



Chief Minister's Soft Loan Scheme for ITI Pass-outs

**Department of Skill Development
and Entrepreneurship
Government of Arunachal Pradesh**

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1. Background

Industrial Training Institute (ITI) pass-outs are equipped with specialized technical skills, preparing them to enter the job market. However, many of these individuals face significant challenges in securing employment or venturing into entrepreneurship due to limited exposure to business skills and the lack of initial capital. This gap in entrepreneurial skills and financial backing leads to missed opportunities for job creation and economic development in Arunachal Pradesh.

While the Government of India has launched several initiatives like the Prime Minister's Employment Generation Programme (PMEGP), Pradhan Mantri Mudra Yojna (PMMY), North-East Region Textile Promotion Scheme (NERTPS), and Stand-Up India Scheme, and the Government of Arunachal Pradesh has introduced schemes like Deen Dayal Upadhyaya Grameen Swavalamban Yojana (DDUSY) and Chief Minister's Paryatan Vikas Yojana (CMPVY) to foster entrepreneurship, there remains a significant void in addressing the specific financial and entrepreneurial needs of ITI graduates in Arunachal Pradesh.

To bridge this gap, this loan scheme is designed to provide financial assistance to ITI pass-outs, empowering them to start their own businesses or self-employment ventures. Drawing inspiration from initiatives like the PM Vishwakarma Scheme, this initiative in Arunachal Pradesh is exclusively aimed at empowering ITI pass-outs both financially and entrepreneurially.

2. Introduction

The "Chief Minister's Soft Loan Program for ITI graduates" aims to empower ITI graduates in Arunachal Pradesh by offering financial assistance and support to ITI pass-outs to encourage self-employment and entrepreneurship. This scheme targets fresh graduates and those who have graduated within the past three years from ITIs of Arunachal Pradesh, helping them to start their own businesses within their trained trades.

The scheme provides **access to loans, subsidies, and essential tools and equipment** to facilitate business setup. **150 ITI graduates** will be selected in the first year to benefit from the program. Based on its success, the scheme will be **expanded to support 300 applicants** from the following year, ensuring greater participation and fostering sustainable growth among skilled entrepreneurs across the state.

3. Eligibility Criteria

Applicants must meet the following criteria:

- Belong to the Arunachal Pradesh Scheduled Tribe (APST) category.
- Be 18 years of age or older.
- Have completed ITI training within the preceding three years from the academic year of application from Arunachal Pradesh.



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- Assistance under the scheme is available only for new projects having capital expenditure.
- Should not have availed loans under similar credit-based schemes of Central Government or State Government for self-employment/ business development.
- Cost of land should not be included in the project cost.
- Should not be defaulter to any bank or financial institution.

4. Purpose of Assistance/Nature of assistance.

Need based term loan to eligible ITI graduates for acquiring capital assets and/or working capital/marketing related requirements. The loans are provided for income generating small business activity in manufacturing, processing, service sector or trading. The maximum project cost under this scheme will be **₹ 3 Lakhs**. This loan is not for self-consumption / personal needs.

5. Component of scheme:

- a. Tools and Equipment: Financial assistance will be provided for the purchase of necessary tools and equipment.
- b. Loan Facility: The policy will facilitate the process of obtaining collateral free loan from financial institutions.
- c. Subsidy: **25%** of the loan amount and **7%** of interest would be subsidized by the government of Arunachal Pradesh.
- d. 5 percent of the project cost is the margin money.
- e. The loan insurance amount is to be borne by the applicant.

5.1 Tools and Equipment:

- Incentive: A toolkit incentive of **₹15,000** will be provided to the beneficiaries for purchasing tools and equipment as a seed capital upon submitting their actual bills and vouchers not exceeding **Rs.15000**

or

Disbursement: It will be provided in the form of e-vouchers redeemable at authorized vendors aligned with PM Vishvakarma Scheme or vendor identified by the Department of Skill Development and Entrepreneurship after following a transparent process of empanelment.

Implementation: E-vouchers will be issued to purchase improved tools at authorized centers, ensuring the tools meet quality standards.

5.2 Loan facility:

- Loan Amount: Up to **₹3 lakh** in two tranches (The first loan tranche up to **₹1 lakh** and second loan tranche up to **₹2 lakh**).

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- There will be a margin money contribution of 5% from the individual applying for the loan amount.
- Loan Structure:
 - First loan tranche: Up to **₹1 lakh**, Margin Money – **₹5000**
 - Second loan tranche: Up to **₹2 lakhs**, Margin Money – **₹10,000**. After repayment of 75% of the first principal loan amount and need of expansion of business (**₹52,500**).
 - Interest Rate: Subsidised interest rate for both the tranches. The interest subvention by the Government of Arunachal Pradesh will be to an extent of 7% and provided upfront to the banks.
 - Security: No collateral security will be insisted by bank in line with the guidelines of RBI for the projects involving loan up to **10 Lakh** in respect of the project proposal forwarded to them by the agencies. However, first charge on all assets created out of the loan extended to the borrower and the assets which are directly associated with the business/project for which credit has been extended.
- Repayment Tenure: The repayment schedule will be **18 months** for the first tranche and **30 months** for the second tranche in monthly instalments with an initial 6-month moratorium period. The applicant should pay at least **12 EMIs** without fail in case the applicant wants to clear the loan in one go.
- Financial Institutions: The participating Financial Institutions scheduled commercial banks, regional rural banks, small finance banks, cooperative banks, non-banking finance companies and micro finance institutions, are eligible to lend under this scheme.

5.3 Subsidy:

- Loan subsidy: **25%** of each loan tranche amount will be provided to the beneficiaries, who complete the repayment of loan tranche.
- The subsidy will be disbursed by the bank **three months** after the release of the loan amount in the first tranche. The release of the subsidy will be subject to an inspection of the candidate's progress by the department. Upon satisfactory assessment, the department will notify the bank, authorizing the release of the subsidy.
- The subsidy for the second tranche will be released after **six months**. The release of the subsidy will be subject to an inspection of the candidate's progress by the department. Upon satisfactory assessment, the department will notify the bank, authorizing the release of the subsidy.
- **The working capital will be included as part of the subsidy.**
- Interest subsidy: **7%** subsidy will be provided on the interest charged by the bank for a period of **1.5 years** for first tranche and **2.5 years** for second tranche.

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- Loan and interest subsidies would be provided by the Department of Skill Development and Entrepreneurship, Government of Arunachal. This fund will be allocated under annual budget estimates towards disbursement of subsidy.

6. Functioning of the Scheme

The scheme will be implemented by the Directorate of Skill Development and Entrepreneurship (DSDE), Government of Arunachal Pradesh (GoAP) in collaboration with banks and financial institutions. The process involves:

- **Identification of beneficiaries:** The scheme will be advertised / published by Department of Skill Development and Entrepreneurship (DSDE), Government of Arunachal Pradesh (GoAP). Project proposal will be invited from eligible candidates by ITIs. Candidates will submit a project proposal/ Detailed Project Report to their respective ITIs for setting up of new enterprise, in the format given at annexure 1 with required documents or The project proposal/applications which a Detailed Project Report will be submitted in a centralised online portal monitored by the Department of Skill Development and Entrepreneurship, Government of Arunachal Pradesh.
- **Review of applications:** The applications will be examined by the empowered committee and eligible/correct applications will be forwarded to the DSDE, GoAP by the ITIs.
- **Approval:** The empowered committee/ Project approval committee consisting of the following members, will be set up at the state level to implement and monitor the scheme.

▪ Director, DSDE, GoAP	: Chairperson
▪ Joint Director, DSDE, GoAP	: Member Secretary
▪ ITI Principal, DSDE, GoAP	: Member
▪ Representative of the lead bank	: Member
▪ Representative of Indian Institute of Entrepreneurship	: Member

The empowered committee will conduct personal interview of each candidate and examine the aspiration of applicant towards self-employment and viability of project. Based on the personal interview, empowered committee may approve or reject the application. The empowered committee will sanction Tool-Kit's Seed Money/vouchers to shortlisted applicant and send approved proposals to service area bank for further examining of proposal and sanctioning of first loan tranche.

The committee will submit quarterly report to the Commissioner, Department of Skill Development and Entrepreneurship, Government of Arunachal Pradesh

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- **Tool Kit:** DSDE, GoAP will provide a toolkit incentive of ₹15,000 to individuals once the receipt of the items purchased is shared by the applicant or to purchase improved tools at authorized centers to all the shortlisted applicants. This incentive will be in form of e-vouchers redeemable at authorized vendors aligned with PM Vishvakarma Scheme.
- **Loan Disbursement:** The banks will apprise the approved proposals and take their own credit decision based on viability of each project. Bank will either issue loan sanction order or reject the proposal with the reason within 30 days from the receipt of application from the empowered committee.
- **Release of Seed Money/ Subsidy:** Bank will release the first tranche of loan either in full or partly and submit the claim for the subsidy to Directorate of Skill Development and Entrepreneurship, Government of Arunachal Pradesh, which will be transferred to bank by the department within 30 days. Once the subsidy is received in the financing institution on behalf of beneficiary, it should be kept in the term deposit receipt (TDR) / subsidy reserve fund (SRF) for the respective loan tranche duration at branch level in the name of the beneficiary.

The subsidy will be disbursed by the bank in two tranches, subject to the department's inspection of the candidate's progress. The first tranche will be released three months after the loan disbursement, and the second tranche after six months. Upon satisfactory assessment, the department will notify the bank to authorize the subsidy release.

If Applicable: No interest will be paid on the TDR/SRF, and no interest will be charged on loan disbursed for the corresponding amount of TDR/SRF. In case the bank's advance goes "BAD" before the loan tranche period, due to any reason, the subsidy will be returned to DSDE, GoAP.

Budget outlay:

An outlay of ₹ 2 Cr. annually is allocated for setting up of about 150 micro enterprises.

Overview:

- **Toolkit incentive:** ₹15,000 to all shortlisted candidates
- **Loan subsidy:** 25% of the loan amount
- **Interest rate:** As per prevailing normal interest rate of bank
- **Margin Money:** 5%
- **Interest subsidy:** 7%
- **Repayment tenure:**

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- o First tranche of ₹1,00,000 to be repay in 18 months
- o Second tranche of ₹2,00,000 to be repay in 30 months
- **Moratorium Period:** 6 months (As per bank norms)
- **Total Beneficiaries:** 150 individuals

Assumption/Constants			
Sl. No.	Particulars	Value	Unit/Amount
1	Number of Beneficiaries	150	Youth
2	Project cost	3000 00	₹
3	Margin Money (From Applicant)	5%	Percentag e
4	Loan amount (First Tranche of 1 Lakh)	9500 0	₹
5	Loan amount (Second Tranche of 2 Lakh)	1900 00	₹
6	RoI (Rate of Interest)	12%	Percentag e
7	Tool Kit incentive (Other than Project cost)	1500 0	₹
8	Capital Subsidy % on first tranche (₹ 95000)	25%	₹ 23,750
9	Repay duration for first tranche	18	Months
10	Interest subsidy on first tranche	7%	₹ 9,975
11	Capital Subsidy % on second tranche (₹ 190000)	25%	₹ 47,500
12	Repay duration for Second tranche	30	Months
13	Interest subsidy on Second tranche	7%	₹ 33,250

Sl. N o	Particulars	Num ber	Rate	Fund required
1	Tool kit incentive	150	15000	₹ 22,50,000
2	Subsidy @25% on First tranche of Loan	150	₹ 23,750	₹ 35,62,500
3	Interest subsidy on first tranche	150	₹ 9,975	₹ 14,96,250
4	Subsidy (Grant) @25% - Second tranche	150	₹ 47,500	₹ 71,25,000
5	Interest subsidy on second tranche	150	₹ 33,250	₹ 49,87,500
6	Sub-Total			₹ 1,94,21,2 50
	Misc. expenses			₹ 5,78,750
	Total			₹


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