

## **RAJIV GANDHI UDYAMI MITRA YOJANA**

### **(A Scheme for “Promotion and Handholding of Micro and Small Enterprises”)**

#### **1. Background**

**1.1** World over, micro and small enterprises (MSEs) are recognized as an important constituent of the national economies, contributing significantly to employment expansion and poverty alleviation. Recognizing the importance of micro and small enterprises, which constitute an important segment of Indian economy in terms of their contribution to country’s industrial production, exports, employment and creation of entrepreneurial base, the Central and State Governments have been implementing several schemes and programmes for promotion and development of these enterprises.

**1.2** The small scale industries in India, including the tiny or micro industries and service/business entities, collectively referred as micro and small enterprises (MSEs), have a long history of promoting inclusive, spatially widespread and employment-oriented economic growth. In terms of employment generation, this segment is next only to agriculture.

**1.3** Entrepreneurship development and training is one of the key elements for development and promotion of micro and small enterprises, particularly, the first generation entrepreneurs. Entrepreneurship Development Programmes (EDPs) of various durations are being organized on regular basis by a number of organizations e.g. national and state level Entrepreneurship Development Institutes (EDIs), Micro, Small and Medium Enterprises Development Institutes (MSMEDIs) [earlier known as Small Industries Service Institutes (SISIs)], national and state level Industrial Development Corporations, Banks and other training institutions/agencies in private and public sector etc., to create new entrepreneurs by cultivating their latent qualities of entrepreneurship and enlightening them on various aspects necessary for setting up micro and small enterprises. Besides, various Industrial Training Institutes (ITIs) and private training institutions are also organising vocational training (VT) programmes, skill development programmes (SDPs) and entrepreneurship-cum-skill development programmes (ESDPs).

**1.4** However, there are still wide spread variations in the success rate, in terms of actual setting up and successful running of enterprises, by the EDP/SDP/ESDP/VT trained entrepreneurs. It has been observed that new entrepreneurs generally face difficulties in –

availing full benefits under available schemes of the Governments / financial institutions, completing and complying with various formalities and legal requirements under various laws/regulations, in selection of appropriate technology, tie-up with buyers and sellers etc. In order to bridge the gap between the aspirations of the potential entrepreneurs and the ground realities, there is a need to support and nurture the potential first generation entrepreneurs by giving them handholding support during the initial stages of setting up and managing their enterprises.

## **2. Objective**

**2.1** The objective of **Rajiv Gandhi Udyami Mitra Yojana (RGUMY)** is to provide handholding support and assistance to the potential first generation entrepreneurs, who have already successfully completed EDP/SDP/ESDP/VT programmes, through the selected lead agencies i.e. '**Udyami Mitras**', in the establishment and management of the new enterprise, in dealing with various procedural and legal hurdles and in completion of various formalities required for setting up and running of the enterprise.

## **3. Udyami Mitras**

### **3.1 Eligibility**

Under RGUMY, financial assistance would be provided to the selected lead agencies i.e. **Udyami Mitras** for rendering assistance and handholding support to the potential first generation entrepreneurs. Following agencies/ organizations can be appointed as the lead agency i.e. Udyami Mitra:

- (i) Existing national level Entrepreneurship Development Institutions (EDIs);
- (ii) Micro, Small and Medium Enterprises Development Institutes (MSMEDIs)/ Branch MSMEDIs.
- (iii) Central/ State Government public sector enterprises (PSEs) involved in promotion and development of MSEs e.g. National Small Industries Corporation (NSIC) and State Industrial Development Corporations etc.
- (iv) Selected State level EDIs and Entrepreneurship Development Centers (EDCs) in public or private sectors;
- (v) Khadi and Village Industries Commission (KVIC)

- (vi) Special Purpose Vehicles (SPVs) set up for cluster development involved in entrepreneurship development;
- (vii) Capable associations of MSEs/SSIs;

### **3.2 Role and Responsibilities of Udyami Mitras**

The selected lead agencies i.e. Udyami Mitras would be expected to render following services:

- (i) Networking, coordinating and follow up with various Government departments/ agencies/ organizations and regulatory agencies on the one hand and with support agencies like Banks/financial institutions, District Industries Centers (DICs), technology providers, infrastructure providers on the other hand, to help the first generation entrepreneurs in setting up their enterprise. Udyami Mitras are expected to help the first generation entrepreneurs in:
  - a) identification of suitable project/product/enterprise and preparation of bankable project report for the same;
  - b) creation of the proprietorship firm/ partnership firm/ Company/ Society/ Self Help Group (SHG) etc.;
  - c) filing of Memorandum (as prescribed under MSMED Act 2006);
  - d) accessing bank loans, admissible capital subsidy/ assistance under various schemes of the Central /State Government and other agencies/organizations/financial institutions/ Banks etc. by networking with respective agencies
  - e) assistance and support in establishment of work shed/office;
  - f) sanction of Power load/Electricity connection;
  - g) selection of appropriate technology and installation of plant and machinery/office equipment etc.;
  - h) obtaining various registrations/ licences/ clearances / No Objection Certificates (NOCs) etc. from the concerned regulatory agencies/ Government departments/ local bodies/ Municipal authorities etc.;
  - i) allotment of Income Tax Permanent Account Number (PAN) and Service Tax/ Sales Tax/ VAT registration etc.;
  - j) sanction of working capital loan from the banks;
  - k) arranging tie up with raw material suppliers;

- l) preparation and implementation of marketing strategy for the product/ service and market development ; and
- m) establishing linkage with a mentor for providing guidance in future
- n) creation of web page and email address;

(ii) Once the enterprise has been successfully set up, the Udyami Mitras would also monitor and follow up on the functioning of the enterprise for a further period of minimum 6 months and provide help in overcoming various managerial, financial and operational problems.

### **3.3 Empanelment of Udyami Mitras**

3.3.1 The organizations of Ministry of MSME engaged in the task of entrepreneurship development i.e. the three national-level EDIs, (i.e. NIESBUD Noida, IIE Guwahati and NIMSME Hyderabad) MSMEDIs/ Branch MSMEDIs, KVIC and NSIC (hereinafter referred as Category-I Udyami Mitras) are deemed to have been empanelled as Udyami Mitras under the scheme.

3.3.2 For empanelment as Udyami Mitra, the Central/State Government public sector enterprises (PSEs) involved in promotion and development of MSEs as well as state level EDIs, Universities/Institutes etc. (hereinafter referred as Category-II Udyami Mitras) are required to submit application in [prescribed format](#) to the Ministry of MSME through the Director/ Commissioner of Industries of the State/UT concerned.

3.3.3 Other agencies fulfilling the eligibility conditions under para 3.1 (hereinafter referred as Category-III Udyami Mitras) are required to submit application in the [prescribed format](#) to the General Manager of District Industries Centre (GM, DIC) concerned. The application would contain details regarding agencies' background, objectives, past experience in conducting EDP/SDP trainings and providing handholding services to new entrepreneurs, audited accounts for the last three years, profile of the team responsible for providing handholding services, etc.

3.3.4 Application submitted by Category-III Udyami Mitras would be scrutinized by the GM, DIC. He would verify the credentials and capability of the applicant agency through

inspections/other forms of enquiry and forward the application to the concerned Director/Commissioner of Industries of the State/UT, along with his recommendations.

3.3.5 The Director/Commissioner of Industries of the State/UT concerned would shortlist the applications received directly (from Category-II Udyami Mitras) as well as applications received through GM, DICs (in respect of Category-III Udyami Mitras) and forward the short-listed applications along with his recommendations to the Ministry of MSME.

3.3.6 The applications received from Director/Commissioner of Industries of the State/UT concerned would be considered by a Screening Committee headed by the Joint Secretary (MSME). The other members of the Screening Committee would include:

- |       |                                     |   |                  |
|-------|-------------------------------------|---|------------------|
| (i)   | Economic Adviser                    | - | Member           |
| (ii)  | Industrial Adviser/JDC O/o DC(MSME) | - | Member           |
| (iii) | Representative of IF Wing           | - | Member           |
| (iv)  | Director, Ministry of MSME          | - | Member-Secretary |

3.3.7 The Screening Committee would scrutinize the applications and recommend the eligible applicants for enrolment as Udyami Mitras. The recommendations of the Screening Committee would be placed before the Secretary (MSME) and after the recommendations are accepted by the Secretary (MSME), the decision about empanelment of Udyami Mitras would be communicated through Director/Commissioner of Industries of the State/UT concerned.

3.3.8 Every enrolled Udyami Mitra would be provided unique User ID and Password for submission of returns/reports required under the MIS of the scheme.

### **3.4 Training of the key functionaries**

At least two key functionaries from the lead agency i.e. Udyami Mitra, responsible for implementation of this scheme, will have to undergo training on the modalities of the implementation of this scheme at any one of the three national level Entrepreneurship Development Institutes, namely, National Institute for Entrepreneurship and Small Business Development (NIESBUD), Noida, National Institute for Micro Small and Medium Enterprises (NIMSME), Hyderabad, Indian Institute of Entrepreneurship (IIE), Guwahati or

at Entrepreneurship Development Institute (EDI), Ahmedabad. The training expenses, including expenses on boarding & lodging of the trainees shall be borne by the Ministry of MSME.

#### **4. Udyami Mitra Cell**

4.1 An Udyami Mitra Cell would be set up by the Ministry of MSME, with services support from NSIC. The administrative expenses/service charges for these services would be reimbursed to NSIC on actual basis.

4.2 This Udyami Mitra cell would act as Secretariat of the scheme and would process the proposals, claims etc., and also maintain records and accounts and monitor the progress of the scheme.

#### **5. Targets**

5.1 Annual targets will be allocated to the lead agencies i.e. Udyami Mitras, for taking up of post-EDP/SDP/ESDP/VT activities in the form of promotion and handholding support of potential first generation entrepreneurs trained under various EDPs / SDPs /ESDPs/VTs.

5.2 Allocation of targets for handholding support to Category-I Udyami Mitras would be done by the Ministry of Micro, Small and Medium Enterprises (MoMSME) directly after assessing their capacity and past performance.

5.3 Targets to the other lead agencies i.e. Categories II & III Udyami Mitras would be allotted by the Ministry of MSME through State Directorates of Industries, on the basis of capacity and past performance of the lead agencies/Udyami Mitras and the recommendation of the concerned State Government, keeping in mind the availability of Budget as well as the number of EDP/SDP/ESDP/VT trainees available in the State.

5.4 Reservation for SC/ST would be provided as per the policy of the Government.

#### **6 Registration of Beneficiaries with Udyami Mitras**

6.1 On allocation of the targets, the Udyami Mitras would register the potential entrepreneurs for providing them handholding support. Only those beneficiaries would be registered under the scheme, who have already undergone EDP/SDP/ESDP of at least two weeks or who have successfully completed the vocational training (VT) in ITIs.

6.2 The applicant entrepreneurs would be required to submit their application for registration under the scheme, along with their own contribution, as applicable (explained in para 7), with the concerned Udyami Mitra.

6.3 On receipt of application along with beneficiary contribution, as applicable, from the beneficiaries, the Udyami Mitra would upload the required details in respect of each beneficiary - like name, age, category, particulars of the EDP/SDP/ESDP undergone by the applicant, along with certificate number, duration and name of the institution; particulars regarding payment of beneficiary's contribution etc. on the server maintained by Ministry of MSME with National Informatics Centre (NIC). The expenses on web hosting and creation of IT infrastructure required for the scheme (including development of software, training, hardware and maintenance etc.) shall be reimbursed to NIC from the plan funds allocated for the scheme.

6.4 Once the application is successfully uploaded, an acknowledgement certificate with unique Registration number would be generated for the applicant. Udyami Mitra would issue the acknowledgement, so generated, and the receipt of the money received to the concerned applicant.

6.5 The applicant entrepreneur will also enter into an [agreement](#) with the Udyami Mitra regarding assistance to be provided by the Udyami Mitra and the roles and responsibilities/obligations of both the parties.

## **7. Financial Assistance to Udyami Mitras**

### **7.1 Rates of financial assistance**

7.1.1 For setting up of service enterprises, the Udyami Mitras would be provided handholding charges at the rate of Rs. 4000/- (Rupees four thousand only) per trainee that would include a Central grant of Rs. 3000/- (Rupees three thousand only) under RGUMY and contribution of Rs. 1,000/- (Rupees one thousand only) by the beneficiary (to be deposited in advance).

7.1.2 For setting up of micro manufacturing enterprises, having investment (in plant and machinery) up to Rs. 25,00,000/-, the handholding charges would be Rs. 6,000/- (Rupees six

thousand only), including a Central grant of Rs. 5000/- (Rupees five thousand only) under RGUMY and Rs. 1000/- (Rupees one thousand only) to be contributed by the beneficiary.

7.1.3 For the beneficiaries from special category i.e. SC/ ST/ physically handicapped/ women / beneficiaries from North-Eastern Region, the beneficiary's contribution of Rs. 1,000/- shall also be provided as a grant under RGUMY.

7.1.4 For small manufacturing enterprises having investment (in plant and machinery) of more than Rs.25, 00,000/-, in addition to Government grant (Rs.5000/- or Rs. 6,000/-, as applicable), and entrepreneur's contribution (Rs.1000/- or nil, as applicable), the entrepreneur will also have to make additional contribution towards handholding charges at the rate of 0.1 per cent of the project cost in excess of Rs.25,00,000/- (subject to a ceiling of Rs.10,000/-).

## 7.2 Release of handholding charges to Udyami Mitras

7.2.1 Handholding charges would be released to the Udyami Mitras in three installments on successful achievement of various milestones (as applicable) by the registered beneficiary, as under:

Stage	Activity/ Milestone	Release of handholding charges (as % of total)
1.	<ul style="list-style-type: none"> <li>a. Selection of entrepreneur.</li> <li>b. Identification of skills/interests of the entrepreneur</li> <li>c. Assessment of financial and managerial capabilities of the entrepreneur</li> <li>d. Selection of suitable project keeping in view the availability of necessary skills/expertise, financial and managerial capabilities, market survey and viability of the project.</li> <li>e. Preparation of project report including linkage with available schemes for financial assistance (e.g. PMRY, REGP, assistance schemes of Central/State Government, Banks etc.)</li> <li>f. Creation of the proprietorship firm/ partnership firm / Company/ Society/ Self Help Group (SHG) etc.</li> <li>g. Sanction of term loan and application(s) under the concerned financial assistance scheme(s).</li> <li>h. Filing of memorandum (part-I) with DIC.</li> </ul>	25

2.	<ul style="list-style-type: none"> <li>a. Identification and selection of appropriate technology, plant and machinery / office equipment etc.</li> <li>b. Release of term loan.</li> <li>c. Hiring of premises / allotment of land and construction / hiring of work sheds/ office space etc.</li> <li>d. Power connection.</li> <li>e. Allotment of PAN.</li> <li>f. Registration under Sales Tax/ VAT/ Service Tax etc.</li> <li>g. Completion of ESI and EPF related requirements.</li> <li>h. NOC from pollution control.</li> <li>i. Other sanctions / NOCs from local bodies/ Municipal authorities.</li> <li>j. FDA license/ other licences as required under law</li> <li>k. Tie up with raw material supplier(s).</li> <li>l. Installation/ commissioning of the plant and machinery,</li> <li>m. Trial run of plant and machinery.</li> <li>n. Successful commencement of production/ operations.</li> <li>o. Preparation of Marketing plan / strategy.</li> <li>p. Market tie up with buyers.</li> <li>q. Creation of web page/e-mail identity.</li> <li>r. Linkage with mentor</li> <li>s. Filing of memorandum (part-II) with DIC.</li> </ul>	<b>60</b>
3.	<ul style="list-style-type: none"> <li>a. Monitoring and follow up for a period of six months since successful commencement of production/ operations. Submission of follows up/ feed back report on the performance of the assisted enterprise to State Directorate of Industries/ Ministry of SSI.</li> </ul>	<b>15</b>

7.2.2 The Udyami Mitras would submit their claims for release of handholding charges in the prescribed proforma. Such claims would contain details regarding total target allotted to the Udyami Mitra, beneficiaries registered for handholding and the details of handholding services provided (indicating number of beneficiaries for each stage of handholding separately).

7.2.3 Category-I Udyami Mitras would submit the claim for release of handholding charges directly to the Udyami Mitra cell set up by the Ministry of MSME. The Categories II & III Udyami Mitras would submit their claims to the Director/Commissioner of Industries of the State/UT concerned.

7.2.4 The claims for handholding charges received from the Category-I Udyami Mitras would be scrutinized and processed by the Udyami Mitra Cell. The handholding charges for Category-I Udyami Mitras will be released to them by the Udyami Mitra Cell against the admissible claims, after adjusting the amount of beneficiary contribution available with them.

7.2.5 The claims for handholding charges received from the Categories-II & III Udyami Mitras would be scrutinized by the Office of Director/Commissioner of Industries of the State/UT concerned. Handholding charges against the eligible claims would be released to the Udyami Mitras by the Director/Commissioner of Industries of the State/UT concerned (out of the advanced grant money placed at their disposal by MoMSME), after adjusting the amount of beneficiary contribution available with the concerned Udyami Mitras.

## **8. Monitoring and Evaluation**

8.1 The progress of the scheme will be reviewed and monitored on a regular basis by the Ministry of Micro, Small and Medium Enterprises as well as by the Commissioner/ Director of Industries of the concerned States/ UTs. The Category -I Udyami Mitras and the concerned Commissioner/ Director of Industries would submit periodic (monthly/quarterly/half yearly) returns on the progress of the scheme to Ministry of MSME. Further, the consolidated information and progress report compiled on the basis of above returns will be placed before the Screening Committee for review, analysis and onward submission to Secretary (MSME) and Minister (MSME).

8.2 The scheme would also be evaluated by an independent agency to assess its success/impact and to ascertain constraints/shortcomings, if any.

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