

Schemes->Self Employment scheme for Ex-Servicemen

SELF - EMPLOYMENT SCHEME FOR EX-SERVICEMEN

Sponsored by Director General Rehabilitation and Small Industrial Development Bank of India(SIDBI)
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INTRODUCTION

1. In order to assist the ex-Servicemen in taking up gainful self-employment, Directorate General Resettlement (DGR) had in consultation with Industrial Development Bank of India (IDBI) formulated a self-employment scheme for ex-servicemen in 1987. The scheme known as SEMFEX scheme, became operational from April 1, 1987. With the setting up of Small Industries Development Bank of India (SIDBI), in April 1990, which took over the outstanding portfolio of IDBI relating to small scale Sector, the SEMFEX scheme was transferred to SIDBI and is now operated by it through State Financial Corporations(SFCs) and twin-function State Industrial Development Corporations(IDC's) Appendix A).

DGR and SIDBI are contributing equally for providing equity type Soft Seed Capital Assistance to eligible ex-Servicemen for setting up self-employment ventures.

AIM

2. The aim of SEMFEX-1 scheme is to encourage and assist eligible ex-Servicemen to take up self-employment service, ventures in Tiny, Small Scale Industry and Small Scale Service and Business [Industry Related] Enterprises. Under the scheme, training in Entrepreneurship is also provided to them facilitating success of the projects.

ELIGIBLE ENTREPRENEURS

3.1 Ex-Servicemen, war widow of ex-Servicemen and disabled Service personnel for assistance under the scheme by DGR, after screening by a Committee constituted for the purpose, are eligible, for assistance. The applicants should be:

(a) upto 60 years of age

(b) registered with Zila Sainik Board (ZSBs). Where no ZSBs have been set up, the applicant should be registered with Rajya Sainik Board(RSB). Persons who are not registered as above will be required to do so before their applications are accepted.

(c) Should not have any outstanding loan under other schemes.

3.2. Ex-Servicemen forming partnerships with one or more ex-Servicemen or one or more non-Servicemen would also be eligible for assistance under the scheme. However, if the non-exservicemen is a partner, his contribution should not exceed 25% of total promoter's contribution required for the project and effective management of the project should vest with the ex-Servicemen

3.3 Retired personnel of para-military forces such as BSF, Assam Rifles, GREF etc. are not covered at present under the definition of ex-Servicemen and are, therefore, not eligible to apply for assistance under the scheme.

ELIGIBLE PROJECTS

4. New industrial projects under Tiny, Small Scale Industries and Small Scale Service(Industry Related) Enterprises including Transport, (Heavy duty only), Hospital/Nursing Home/Clinic, Hotel/Restaurant and Tourism related activities are eligible for assistance under SEMFEX-1 Scheme covered under refinance scheme of SIDBI. The cost of project shall not exceed Rs. 15 lakh, Sanction of term loan assistance by the SFCs/twin function IDCs is a pre-requisite for grant of Soft Seed Capital Assistance under the scheme.

TRANSPORT PROJECTS:

5.1. The assistance under 'General' transport sector is presently held in abeyance. The Soft Seed Capital Assistance is presently restricted to 'heavy duty' vehicles like tipper, loader and tanker etc. However, in respect to industrial project, inclusion of one transport vehicle in the project cost may be permitted. Under the scheme, assistance for purchase of vehicle is limited to 2 per ex-Servicemen/unit.

5.2 Special provision has been made for financing ex-Servicemen Coal Transport Company where tippers and loaders are required for execution of work in the coal mines, Subject to a limitation of Rs. 15 lakh as stipulated in SEMFEX-1 Scheme, an ex-Serviceman or Ex-servicemen Coal Transport Company can be assisted to acquire either two tippers or a loader Balance if any, the concerned person has to manage from their own resources.

5.3 Term loan assistance, however, is available for 'General' transport under the refinance scheme of SIDBI to the eligible ex-Servicemen entrepreneurs under Small Road Transport Operators Scheme through the Primary Lending Institutions. The 'General' transport sector is now very competitive and unless there is a captive market for it, it is not advisable to go in such venture rather eligible ex-Servicemen entrepreneurs are advised to go in for manufacturing activity for which necessary support is available under SEMFEX-1 scheme.

TERMS OF ASSISTANCE:

6.1 With effect from 01 April 1993, Debt Equity Ratio for loan upto Rs. 10 lakhs is 3:1 meaning thereby.

(a) Promoters' contribution	10 percent
(b) Soft Seed Capital	15 percent
(c) Term loan	75 percent

6.2 Central and State Subsidy, if any, will not be taken into account while financing the project. Such subsidy and other concession, if available, may be utilized for meeting the working capital requirement.

6.3 Soft Seed Capital Assistance will be provided in the form of loan. The amount of assistance will be limited to the amount required to meet the gap in equity after taking into account the Promoter's Contribution to the project cost subject to a maximum of 15 per cent of the total project cost of Rs. 2.25 lakhs per project whichever is less.

6.4 Term loan: The normal term loan required for the project is to be sanctioned by SFC/twin-function IDC. The term loan will not exceed Rs. 11.25 lakh per project.

6.5 Example: If the project cost is Rs. 1 lakh, the means of financing of the same under SEMFEX-1 would be as under:

(a)	Promoter's Contribution(10%)	Rs. 10,000.00
(b)	Soft Seed Capital Assistance(15%)	Rs. 15,000.00
	(equally shared between) SIDBI and DGR).	
(c)	Term Loan (75%)	Rs. 75,000.00
	Total:	<hr/>
		Rs.1,00,000.00

Note: In case the project is covered under Single Window Scheme(SWS) (details given later), the Soft Seed Capital Assistance would be limited to 15% of the cost of fixed assets only and not against working capital requirements.

6.6 Interest

(a) Soft Seed Capital Assistance(SSCA):During moratorium period nominal rate of 1% p.a. by way of service charge is payable annually. After the moratorium period, nominal rate of 6% p.a. is payable on half yearly basis. Interest rate on Soft Seed Capital Assistance will be subject to annual review during currency of the assistance, if the financial position and profitability of the unit permits a higher rate of interest not exceeding the applicable rate of nominal term loan will be charged.

(b) Rate of interest on term loan would depend upon the amount of loan. The rates are subject to change. The present interest rate structure under the scheme is as under:

Size of Loan Interest Rate

(exclusive of interest tax)

- (i) Upto and inclusive of Rs. 25,000/- 12% p.a.
- (ii) Over Rs. 25,000/- & upto Rs. 2 Lakh 13.5 p.a

(iii) Over Rs. 2 Lakh As may be decided by the SFCs/

Twin-function IDCs' depending upon

Their risk perception in each proposal.

7.1 REPAYMENT:

(a) **Soft Seed Capital Assistance:** Repayment of Soft Seed Capital Assistance would commence along with recovery of normal term loan. Assistance provided for non-transport loans is repayable over a period of not more than 7 years (including moratorium not exceeding two years). Soft loan for eligible transport projects is repayable over a period of not more than 5 years (including moratorium upto six months). The moratorium for soft seed capital assistance and term loan would be the same.

(b) **Term loans:** Non -transport loan: upto 10 years (financing moratorium upto 2 years)

(c) **Transport loans:** Upto 5 years (including moratorium upto six months) (Financial Assistance to 'General' Transport is presently held in abeyance).

In case where ex-Servicemen have assured transport work orders through DGR in respect of companies e.g. Coal India Ltd. And its subsidiaries, Indian Oil Corporation and Hindustan Petroleum Corporation Ltd., Bharat Petroleum Corporation the ex-Servicemen are expected to work out an arrangement whereby the borrower's bankers are given standing instructions to deduct institutional dues in respect of transport loan.

7.2 Security

(a) **Soft Seed Capital Assistance:** No security (including collateral) need by provided by borrowers.

(b) **Term Loan:** As per stipulation of SFCs/twin function IDCS, no collateral security would normally be insisted upon. In case of transport loans, where collateral security is considered essential, it would be sought only to a reasonable extent (normally not exceeding 30% to 40% of the total loan) depending upon the merits of the case.

7.3 Single Window Scheme

Eligible projects under SEMFEX-1 Scheme with a project outlay upto Rs. 50 lakh, may be covered under Single Window Scheme (SWS) of SIDBI on the norms and parameters applicable there under. Under the Scheme, term loan for fixed assets and loan for working capital is provided by the same agency. The ceiling limit is now Rs. 50 lakhs or 20 percent of the projected annual turnover which would be financed by the lending institution.

In case of term loan upto Rs. 10 lakhs, the equity participation is 25 per cent and in case of term loan beyond Rs. 10 lakhs and upto Rs. 15 lakhs the equity participation is 33.33 per cent of the project cost.

This means that the promoter's contribution will be 10 and 18 per cent respectively, but the Soft Seed Capital Assistance will remain 15 per cent in both the cases.

The facilities under SWS is, however restricted to only new promoters under SEMFEX-1 Scheme.

AGENCIES OPERATING OF THE SCHEME:

8. State Financial Corporations (SFCs) and twin-function State Industrial Development Corporations (IDCS) (with combine in them the functions of SFCs) in their respective State/Region act as agents of SIDBI for sanction, disbursement and recovery of Soft Seed Capital Assistance. They will also grant normal term loan for the project under SIDBI's Refinance Scheme. Loans will be sanctioned after assessing the viability of the

projects. List of SFCs/twin function IDCs is given in Appendix A.

PROCEDURE FOR AVAILING ASSISTANCE:

9. Registration: An applicant satisfying the conditions laid down in the foregoing paragraphs will be registered under SEMFEX-1 Scheme at ZSBs/RSBs in separate self-employment Registers. This Registration Number will be entered in Part II of the application (format given in Appendix B). The registration number should be quoted in all future correspondence.

SCREENING COMMITTEE:

10.1 A screening committee has been constituted at the State Level Consisting of (i) Managing Director of the SFC/IDC concerned (Convenor); (ii) Secretary, Rajya Sainik Board (RSB); (iii) Representative of SIDBI; (iv) Representative of participating bank, if identified.

The screening committee meets at least once a month and carries out the following functions:

- (a) Evaluation of the entrepreneur as to his capability to set up and run the proposed project successfully;
- (b) Extension of guidance and advice to the entrepreneur, if considered necessary, regarding modifications to the project;
- (c) Arrangement for training under Entrepreneurship Development Programme (EDP) to the entrepreneur, if considered necessary.

10.2 The Ex-Servicemen intending to seek assistance under the scheme should approach the ZSBs and furnish information (in quadruplicate) in the format given in Appendix B. After satisfying themselves about the eligibility of the ex-servicemen under the scheme, the ZSBs would forward copies of the application with necessary certification to RSB, who would in turn forward 2 copies thereof to the Head Office of the SFC/IDC concerned. On receipt of the reference from RSB, the SFC would get in touch with the entrepreneur and obtain necessary form duly filled in for grant of assistance. After carrying out the scrutiny, the SFC will refer the proposal to the Screening Committee within one month from the date of receipt of the reference from RSB. After the proposal is cleared by the Screening Committee, the loan as well as Soft Seed Capital Assistance would be sanctioned by the SFC expeditiously.

10.3 Prior Reference to DGR: No reference to DGR is considered necessary in respect of individual projects for assistance. However, SFC/IDC sanctioning the assistance will keep the concerned RSB informed of the particulars of the proposals sanctioned/rejected on a quarterly basis.

CENTRAL CO-ORDINATION COMMITTEE

11.1 A Central Co-ordination Committee has been constituted with the following members:

- (a) A Senior Officer of SIDBI, nominated by MD, SIDBI;
- (b) DGR
- (c) Representative, Ministry of Defence.

11.2 The committee may, if considered necessary, co-opt other Government Officials connected with the implementation of the scheme. It reviews the progress of the scheme in order to sort out the problems, if any, in the operation of the scheme, monitoring and co-ordination among different agencies. The committee generally meets once in a quarter.

11.3 The progress of the scheme is reviewed annually during the Meeting of Secretaries of RSBs. DGR will present a review of the scheme during Annual Kendriya Sainik Board Meeting. To monitor the progress of the scheme and remove/solve problems, if any, a bi-annual meeting will be held at a place, date, time decided and co-ordinated by DGR in which representative of SFCs concerned will participate.

TRAINING;

12.1 Ex-Servicemen, war widows, widows of ex-Servicemen, and disabled personnel whose projects are approved for assistance under the scheme will be required to undergo training under Entrepreneurship Development Programme(EDP) supported by SIDBI at the State Resettlement Training Centre in their respective State/Union Territory, provided such training is considered necessary by the Screening Committee, while assessing the ex-servicemen.

12.2 Each State/UT has been requested to earmark suitable accommodation for conducting EDP training. Administrative cost incurred in collecting the sponsored candidates as also payment of stipend for the duration of training wherever applicable, will be borne by RSBs.

12.3 DGR has ear-marked part of its income for promoting self-employment. States/UT are advised to apportion, likewise, part of their income from their welfare funds for self-employment assistance.

12.4 All training expenditure, like cost of training, course material, honorarium for faculty will be met by SIDBI. Expenditure towards preparation of Projects Reports, Consultancy Services etc. from Technical Consultancy Organizations/Small Industry Service Institutes will also be borne by SIDBI subject to a maximum of Rs. 2500/- per person.

12.5 The course duration will be decided by the agency conducting the training in consultation with SIDBI.

TRAINING OF SERVICE PERSONNEL:

13.1 Commandants, Regimental Training Centres will forward application of serving personnel who wish to avail of EDP training to the Secretary, RSB of the States where the Centres are located. One copy of application will be endorsed to DGR. Depending upon the response from the Regimental Centres, arrangements for training may also be made at the Centre itself.

13.2 All applicants who successfully complete the EDP training will be issued with a certificate which will enable them to apply for necessary financial assistance through their respective ZSBs/RSBs immediately on retirement.

PROGRESS REPORT;

14.1 To monitor the progress of SEMFEX-1 Scheme, all RSBs will forward quarterly report as per the new format now devised, in Appendix 'C' the DGR. The quarterly report will be forwarded to DGR by 15th of the following quarter.

14.2 The SIDBI has its own-reporting-cum monitoring system for which detailed instructions have been issued to their branch offices by the SIDBI.

MAINTENANCE OF ACCOUNTS BY SIDBI

15. SIDBI maintains necessary accounts of loans provided to ex-servicemen under the scheme. A quarterly statement is forwarded to DGR.

GENERAL

16.1 The success of SEMFEX-1 Scheme is entirely dependent on the efficient functioning of ZSBs/RSBs/under the State Governments. The support of the State Governments and Administration in the Union Territories is vital if ex-Servicemen, war widows, widows, of ex-Servicemen and disabled personnel are to be given their due.

16.2 Proper selection, training facilities, timely sanction of assistance and marketability of products are pre-requisite, if the self-employment scheme of first generation entrepreneurs has to succeed. While the Centre can extend help to a certain extent, the ultimate success of the scheme will largely depend upon the co-operation of the State Governments.

16.3 Ex-Servicemen desirous of promoting new industrial projects costing above Rs.15 lakhs may apply for Seed Capital assistance upto a maximum extent of Rs. 15 lakhs under a separate Seed Capital Scheme operated by SIDBI through SFCs/IDCs, if they are eligible under that scheme. Details of the same may be obtained from SFCs/IDCs (Appendix. A) or any office of SIDBI (Appendix j).

16.4 An illustrative list of industries/activities which may be considered for financial assistance under SIDBI's refinance schemes is given in Appendix D. It may be added that SIDBI extends refinance assistance to eligible Institutions/Banks in respect of their term loans to SSI/Tiny/Decentralized Sector units located in rural areas also, without any population criterion.

16.5 SIDBI is operating a scheme known as Composite Loan Scheme (CLS) under which assistance on concessional terms is available upto a maximum of Rs. 50,000 for artisans, village and cottage and small scale industries in the tiny sector. For this purpose, village and cottage industry is defined as "Artisans" irrespective of location or small industrial activities (viz. manufacturing, processing, preservation and servicing) in villages and small towns with population of not exceeding 5 lakhs involving utilization of locally available natural resources and or human skills (where individual credit requirements do not exceed Rs. 50,000. Ex/servicemen who fulfil the above criterion would be eligible for assistance under CLS (operated through "SFCs/IDCs/Banks) and but not under SEMFEX-1 Scheme. The age limit fixed under SEMFEX-1 Scheme is not applicable under CLS. Further no promoter's contribution is insisted upon under this scheme and hence Soft Seed Capital under SEMFEX-1 Scheme is not available. An illustrative list of industries/types of activities which could be covered under CLS is given in Appendix E. Further details, if any SFC/IDC/SIDBI may be contacted.