting comments on Ministry's ATN

Factual position.

Updated Action Taken reply of the Ministry

As per the PMEGP portal, the Rate of Interest (RoI) charged by the top 20 financing banks is attached herewith.

Bank	Min (RoI)	Max (RoI)
JAMMU AND KASHMIR BANK LTD	7	14
STATE BANK OF INDIA	6	14.75
CANARA BANK	6	14
PUNJAB NATIONAL BANK	6.5	13
UNION BANK OF INDIA	6.8	13.25
BANK OF BARODA	6.5	15
BANK OF INDIA	6.85	13
INDIAN BANK	7	13.5
CENTRAL BANK OF INDIA	6.35	12
INDIAN OVERSEAS BANK	6.81	12
JAMMU AND KASHMIR GRAMEN BANK	10	10.7
BARODA UTTAR PRADESH GRAMIN BANK	8	12
GRAMIN BANK OF ARYAVART	8	13
ELLAQUAI DEHATI BANK	10	13
MADHYA PRADESH GRAMIN BANK	9.5	13
UCO BANK	7.2	13.5
BANK OF MAHARASHTRA	6.9	10.8

KARNATAKA VIKAS GRAMEENA BANK	10.5	12.5
PUNJAB AND SIND BANK	6.6	12.1
IDBI BANK	7	14

**(Ministry of MSME/PMEGP Section; OM No. PMEGP/PAC/O1/2021; Dated
18.01.2022)**

Observation/Recommendation

The Committee note that the Banks are mandated to not to ask for collateral security for loans upto 10 lakh vide RBI Circular No. RPCD. SME & NFS. BC. No. 79/06.02.3112009-10 dated May 6, 2010. However, the Banks have been asking for collateral security for sanctioning of loans upto Rs.10 lakhs. The Committee note from the reply of DFS that compliance to the RBI guidelines is ensured through periodic inspections by RBI and by Banks through random checking by internal auditor of the Branches and sensitisation of field level offices on a regular basis. In addition to the above, the said instructions of RBI are regularly reiterated in review meetings and video conferences that DFS periodically holds with Banks, and also in State Level Bankers' Committee (SLBC) meetings which include a DFS nominee. The Committee, while noting that the beneficiaries can submit their grievances on PMEGP e-portal relating to banks seeking collateral security for loans upto 10 lakh in MSE sector, express the view that since this is in clear violation of RBI guidelines the DFS must take action against the Banks who do not adhere to the guidelines. The Committee also desire that such cases may invariably be referred to the RBI/CGTMSE Board (Credit Guarantee Fund Trust for Micro and Small Enterprises Board) for ensuring corrective action and non-repetition of such instances.

[Observations/Recommendation No. 7 of 31st Report of the Public
Accounts Committee (17th Lok Sabha)]

Action Taken

The matter has been taken up with DFS to issue necessary directions to banks in this regard. A D.O. letter (copy attached at Annexure-IV) from Secretary, MSME has been sent to Secretary DFS in this regard.

In the recently introduced free pre EDP training for prospective PMEGP applicants, details of RBI instructions on collateral security will be provided for information. PMEGP portal also has in-built mechanism for applicants to lodge complaints. In case, complaints on collateral security are received, KVIC can take up the matter with concerned Banks for redressal. The beneficiaries under PMEGP are also encouraged to avail the credit guarantee facilities under CGTMSE scheme.

Audit Vetting comments on Ministry's ATN

Factual position.

Updated Action Taken reply of the Ministry

Ministry is taking up the matter with the Department of Financial Service requesting them to issue direction to the bank to follow the RBI guidelines in this regard.

(Ministry of MSME/PMEGP Section; OM No. PMEGP/PAC/O1/2021; Dated 18.01.2022)

Observation/Recommendation

The Committee note that from FY 2015-16 till FY 2019-20 (third quarter), Public Sector Banks (PSBs) have sanctioned an amount of Rs. 10,169.27 crore under PMEGP while during this period, a total of Rs 1537.53 crore had been classified as NPAs which increased to Rs 1996 crore (Gross NPAs) as on 30 June, 2020. As per the DFS, some of the common reasons for high NPAs in different States, as identified by Banks, inter-alia include business failure due to lack of Forward and Backward Linkages (BFL), competition amongst entrepreneurs, need for skill up-gradation, and extraneous factors like floods, etc. The Committee desire that the major reasons identified by the banks, particularly lack of skill upgradation and lack of backward and forward linkages may be looked into by the MSME and appropriate steps initiated at the earliest to minimize the NPAs. The Committee, while noting that the District Level Task Force Committee (DLTFC) has been done away with and KVIC and other IAs are now recommending the applications, are of the view that the applications under PMEGP should be approved by the KVIC only, after proper evaluation of the proposed project and the crowding of the applications in the last quarter may not be allowed in any case to avoid substandard projects getting the go-ahead. Further, the Committee, while noting that in violation of the PMEGP guidelines, some Banks were, till 2014-15, adjusting the MM in NPAs, would like to be apprised of the details of bank wise margin money adjustment in NPAs and the action taken by the Ministry to recover the same.

[Observations/Recommendation No. 8 of 31st Report of the Public Accounts Committee (17th Lok Sabha)]

Action Taken

KVIC has appointed technical, financial, and marketing experts to provide necessary guidance and handholding to the existing units. These experts can maintain regular connect with the PMEGP beneficiaries and enhance the sustainability of the units. In addition, PMEGP units are encouraged to connect to ecommerce portals, etc. to increase their sales, and thereby ensuring their sustainability.

In order to select quality proposals under PMEGP, the selection process has been modified. A Score Card model has been prepared, in consultation with Indian Bankers' Association, which gives high score to applicants with prior experience in the proposed field, academic qualification, locational advantage (availability of raw materials, labour, etc.), marketing connects, etc. Only proposals meeting a defined benchmark are forwarded to Banks who further appraise the proposal and take credit

decision based on viability of the project. Scrutiny of proposals at multiple levels before approval of the projects will ensure selection of sustainable units.

Since KVIC's presence is only limited mainly to State Capitals, KVIBs and DICs are also examining the applications received under PMEGP at the preliminary level, based on a Score Card model, prepared in consultation with Indian Bankers' Association. Banks also undertake a detailed appraisal of the proposals forwarded to them by KVIC, KVIB and DIC to ascertain their viability. Scrutiny at multiple levels reduce the possibility of unviable units set up under PMEGP.

Till 2015, the PMEGP guidelines provided that 'in case the bank's advances goes bad before the three-year period, due to reasons beyond the control of the beneficiary, the Margin Money (subsidy) will be adjusted by the Bank to liquidate the loan liability of the borrower either in part or full.' However, as per the present guidelines, there is no such provision for adjustment of MM by Banks and MM subsidy is called back if a loan goes bad or unit is closed before three years.

Audit Vetting comments on Ministry's ATN

Factual position. The action taken by the Ministry with regard to adjustment of Margin Money pertaining to NPAs till 2014-15 and recovery thereon, as desired by PAC has not been indicated in the Ministry's reply.

Updated Action Taken reply of the Ministry

Before 2016, the PMEGP Scheme guidelines provided that "In case the Bank advance goes bad' before the 3 years' period, due to reasons beyond the control of the beneficiary, the MM subsidy will be adjusted by the Bank to liquidate the loan liability of the borrower either in part or full." Thus there are very few cases of call back, prior to 2016. The details are in Annexure —III B.

About 30,000 units established upto to 2015-16 are still to be physically verified. These are either closed or changed their location. Efforts are being made in consultation with Banks to identify these units and where ever necessary, call back the MM subsidy available in the Banks in respect of such units. The details of Margin Money call back/Margin Money return so far is available in the present physical verification portal.

(Ministry of MSME/PMEGP Section; OM No. PMEGP/PAC/O1/2021; Dated 18.01.2022)

Observation/Recommendation

The Committee note that the Government, while approving continuation of PMEGP beyond 12th Five Year Plan (2012-17), provided for sanctioning of a second loan with subsidy for upgrading the existing units, which are performing well in terms of turnover, profit making and loan repayment. The Committee note that the response for the second dose has not been encouraging as only 22 beneficiaries availed second loan in 2018-19 while 139 beneficiaries availed the same in 2019-20. The Committee note from the reply of the Ministry that lack of awareness, considerable time lag for being eligible for second loan as the first loan has to be paid-up fully and the lower subsidy on the second loan are the possible reasons for low availment of the second loan. The Committee, while opining that the successful enterprises would most certainly want to expand their businesses, desire that the Ministry examine the issues urgently and revise the guidelines suitably within a fixed time-frame to increase the off take of the second loan. The Committee further opine that the subsidy for upgradation may also be allowed to the units who did not avail the benefit under the PMEGP while setting up their business. The Committee also desire that the physical verification of the enterprises whose loans have been repaid within the stipulated period may be done on priority to facilitate them in applying for the second loan.

[Observations/Recommendation No. 9 of 31st Report of the Public Accounts Committee (17th Lok Sabha)]

Action Taken

Awareness camps, especially for 2nd dose of financial assistance under PMEGP, are being held by KVIC. Financing banks during State Level Bankers Committee (SLBC), State Level Monitoring Committee (SLMC) and other review meetings are requested to motivate the existing PMEGP, REGP, MUDRA beneficiaries to come forward to avail 2nd dose of financial assistance.

The process to revamp the Scheme and its continuation for next five years for 2021-22 to 2025-26 with appropriate modifications is in progress.

The proposed modifications also include simplification of loan process for 2nd financial assistance and also rationalization of rate of subsidy. It has now been proposed that Banks may consider sanctioning 2nd loan of upto Rs.1.00 cr. with eligible subsidy, to any PMEGP/REGP/ MUDRA unit running successfully for three years and having GST and Udyog Aadhaar Memorandum (UAM) registrations, repaying the loan continuously for three years, without considering full repayment of 1st loan.

The recommendation of the Committee on including units who have not availed PMEGP loan for second assistance can be examined in due course subject to availability of funds.

Audit Vetting comments on Ministry's ATN

- III. During the financial year 2020-21 margin money of Rs. 13.52 crore was disbursed to 160 beneficiaries and during 2021-22 (upto 15.09.2021) margin

money of Rs. 12.57 crore was disbursed to 134 beneficiaries under the second loan. It is thus observed that there has been an increase in sanction of second loan.

- IV. PAC has desired that physical verification of enterprises whose loans have been repaid within the stipulated period may be prioritised to facilitate them in applying for the second loan. Action taken in this regard has not been mentioned in the Ministry reply.

Updated Action Taken reply of the Ministry

- III. During FY 2021-22 up to 10.01 .2022, 2nd loan has been disbursed to 200 beneficiaries disbursing MM subsidy of Rs.18.69 crore.
- IV. Process of Physical verification has been expedited under the centralized system The Ministry will request the KVIC to direct the State Offices to identify the units, who have repaid their loan and are functioning successfully, so that such units may be encouraged for availing 2nd loan.

(Ministry of MSME/PMEGP Section; OM No. PMEGP/PAC/O1/2021; Dated 18.01.2022)

Comments of the Committee

Please see Paragraph No. 25 of Chapter I

Observation/Recommendation

The Committee note that multilevel Monitoring and Review of the Programme has been provided for at different levels viz. (i) State level (headed by Principal Secretary (Industry) & Commissioners) (ii) Ministry level (chaired by Hon. Minister/ Secretary, MoMSME) (iii) National level (headed by Chairman, KVIC) (iv) Zonal level (headed by CEO, KVIC.) and (v) District Level Advisory Committee (under the chairmanship of Hon'ble Member of Parliament, Lok Sabha). In this regard the Committee note that the MoMSME, in June, 2015, had written to all the Members of Parliament apprising them about the existing District Level Advisory Committee and its role in implementation of PMEGP and also requested to convene the meeting of the Advisory Committee under their Chairpersonship, in consultation with the District Collectors/DMs. However, very few such meetings have actually taken place. The Committee are of the view since the aforesaid letter was issued in 2015, i.e., during the term of last Lok Sabha, the MoMSME should apprise the Members of the 17th Lok Sabha about the provision for an Advisory Committee, its powers and its mandate and emphasise on time-to-time meetings of the same to assess the progress made under PMEGP. The Committee are also of the opinion that to have focused monitoring and evaluation of the flagship Programme, the MoMSME should play a proactive role in the working of the District Level Advisory Committee so that the performance of PMEGP is reviewed effectively at the ground level.

[Observations/Recommendation No. 10 of 31st Report of the Public Accounts Committee (17thLokSabha)]

Action Taken

Ministry of MSME in 2012-13 had constituted a District Level Advisory Committee under the chairpersonship of the Hon'ble Member of Parliament of Lok Sabha (LS) for each district for proper monitoring of PMEGP.

In June, 2015, Ministry had also addressed a letter to all the Hon'ble Members of the Parliament (Lok Sabha/Rajya Sabha) apprising them about the existing District Level Advisory Committee and its role in implementation of PMEGP. They were also requested to convene the meeting of the Advisory Committee under their chairpersonship in consultation with the District Collectors/DMs. However, due to very busy schedules of Hon'ble MPs as well as the District collectors, it was difficult to arrange such meetings for a single scheme. Therefore, very few such meetings had actually taken place.

In 2016-17, Ministry of Rural Development constituted the District Development Coordination and Monitoring Committee (DISHA) and launched DISHA Dashboard, which is a data intelligence platform providing requisite information to the elected representatives to track the performance of all major flagship schemes of the different central ministries in their respective districts and constituencies. PMEGP scheme is also included in the DISHA dashboard. Thus, PMEGP Scheme can also be considered during discussions by the DISHA Committee headed by the Hon'ble MP. KVIC State Directorates have been directed to actively participate in the DISHA meetings in their respective States/Districts and address the issues raised by the Hon'ble Members.

Besides, KVIC has also been requested to issue necessary directions to all State Directors to appraise the Hon'ble MPs about District Level Advisory Committee and also about DISHA, so that MPs can monitor the Scheme.

Audit Vetting comments on Ministry's ATN

Factual and no comments

Updated Action Taken reply of the Ministry

No comments.

(Ministry of MSME/PMEGP Section; OM No. PMEGP/PAC/O1/2021; Dated 18.01.2022)

Observation/Recommendation

The Committee note that as per the Evaluation Study Report conducted by Management Development Institute (MDI), Gurgaon, PMEGP has been able to provide sustainable employment opportunities for 4-5 lakh persons during each of the preceding financial years; average employment per project is 7.62 persons; and average cost of generating unit employment is 96,209/-. Further, as per the data for last five years, the number of units setup has increased from 44,340 in 2015-16 to 66,653 in 2019-20 and the estimated employment generated has also increased from 3,23,362 in 2015-16 to 5,33,224. The Committee note that over the period of time, learning from the experience and factors responsible for causing delay in approval of PMEGP applications, the MoMSME introduced major changes viz, discontinuing the role of DLFTC for recommendation of proposal/applications to financing banks and simultaneous introduction of Score Card model for application processing; introduction of online EDP module from October, 2019; Geo-tagging of PMEGP Units to identify and monitor the Units; and launching of grievance redressal platform - Champions Portal. The Committee further note that PMEGP beneficiaries are covered under the fully guaranteed collateral free Emergency Credit Line Guarantee Scheme (ECLGS) which allow borrowers to avail up to 20% of their outstanding loans (on 29.2.2020) as additional working capital term loans. Banks have been directed to expedite credit decisions and charge uniform interest rates, at lowest possible rate, on the loans to beneficiaries and reviewing the same through the portal and during Physical Verification. The Committee, while acknowledging the various steps taken by the Ministry to streamline faster processing of PMEGP loan applications, are of the opinion that the same may be given wide publicity in print, electronic media and social media so as to reach the last mile person. The Committee also feel that the Government's Programmes/Schemes/Initiatives introduced for welfare of common people should reach them in simple and effective manner and desire that regular upgradation programmes, dissemination of information about the new regulations, new laws, new technology, etc. should be done regularly, the success stories may be aired or shown etc. and the awareness campaigns/ forms /EDP programmes/ should be made available in regional languages to maximize their reach. The Committee further desire that to improve the performance of the PMEGP incentive subvention to beneficiaries for timely repayment of loans may be provided; the process of setting-up of the Help Desk/small Call Centre to assist potential entrepreneurs in all Metro Cities and State Capitals coupled with camps in the remote areas may be expedited; entrepreneurial advisory support by engaging experts to provide hand holding advisory support to PMEGP beneficiaries may be provided and management trainees may also be involved to spread awareness about the Scheme; increasing maximum loan amount may be considered; regular and periodic training, hand-holding of new entrepreneurs to help them understand the intricacies of market, accounting system, taxes etc. to ensure sustainability of the project may be given; industrial area/zone may be set up by the Government with the required set of infrastructure where all the necessary permissions may be obtained under one umbrella; opening of current accounts by the beneficiaries may be insisted upon for ascertaining the continued sustainability of

the units; advertisements may be issued to inform about the Grievance Redressal Platform to the general public; time bound redressal of grievances may be done; provision for off line training facility may be made for the beneficiaries residing in the remote, hilly and some rural areas that may have internet connectivity issues. The Committee are of the view that the Scheme may be continued for a longer period and the ambit of the Programme may be widened by reexamining the items placed under the negative list to include the activities that can help in expanding employment opportunities. The Committee further note that M/s Deloitte India Pvt. Ltd. has undertaken Third Party Evaluation of the Scheme and appropriate modifications in the Scheme will be made through Expenditure Finance Committee (EFC) appraisal shortly, including integration of Credit Guarantee Fund Trust for Medium and Small Enterprises (CGTMSE) on PMEGP eportal. The Committee desire to be apprised of the details of the appraisal made by the EFC and the action taken by the Ministry thereon.

[Observations/Recommendation No. 11 of 31st Report of the Public Accounts Committee (17thLok Sabha)]

Action Taken

Suggestions made on the improvement of the scheme are already incorporated in PMEGP action plan under Backward and Forward Linkages (BFL) component of the scheme during 2021-22 Major steps being taken are:

- i. KVIC has been directed to reach out to students of all the colleges, training centers ITIs, skill institutes etc. for creating awareness among them about the PMEGP schemes.
- ii. A short video on PMEGP scheme has been prepared for introduction of the scheme to all colleges, universities, training centers ITIs, skill institutes etc.
- iii. Business Facilitation Centre (BFC) are also proposed to be setup for PMEGP beneficiaries which will provide all necessary handholding to the PMEGP aspirants to start their enterprise and to the existing PMEGP entrepreneurs for further growth of their units
- iv. Convergence is being examined through other Ministries like RD, Panchayati Raj for dissemination of the scheme among the rural areas.
- v. Technical, financial, and marketing expert are being engaged by KVIC to provide necessary guidance and handholding to the units even after three years of their setting up.

Modifications proposed in the EFC for continuation of the scheme are as follows:

- i. Enrolling more implementing agencies viz. National Schedule Caste Finance and Development Corporation (NSCFDC), National Scheduled Tribe Finance and Development Corporation (NSTFDC) National Backward Classes Finance and Development Corporation (NBFDC), National Minorities Development and Finance Corporation (NMDFC), State Rural Livelihood Missions (SRLMs), etc.

- ii. Increasing the maximum project cost from existing Rs.25 lakhs to Rs. 50 lakhs for manufacturing units and from existing Rs.10 lakhs to Rs.20 lakhs for service units.
- iii. Increase in the rate of subsidy for 2nd loan to Special Category applicants from existing 15%to 25%.
- iv. Modifying definition of Rural Area to upto 50,000 persons so that more projects with commensurate subsidy are assisted in rural areas.
- v. Allowing all Implementing Agencies to work in both rural & urban areas.
- vi. Simplification in process of 2nd loan under PMEGP, whereby entrepreneurs repaying loan successfully for 3 years are eligible to apply.
- vii. Modification in Negative list of activities to include fishing and dairy activities.
- viii. Provision for handholding beyond 3 years–refresher training to all beneficiaries.
- ix. Free pre-EDP for all interested applicants
- x. PMEGP applicants from Aspirational districts and Transgender may also be treated as Special Category applicants.

Vetting comments of Audit

Factual Position.

Updated Action Taken reply of the Ministry

No comments.

**(Ministry of MSME/PMEGP Section; OM No. PMEGP/PAC/O1/2021; Dated
18.01.2022)**

CHAPTER III

**OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT
DESIRE TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM THE
GOVERNMENT**

NIL

CHAPTER IV

**OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF
THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND
WHICH REQUIRE REITERATION**

NIL

CHAPTER V

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH
GOVERNMENT HAVE FURNISHED INTERIM REPLIES/NO REPLIES

NIL

NEW DELHI:
December, 2022
Agrahayana 1944 (Saka)

ADHIR RANJAN CHOWDHURY
Chairperson,
Public Accounts Committee



Directorate of PMEGP

खादी और ग्रामोद्योग आयोग

**KHADI AND VILLAGE INDUSTRIES
COMMISSION,**

सूक्ष्म, लघु और मध्यम उद्यम मंत्रालय, भारत सरकार
Ministry of Micro, Small & Medium Enterprises, Govt. of India,
3, Gramodaya, Irla Road, Vile Parle (West), Mumbai-400056.
Fax : 022-26713686 Website: www.kvic.org.in
e-mail: regpkvic@gmail.com

61.

No.PMEGP/PAC 16.1/Report-12/2019-20

Date: 26.09.2019

To
Shri. Anil Kumar,
Under Secretary to the Govt. of India,
Ministry of Micro, Small and Medium Enterprises,
Udyog Bhavan, New Delhi – 110011.

**Sub: REPLIES TO PAC PARA 16.1, CAG REPORT No.12-
IMPLEMENTATION OF PMEGP PROGRAMME**

Sir,

This has reference to the letter no. PMEGP/Parl.(PAC)/1/2019 dt.13.09.2019 on the above subject. It may be mentioned that in the PAC meeting held on 04.12.2017, the initiative taken by KVIC including a demo on the PMEGP e-portal was shown to the Hon'ble PAC members. However, the status on each of the observations are provided below :

i) Fund management-Idling of funds at Nodal Banks:

KVIC has introduced Direct Benefit Transfer (DBT) since July, 2016 by engaging a single nodal bank. Based on the amount of MM disbursed by the Nodal bank of the claims forwarded to it by KVIC, fund is released to the Nodal bank for disbursement of Margin Money. Therefore, there is no idling of funds in the Nodal Bank as stated in the para.

ii) Utilisation of REGP funds :

An amount of **Rs. 36.82 Cr.** has been received from the Ministry of MSME during the year 2011-12 for clearing the old REGP margin money claims, out of which an amount of **Rs. 30.36 Cr.** have been released to 26 Field Offices for settling the old claims. The State Offices have utilized **Rs. 24.29 Cr.** and refunded **Rs.6.07 Cr.** to KVIC. Hence, no funds are lying with the field offices under REGP as on date. An unspent amount of **Rs.12.53 Cr.** is lying with KVIC to be utilized for settling the pending court cases of REGP out of the above fund receipt. The statement of REGP fund position for the year 2018-19 is enclosed as **Annexure-II.**

iii) Charging of excess margin money by banks particularly Maharashtra and calling back of excess margin money claimed by banks :

The excess interest charged to the tune of **Rs.12,15,761/-** and excess margin money claim for **Rs.62,000/-** pertaining to State Office, Maharashtra, have been recovered and refunded to KVIC. The State Offices have been instructed to rectify any such cases noticed and effect recovery accordingly.

iv) Back log and deficiencies in Physical Verification :

As per the guidelines, the Physical Verification of PMEGP units established are due before the completion of the third year. The Physical Verification of **268134** units have been completed out of total **327809** units financed under the scheme for the years from 2008-09 to 2014-15 which represent nearly 82% of the total units set-up. The field offices have entrusted the physical verification of the balance units financed for the years 2015-16 and 2016-17 and the report is awaited. The status of Physical Verification is enclosed as **Annexure-I**.

v) Mechanism for monitoring of the scheme :

PMEGP e-portal is successfully working from receipt of application from the beneficiary and disbursing margin money to the financing banks on real time. The e-portal has the feature of getting all the information related to the details of beneficiary, project cost, activity, loan sanction and disbursement, MM release, Physical Verification and adjustment of MM, etc. All implementing agencies are monitoring the performance effectively through the said portal.

Current status of PMEGP scheme :

As on 26.09.2019, **18298** No. of projects have been sanctioned as against the target of **35460** projects. The state wise projects sanctioned as on 26.09.2019 against the target as per PMEGP e-portal is enclosed as **Annexure-III**.

In view of the action taken for effective monitoring of the scheme through PMEGP e-portal and efficient release and disbursement of funds through only one Nodal bank, the paras may be settled.

Copy to: ① The Director (Audit), *dt 23/10/19*
 ② The Resident Audit Officer,
 KVIC, Mumbai-56. *etc*
Recd
24/10/19
12/10/19

(एम राजनबाबु)
(M. Rajanbabu)
 संपन्न मुख्य कार्यकारी अधिकारी (प्रमंरो वृका)
 (Dy. Chief Executive Officer (PMEGP))

Refunds received from field offices of KVIC – Annexure – II

(Rs. In Crores)

Year	Amount (Rs.)
2012-13	2.83
2013-14	0.00
2014-15	0.00
2015-16	1.86
2016-17	232.39
2017-18	52.70
2018-19	9.69
2019-20	32.68
2020-21	4.15
TOTAL	336.30

Annexure-III A**Refund received from Field Offices of KVIC after 2016**

Sl. No.	Year	Amount Rs. In Crore)
1.	2016-17	232.39
2.	2017-18	52.70
3.	2018-19	9.69
4.	2019-20	32.68
5.	2020-21	6.67
	Total	334.13

Annexure-III B**Refund received from Field Offices KVIC before 2016**

Sl. No.	Year	Amount Rs. In Crore)
1.	2011-12	7.18
2.	2012-13	2.83
3.	2013-14	0.00
4.	2014-15	0.00
5.	2015-16	1.86
	Total	11.87

बी. बी. स्वैन
सचिव
B. B. Swain
SECRETARY



MSME
भारत सरकार
सूक्ष्म, लघु और मध्यम उद्यम मंत्रालय
GOVERNMENT OF INDIA
MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES

D.O. No. PMEGP/PAC/02/2021

23rd August, 2021

Dear Sir,

Public Accounts Committee (PAC) held meetings during 2018 to 2020, to examine an Audit Para (Para 16.1) of the C&AG Report No. 12 of 2017 on implementation of Prime Minister's Employment Generation Programme (PMEGP), prior to 2015-16. Based on the said examination, the Committee submitted its 31st Report to the Lok Sabha in March, 2021 (copy of the Report is enclosed).

2. The Committee has raised various issues relating to functioning of Banks on implementation of PMEGP. Gist of the Committee's recommendations with respect to Banks are mentioned below:

- (i) TDRs in the name of the beneficiaries be created by the Banks immediately to sustain their interest in running the business.
- (ii) Banks to clear the PMEGP applications within 30 days as per RBI instructions.
- (iii) Banks to charge uniform and lowest possible rate of interest from PMEGP beneficiaries.
- (iv) Banks to follow RBI instructions of not to ask for collateral security for loans upto Rs.10 lakh from PMEGP beneficiaries.

3. I shall be grateful, if you could kindly direct Banks for necessary action as per the directions of the Committee and provide feedback for apprising the same to the Committee.

With warm regards

Yours sincerely,

(B.B. Swain)

Encl.: 31st Report of PAC

Shri Debasish Panda,
Secretary (Financial Services)
Department of Financial Services,
Jeevan Deep Building, New Delhi

Annexure – V

Year wise Court cases and M.M. Settlement after verdict of court

Year	Total Pending	Settled	Amount	REMARKS
2016-17	106 No. REGP and 66 No. PMEGP	2	Rs.13,33,958.00	To settling the pending REGP Old M.M. Claims as per the decision of Hon'ble Court as the Beneficiary field the case in the court for payment of REGP Margin Money Divisional Office, KVIC, Bikaner
2017-18	104 No. REGP and 66 No. PMEGP	14	Rs.2,84,963.00	To settling the pending REGP Old M.M. Claims and interest to the 14 beneficiaries of REGP belonging to Kissan SHG Idukki, Kerala as per the order of Hon'ble District Consumer Court as the beneficiary field the case in the court for payment of REGP – Margin Money State of KVIC, Kerala
2018-19	90 No. REGP and 66 No. PMEGP	23	Rs.5,63,799.00	To settling the pending REGP Old MM Claims of 23 beneficiaries of REGP for purchase of Auto Rickshaw as per the order of Hon'ble High Court as the beneficiary field the case in the court for payment of REGP-Margin Money State of KVIC, Kerala
2019-20	67 No. REGP and 66 No. PMEGP	1	Rs.1,00,000.00	To settling the Pending REGP old MM Claims as per the decision of Hon'ble District Court as the beneficiary M/s.Shubham Medical Agency field the case in the court for payment of REGP – Margin Money. State of KVIC, Haryana
2020-21	66 No. REGP and 66 No. PMEGP	NIL	NIL	NIL
2021-22	66 No. REGP and 66 No. PMEGP	NIL	NIL	NIL

APPENDIX-II
(Vide Paragraph 5 of Introduction)

**ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE
OBSERVATIONS/RECOMMENDATIONS OF THE PUBLIC ACCOUNTS
COMMITTEE CONTAINED IN THEIR ONE HUNDRED SIXTH REPORT
(SIXTEENTH LOK SABHA)**

(i)	Total number of Observations/Recommendations	11
(ii)	Observations/Recommendations of the Committee which have been accepted by the Government: Para Nos. 1,2,3,4,5,6,7,8,9,10 &11	Total : 11 Percentage: 100
(iii)	Observations/Recommendations which the Committee do not desire to pursue in view of the reply of the Government: Para Nos. - Nil	Total : 0 Percentage: 0
(iv)	Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration: Para Nos. - Nil	Total : 0 Percentage: 0
(v)	Observations/Recommendations in respect of which the Government have furnished interim replies: Para No. Nil	Total : 0 Percentage: 0