



Prime Minister's Employment Generation Program

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Why in News

The approval of projects under the Prime Minister's Employment Generation Program (PMEGP) increased 44% during the first five months (April - August) of the financial year 2020-21.

- **Khadi and Village Industries Commission (KVIC)** has approved and forwarded 1.03 lakh project applications to the banks as compared to 71,556 projects during the corresponding period in 2019.
- The higher number of projects approved **signifies the government's resolve to create self-employment** and sustainable livelihood for the people by promoting **local manufacturing**.

Key Points

- **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.
- **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: It allows entrepreneurs to set up factories or units.**
 - **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. 25 lakh
 - **Service Sector:** Rs.10 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.
 - **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.
- The MoMSME has also launched a **scheme of ‘second financial assistance’** to help the PMEGP and **Mudra** units expand or upgrade.

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 disbursal of funds** is crucial for execution of projects and creating employment in the country.

Source: PIB