



Prime Minister's Employment Generation Programme

For Prelims: Prime Minister's Employment Generation Programme, MSME

For Mains: Significance and Challenges of Prime Minister's Employment Generation Programme, Government Policies and Interventions

Why in News?

The Ministry of Micro, Small and Medium Enterprises has approved the extension of the [Prime Minister's Employment Generation Programme \(PMEGP\)](#) for five years till FY26.

- The PMEGP has now been approved for continuation over the [15th Finance Commission](#) Cycle for five years from 2021-22 to 2025-26 with an outlay of Rs 13,554.42 crore.

What is the PMEGP Scheme?

- **Launch:**
 - The Government of India approved the **introduction of a credit linked subsidy programme** called Prime Minister's Employment Generation Programme (PMEGP) **in 2008** for generation of employment opportunities **through establishment of micro enterprises in rural as well as urban areas.**
 - It allows entrepreneurs **to set up factories or units.**
- **Administration:**
 - It is a **central sector scheme** being **administered by the Ministry of Micro, Small and Medium Enterprises (MoMSME).**
 - **Implementing Agency at the National Level:** [Khadi and Village Industries Commission \(KVIC\)](#) - a statutory organization under the administrative control of the Ministry of MSME.
- **Features:**
 - **Eligibility:**
 - Any individual, above 18 years of age.
 - Only new projects/units are considered for sanction of loans.
 - Self-help groups that have not availed benefits under any other public scheme, societies, production co-operative societies, and charitable trusts.
 - **Maximum Cost of Project/Unit Admissible:**
 - Manufacturing Sector: Rs. 50 lakh
 - Service Sector: Rs.20 lakh
 - **Government Subsidy:**
 - Rural Areas: 25% for general category and 35% for special category, which includes SC/ST/OBC/Minorities, NER, Hill and Border Areas, transgender, physically disabled, north eastern region, aspirational and border district applicants.
 - Urban Areas: 15% for general category and 25% for special category.
 - **Role of Banks:** Loans are provided by Public Sector Banks, Regional Rural Banks, Co-operative Banks and Private Scheduled Commercial Banks approved by respective State Task Force Committee.

- **Changes:**
 - The **definition of village industry and rural area has been changed for the scheme.**
 - Areas falling under **Panchayati Raj institutions** would be accounted under rural areas, whereas areas under **Municipality will be treated as urban areas.**
- **Significance:**
 - The scheme will create **sustainable estimated employment opportunities for about 40 lakh persons** in five financial years.
 - It facilitates generation of employment opportunities for **unemployed youth across the country by assisting setting up of micro-enterprises** in the non-farm sector.
 - Since its inception in 2008-09, about 7.8 lakh micro enterprises have been assisted with a subsidy of RS 19,995 crore generating estimated sustainable employment for 64 lakh persons. About 80% of the units assisted are in rural areas and about 50% units are owned by SC, ST and women categories.

What are the Challenges?

- The Scheme is crippled by structural issues and high rate of **Non-Performing Assets (NPAs)**. From 2015-16 to 2019-20, assistance of Rs. 10,169 crore was provided. Out of this, Rs. 1,537 crore has turned out to be NPA.
- A deficiency in skills, lack of market study, low demand and stiff competition are believed to be the key reasons for such a large number of NPAs.
- While normally all central schemes are given definite annual targets, this scheme is not driven by any such target. As both the states and the banks work without the aim of completing the annual target of disbursement of loans, the programme may lose its drive.

Way Forward

- Besides providing financial support, the government needs to conduct an intensive training programme to help potential entrepreneurs focus on the right market and right products.
- The scheme can prove beneficial at the time when the economy needs to recover from the effects of the Covid-19 pandemic. Timely disbursement of funds is crucial for execution of projects and creating employment in the country.
- Government has to focus **on the micro segment with better technology and marketing support**. Only financial support is not enough. Awareness about the scheme is another challenge.

Source: PIB

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