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MODULE - 5
MSME and Entrepreneurial
Ecosystem



Notes

GOVERNMENT SCHEMES FOR ENTREPRENEURS

Change will not come if you wait for someone else to change things for you, or for some other time. If you work on change, change will come in your life, says Debpriya Gope, a graduate and entrepreneur. He has set up a fly ash brick manufacturing unit that uses material produced by burning coal. This can cause serious hazards if unused. He says flyash bricks are gradually replacing stone, cement concrete solid and hollow bricks inthe construction industry. The concept is new and has a bright future. The unit was set up by taking a bank loan from Bangiya GraminVikas Bank (BGVB), Murshidabad. The unit employs around 26 people. The project cost is Rs. 25 lakhs and annual turnover is Rs. 2,16,00,000/- How did Debpriya Gope become an entrepreneur by getting financial assistance and subsidy under a government scheme through DIC and Banks?

The Central Government is implementing various schemes for prospective entrepreneurs. Let us find out about them.



LEARNING OUTCOMES

After studying this lesson, the learner will be able to:

- explain various government schemes for entrepreneurs; and
- enlist special programmes for entrepreneurs.

**Notes**

15.1. PRIME MINISTER'S EMPLOYMENT GENERATION PROGRAMME (PMEGP)



The scheme aims to generate employment opportunities in rural as well as urban areas of the country by setting up new self-employment ventures, projects or micro enterprises. It also aims:

- to provide continuous and sustainable employment to a large segment of traditional and prospective artisans and rural and urban unemployed youth in the country, to help arrest migration of rural youth to urban areas.
- to increase wage earning capacity of artisans and contribute to increase in the growth rate of rural and urban employment.

The scheme is implemented by Khadi and Village Industries Commission (KVIC) as the nodal agency at the national level. At the state level, the scheme is implemented through state bodies, District Industries Centres (DICs) and banks.

The maximum cost of the project/unit admissible under the manufacturing sector is Rs25 lakh and under business/service sector is Rs10 lakh.

Intended beneficiaries

Any individual above 18 years of age is eligible to seek assistance. If the project size is above Rs.10 lakh in the manufacturing sector and above Rs. 5 lakh in the business or service sector, the applicant must have passed class VIII.

Only new projects are considered for sanction under PMEGP. Also eligible are Self Help Groups including those below poverty line (BPL) provided they have not availed benefits under any other Scheme); institutions registered under Societies Registration Act,1860; Production Cooperative Societies, and Charitable Trusts.

Pickles are his strength – A Success Story

The popularity of Indian pickles and marmalade is legendary. Mr.Kishan Singh of Delhi knew this well. After completing studies, he decided to take up these products for his business venture. He built on his ambition with eight years of experience in food technology at Meerut. Then, he started his unit making different varieties of pickles, juice, jams and marmalades with a bank loan of Rs. 4,75,000/- from Vijaya Bank, BhorGarh under PMEGP scheme of KVIC. Shri Singh says that his brand has gained popularity in Delhi and surrounding areas in the past two years. The company's logo is well known in the market and today his annual turnover is more than Rs.10,00,000/- which is more than double of his project investment. In view of demand of his products, he is planning to expand the unit. At present, five people are employed in this unit. He gives complete credit to PMEGP Scheme. He says, "I was confident about my success, but it was not expected in such a short span of time."

**Notes****FAQs : PMEGP scheme**

Q. What is maximum project cost allowed under PMEGP?

A. Rs.25 lakhs for manufacturing unit and Rs.10.00 lakhs for service unit

Q. Is the cost of land included in the project cost?

A. No.

Q. How much Margin Money (government subsidy) is admissible?

Categories of beneficiaries under PMEGP	Rate of (Margin Money) Subsidy (of project cost)	
Area (location of project/unit)	Urban	Rural
General category	15per cent	25per cent
Special (including SC/ST/ OBC/ minorities, women, ex-servicemen, physically handicapped, NER, hill and border areas etc.	25per cent	35per cent

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Q. What is the component of project cost?

- A. Capital Expenditure Loan, one cycle of working capital and 10 per cent of project cost as own contribution in case of General category and 5 per cent of project cost in case of weaker section.

Q. Who are the beneficiaries?

- A. Individual entrepreneurs, institutions, co-operative societies, self helpgroups, trusts

Q. Which are the financial agencies?

- A. 27 Public Sector Banks, Regional Rural Banks (RRB), Co-operative Banks and Private Scheduled Commercial Banks approved by respective State Task Force Committees.

Q. How is the capital expenditure loan/cash credit limit to be utilised?

- A. At least once, working capital should touch 100 per cent limit of cash credit within three years of lock-in period of margin money and not less than 75 per cent of the utilisation of sanction limit, on an average.

Q. Where does the beneficiary submit the application or project proposal?

- A. Beneficiary can submit the same online on KVIC website www.kvic.org.in or kviconline.gov.in/pmegpportal. List of office addresses of KVIC/KVIB/DIC are available on our website.

Q. What is a village industry?

- A. Any village industry (except those mentioned in the negative list) located in a rural area which produces any goods or renders any service with or without the use of power and in which the fixed capital investment for head of a full time artisans or worker does not exceed rupees one lakh in plains areas and Rs.1.50 lakhs in hilly areas. For Andaman & Nicobar Island and Lakshadweep, it is Rs.4.5 lakhs.

Q. What is rural area?

- A. Any area classified as village as per the revenue record of the state, irrespective of the population. It also includes an area even if classified as town provided if its population does not exceed 20,000.

Q. What is the age limit?

- A. Any adult beneficiary above 18 years is eligible for financing under PMEGP.



Notes

Q. Is Entrepreneurship Development Programme (EDP) training compulsory?

- A. EDP training of 10 working days for project cost more than Rs5.00 lakhs; and six working days for project cost up to 5.00 lakhs to the beneficiary is compulsory before MM Claim through PMEGP eportal.

Q. Is collateral security mandatory?

- A. As per Reserve Bank of India (RBI) guidelines, a project costing upto Rs.10.00 lakhs under PMEGP loans does not require collateral security. CGTSME provides collateral guarantee for a project beyond Rs.5.00 lakhs and upto Rs.25.00 lakhs under the PMEGP scheme.

Q. What is the helpline for the beneficiary preparing for the project?

- A. 30 model projects uploaded on kvic.org.in website

Q. Can an entrepreneur submit more than one project ?

- A. No



INTEXT QUESTIONS 15.1

State whether the following statements are true or false.

- 1) I have completed 18 years, so I can apply for the PMEGP scheme.
- 2) PMEGP scheme will create more employment opportunities for the youth.
- 3) Rural women will get 35 per cent margin money/subsidy under PMEGP scheme.
- 4) Khadi and Village Industries Commission (KVIC) is the nodal agency at national level. At state level, the scheme is implemented through state KVIC Directorates, state Khadi and Village Industries Boards (KVIBs), District Industries Centres (DICs) and banks.
- 5) Any individual above 18 years of age is eligible to seek assistance. If the project size is above Rs.10 lakh in the manufacturing sector and above Rs. 5 lakh in the business/service sector, the applicant must have passed at least class VIII.

**15.2 MUDRA****mudRā****PradhanMantri MUDRA Yojana
(PMMY): Micro Units Development
& Refinance Agency Ltd. (MUDRA)**

PradhanMantri MUDRA Yojana (PMMY) is a scheme launched by the Prime Minister on 8 April 2015 to provide loans up to Rs10 lakh to non-corporate, non-farm small or micro enterprises. MUDRA is an acronym for Micro Units Development and Refinance Agency Ltd. These are classified as MUDRA loans under PMMY. These loans are given by Commercial Banks, Regional Rural Banks (RRBs), Small Finance Banks, Micro Finance institutions (MFIs) and Non-banking finance corporations (NBFCs). The borrower can approach any lending institution mentioned above or can apply online through this portal www.udayamimitra.in. Under the aegis of PMMY, MUDRA has created three products: Shishu, Kishore and Tarun to signify the stage of growth and funding needs of the beneficiary micro unit or entrepreneur and also provide a reference point for the next phase of graduation or growth.

The biggest bottleneck to the growth of entrepreneurship in the Non-Corporate Small Business Sector (NCSBS) is lack of financial support. More than 90 per cent of this sector does not have access to formal sources of finance. The Government of India is setting up MUDRA Bank through a statutory enactment for catering to the needs of the NCSBS segment or the informal sector for bringing them in the mainstream.

MUDRA will be responsible for refinancing all last mile financiers such as Non-Banking Finance Companies, Micro Finance Institutions, Societies, Trusts, Section 8 Companies (formerly Section 25), Small Finance Banks and Regional Rural Banks which are in the business of lending to micro/small business entities engaged in manufacturing, trading and services activities as well as agri-allied activities. MUDRA will also partner with state/regional level financial intermediaries to provide finance to last mile financier of small or micro business enterprises.

Under the aegis of Pradhan Mantri MUDRA Yojana (PMMY), MUDRA has created its initial products and schemes. The interventions have been named Shishu, Kishor and Tarunto signify the stage of growth / development and funding needs of the beneficiary micro unit / entrepreneur and also to provide a reference point for the next phase of graduation / growth to look forward to. The financial limit for these schemes are:-

- a. **Shishu:** covering loans upto 50,000/-
- b. **Kishor:** covering loans above 50,000/- and upto 5 lakh

- c. **Tarun:** covering loans above 5 lakh to 10 lakh

MUDRA's delivery channel is conceived to be through the route of refinance primarily to banks/NBFCs/MFIs.

The interest rates are deregulated and the banks have been advised to charge reasonable interest rates within the overall RBI guidelines. No collateral security is required for MUDRA loans.



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FAQs: MUDRA (PMMY) scheme

1. WHAT IS MUDRA?

MUDRA, which stands for Micro Units Development & Refinance Agency Ltd., is a financial institution set up by Government of India for development and refinancing of micro units enterprises. It was announced by the Hon'ble Finance Minister while presenting the Union Budget for FY 2016. The purpose of MUDRA is to provide funding to the non-corporate small business sector through various Last Mile Financial Institutions like Banks, NBFCs and MFIs.

2. WHY MUDRA HAS BEEN SET UP?

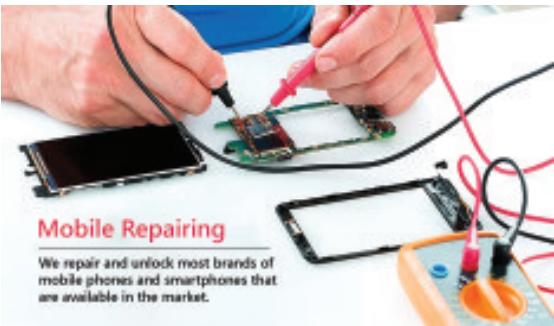
The biggest bottleneck to the growth of entrepreneurship in the Non-Corporate Small Business Sector (NCSBS) is lack of financial support to this sector. More than 90% of this sector does not have access to formal sources of finance. GoI is setting up MUDRA Bank through a statutory enactment for catering to the needs of the NCSBS segment or the informal sector for bringing them in the mainstream.

3. WHO ARE THE TARGET CLIENTS OF MUDRA/ WHAT KIND OF BORROWERS ARE ELIGIBLE FOR ASSISTANCE FROM MUDRA?

Non-Corporate Small Business Segment (NCSB) comprising of millions of proprietorship / partnership firms running as small manufacturing units, service sector units, shopkeepers, fruits / vegetable vendors, truck operators, food-service units, repair shops, machine operators, small industries, artisans, food processors and others, in rural and urban areas.

**Mobile Repair Shop – Success Story**

SachidaNand a self-employed mobile repairer, had a shop at Aashiana Colony, Lucknow, by the name of New Gold Line. Even after running this mobile repair shop for four years, he could barely make earn Rs300 per day. He had a plan to expand his mobile repair business to a repair-cum-trading business. Due to lack of initial capital, he was unable to expand his business. One day, SachidaNand approached Oriental Bank of Commerce, Aashiana Branch, Lucknow with a cutting from a daily newspaper. It had information about Prime Minister Mudra Yojana. He introduced himself to the bank official and told him that he is a mobile repairer and technician. He added that he had to struggle every day make ends meet. He requested the bank official for a credit facility of rupees four lakh to expand his business. The bank officials, after visiting and verifying his place of business found his proposal viable and sanctioned a Working Capital Limit of rupees four lakh under Kishor Category of Prime Minister Mudra Yojana. After availing the loan from the bank, he purchased mobile handsets from reputed companies and recharge coupons of various mobile service providers and started selling cell phones through his shop. The business picked up fast. Soon, SachidaNand began to earn Rs 800 to ‘Rs1,000 per day. With the help of Mudra Loan and his hard work, SachidaNand was able to expand his business to a higher level. Apart from monetary support, now he has more respect as an entrepreneur.

**Mobile Repairing**

We repair and unlock most brands of mobile phones and smartphones that are available in the market.

**INTEXT QUESTIONS 15.2****I. Match the following:**

1. Shishu	(i) covering loans above Rs. 50,000 and upto Rs.5 lakh
2. Kishor	(ii) covering loans above Rs. 5 lakh to Rs.10 lakh
3. Tarun	(iii) covering loans upto Rs. 50,000/-

15.3. STAND UP INDIA

The objective of the Stand Up India scheme is to facilitate bank loans between Rs. 10 lakh and Rs. one crore to at least one Scheduled Caste (SC) or

Scheduled Tribe (ST) borrower and at least one woman borrower per bank branch for setting up a greenfield enterprise. This



enterprise may be in manufacturing, services or the trading sector. In case of non-individual enterprises at least 51 per cent of the shareholding and controlling stake should be held by either an SC/ST or Woman entrepreneur.

The Stand Up India scheme is based on recognition of the challenges faced by SC/ST and women entrepreneurs in setting up enterprises, obtaining loans and other support needed from time to time for succeeding in business. The scheme therefore endeavours to create an eco-system which facilitates and continues to provide a supportive environment for doing business. The scheme, which covers all branches of Scheduled Commercial Banks, can be accessed in three potential ways:

- directly at the branch ; or
- through Stand Up India portal (www.standupmitra.in) ; or
- through the Lead District Manager (LDM).

SIDBI (80 offices) and NABARD (419 offices) as Stand Up India Connect Centres will then arrange for support for such trainee borrowers as requested in any of the following ways:



- a. For financial training:at the Financial Literacy Centres (FLCs)
- b. For skilling: at skilling centres (Vocational Training Centres or VTPs/ Other Centres or OCs)
- c. For EDPs: at MSME DIs or District Industries Centres (DICs) or Rural Self Employment Training Institutes (RSETIs)
- d. For work shed: DICs
- e. For margin money: offices related to margin money support schemes e.g. State SC Finance



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- f. For mentoring support from established entrepreneurs: DICCI, Women Entrepreneur Associations, tradebodies. Credible, well established NGOs can also be used for extending hand holding support.
- g. For utility connections: Offices of utility providers
- h. For DPRs: Project profiles available with SIDBI/ NABARD/ DICs

STAND UP INDIA PORTAL (www.standupmitra.in)

The Stand Up India Portal is interactive. It hosts information about various entities providing hand holding support to the borrower. This includes:

- Training: Technical or/ and Financial
- DPR preparation
- Margin money support
- Shed/workplace identification
- Raw material sourcing
- Bill discounting
- E-com registration
- Registration for taxation

The portal is designed to obtain application forms gather and provide information, enable registration, provides links for handholding, and assists in tracking and monitoring. As more facilities become available, it shall be further refined into an end- to-end solution.

NATURE OF LOAN

The loan shall be a Composite Loan i.e. to meet requirements of assets such as plant and machinery and working capital. It is expected to cover 75 per cent of project cost and the rate of interest would be lowest applicable rate of the bank for that category (rating) not to exceed at base rate (Marginal Cost of Funds based Lending Rate or MCLR + 3 per cent + tenor premium). It shall be repayable in up to seven years with a moratorium of up to 18 months. A Rupay card will be issued to enable operation of the working capital component. The stipulation of the loan being expected to cover 75 percent of the project cost would not apply if the borrowers contribution along with convergence support from any other scheme exceeds 25 per cent of the project cost.

CREDIT GUARANTEE/ COLLATERAL

The Stand Up India Scheme provides for collateral free loans to the applicants. The scheme known as Credit Guarantee Scheme Stand Up India (CGSSI) has since been notified and shall be channelized through National Credit Guarantee Trustee Company (NCGTC).

**Notes****MARGIN MONEY**

The Scheme envisages 25 per cent margin money which can be provided in convergence with eligible Central / State schemes. While such schemes can be drawn upon for availing admissible subsidies or for meeting margin money requirements, in all cases, the borrower shall be required to bring in minimum of 10 per cent of the project cost as own contribution. To illustrate, if a State scheme supports a borrower with 20 per cent of the project cost as subsidy, then the borrower will be required to contribute at least 10 per cent of the project cost. Any subsidy received by a unit which was not foreseen during loan appraisal will be credited to the loan account. In cases where a subsidy was included during appraisal but received after commissioning, the same may be released to the borrower to repay any loan taken for arranging margin money. A list of Central/State wise subsidy/incentive schemes will be provided on the Portal. New schemes will be added as they become available.

FAQs: Stand Up scheme**1. What is the genesis of "Stand-Up India" Scheme?**

The "Start-up India Stand-Up India" initiative was announced by the Hon'ble Prime Minister in his address to the nation on August 15, 2015 to promote bank financing for green field enterprises promoted by SC/ ST/ Women entrepreneur. The scheme would be operated through 1.25 lakh bank branch network of scheduled commercial banks across the country.

2. What is the objective of "Stand-Up India" Scheme?

The objective of the Stand-Up India scheme is to facilitate bank loans between 10 lakh and 1 Crore to at least one Scheduled Caste (SC) or Scheduled Tribe (ST) borrower and at least one woman borrower per bank branch for setting up a greenfield enterprise. This enterprise may be in manufacturing, services or the trading sector. In case of non-individual enterprises at least 51% of the shareholding and controlling stake should be held by either an SC/ST or Woman entrepreneur.

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3. What is the purpose of the loan under "Stand-Up India" Scheme?

The scheme is for setting up a new enterprise in manufacturing, trading or services sector by SC/ST/Women entrepreneur.

4. Who are the target clients under Stand-Up India Scheme / what kind of borrowers are eligible for loans?

SC/ST and/or Women entrepreneurs setting up new enterprises are eligible for availing loans under Stand-Up India Scheme. Typically projects in the manufacturing, trading and service sector would be eligible for coverage under the scheme.

5. What will be the nature of loan under the Stand-Up India Scheme?

Composite loan (inclusive of term loan and working capital) between Rs.10 lakh and upto Rs. 100 lakh representing upto 75% of the project cost would be eligible.

15.4 NATIONAL SC/ST HUB

The Hub provides professional support to SC/ST entrepreneurs to fulfil the obligations under the Central Government Public Procurement Policy for Micro and Small Enterprises Order 2012, adopt applicable business practices and leverage the StandUp India initiative. The scheme is implemented through National Small Industries Corporation Ltd (NSIC).

National SC/ST Hub carries out the following functions:

- i. Collection, collation and dissemination of information regarding SC/ST enterprises and entrepreneurs.
- ii. Capacity building among existing and prospective SC/ST entrepreneurs through skill training and EDPs.
- iii. Vendor Development involving CPSEs, NSIC, MSME-DIs and industry associations including DICCI.
- iv. Promoting participation of SC/ ST entrepreneurs in exhibitions and organising special exhibitions for this purpose.
- v. Mentoring and hand-holding support to SC/ST entrepreneurs.



- vi. Working with states as well as other organisations for SC/ST entrepreneurs so that these enterprises can benefit from all of them.
- vii. Facilitating SC/ST entrepreneurs participating in public procurement, e-platform of DGS&D and monitoring the progress.
- viii. Facilitating credit linkages for SC/ST entrepreneurs. The Guideline of National SC/ST Hub Scheme is available on the Ministry's Website i.e., www.msme.gov.in.



Notes



INTEXT QUESTIONS 15.3

- I. State whether the following statements are true or false.
- 1) The StandUpIndia scheme is implemented by SIDBI and NABARD.
 - 2) The Stand Up India Scheme provides for collateral free loans to the applicants.
 - 3) The Scheme envisages 35per cent margin money which can be provided in convergence with eligible Central/state schemes.
 - 4) Stand Up India scheme is to facilitate bank loans between rupees 10 lakh and 1 crore to at least one Scheduled Caste (SC) or Scheduled Tribe (ST) borrower and at least one woman borrower per bank branch for setting up a greenfield enterprise.
 - 5) The Stand Up India loan shall be a Composite Loan i.e. to meet requirements of assets such as plant and machinery and working capital.

II. Choose the correct option :

- i) Stand Up India Scheme is not for–
 - a) SC
 - b) ST
 - c) Women
 - d) BC
- ii) The following agency is not a partner under Stand Up India–
 - a) NABARD
 - b) SIDBI
 - c) NCGTC
 - d) RBI
- iii) Entrepreneurs under Stand Up India can access loans between–
 - a) Rs 10 lakh to1 crore
 - b) Rs 20 lakh to 2crore
 - c) Rs 5 lakh to 1crore
 - d) None



INTEXT QUESTIONS 15.4

Choose the correct answer:

- i) National SC /ST Hub is for
 - a) SC
 - b) ST
 - c) SC and ST
 - d) BC

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- ii) The National SC/ ST Hub is implemented by
a) NABARD b) NSIC c) NCGTC d) RBI



WHAT YOU HAVE LEARNT

- Prime Minister's Employment Generation Programme (PMEGP): The scheme aims to generate employment opportunities in rural as well as urban areas of the country through setting up of new self-employment ventures or projects or micro enterprises.
- The Scheme is implemented by Khadi and Village Industries Commission (KVIC), as the nodal agency at the National level. At the state level, the scheme is implemented through state KVIC Directorates, state Khadi and Village Industries Boards (KVIBs) and District Industries Centres (DICs) and banks.
- The maximum cost of the project or unit admissible under manufacturing sector is Rs.25 lakh and under business/service sector is Rs.10 lakh.
- PradhanMantri MUDRA Yojana (PMMY) is a scheme launched by the Prime Minister on April 8, 2015 for providing loans up to Rs. 10 lakh to the non-corporate, non-farm small/micro enterprises. The financial limit for these schemes is:
 - a. Shishu: covering loans upto Rs50,000
 - b. Kishor: covering loans above Rs50,000 and upto Rs5 lakh
 - c. Tarun: covering loans above Rs5 lakh to Rs10 lakh
- The objective of the Stand Up India scheme is to facilitate bank loans between Rs10 lakh and Rs1 crore to at least one Scheduled Caste (SC) or Scheduled Tribe (ST) borrower and at least one woman borrower per bank branch for setting up a greenfield enterprise. The scheme envisages 25 per cent margin money which can be provided in convergence with eligible central/state schemes.
- National Scheduled Caste and Scheduled Tribe Hub: The Hub provides professional support to SC/ST entrepreneurs to fulfil the obligations under the Central Government Public Procurement Policy for Micro and Small Enterprises Order 2012. The Scheme is implemented through National Small Industries Corporation Ltd. (NSIC).

**TERMINAL QUESTIONS**

- 1) What is PMEGP? Explain the scheme details.
- 2) Explain the PMMY scheme.
- 3) Can SC & ST entrepreneurs build MSMEs through National SC ST Hub?
- 4) What are the schemes available for SC & ST entrepreneurs? Explain each scheme in detail.
- 5) Whom are Stand UpIndia schemes for? Explain the scheme.

**ANSWERS TO INTEXT QUESTIONS****15.1**

- 1) True 2) True 3) True 4) True 5) True

15.2

- i) 3 ii) 1 iii) 2

15.3

- I. 1) True 2) True 3) False 4) True 5) True

II. Fill in the blanks

- i) d ii) d iii) a

15.4

- i) c ii) b

DO AND LEARN

Visit your local bank. Ask for a list of schemes available for prospective entrepreneurs. Collect the application forms. Write in detail the difference between each scheme.

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Government Schemes for Entrepreneurs

CONCEPT MAP

