

# Prime Ministers Employment Generation Program (PMEGP) in KVIC

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## ABSTRACT

Innovation is both a necessary means and a desirable end for businesses in a Prime Minister's Employment Generation Programme (PMEGP) scheme announced by Honorable Prime Minister of India on 15 th August 2008 in his address from Red Fort is a credit linked Scheme of Govt. of India by merging erstwhile REGP and PMRY scheme. It had been announced in 2000 and formally launched during fiscal 2008-09. PMEGP can be described is basically a combination of Prime Minister's Rojgar Yojana (PMRY) and The Rural Employment Generation Programme (REGP). The Ministry of Micro, Small and Medium Enterprises (MoMSME) administers the program and the Khadi and Village Industries Commission (KVIC) implements it. The major aims is to generate jobs in both rural and urban regions, by way of self-employment ventures, micro enterprises, and other eligible projects. It also aims at bringing back the tradition of village artisanship and helping urban youth who are unable to get jobs due to one reason or the other. The program also looks to provide earning capacities are enhanced. This scheme increases employment in the most creative and traditional ways. Going back to the ancient professions, it restores culture as well as generates employment. Also, the urban youth which is not able to get job is helped in many ways. Both the urban and rural population is covered under one scheme which makes its scope wide and effective, it is very effective scheme which is clear from the aim itself.

## 1. Introduction

Government of India has approved the introduction of a new credit linked subsidy programme called Prime Minister's Employment Generation Programme (PMEGP) by merging the two schemes that were in operation till 31.3.2008, namely Prime Minister's Rojgar Yojana (PMRY) and Rural Employment Generation Programme (REGP) for generation of employment opportunities through establishment of micro enterprises in rural as well as urban areas. PMEGP is a central sector scheme administered by the Ministry of Micro, Small and Medium Enterprises (MoMSME).

At the national level, the Scheme is being implemented by Khadi and Village Industries Commission (KVIC), a statutory organization under the administrative control of the Ministry of MSME as the single nodal agency. At the State level, the Scheme will be implemented through State KVIC Directorates, State Khadi and Village Industries Boards (KVIBs) and District Industries Centres (DICs) and banks. The Government subsidy under the Scheme will be routed by KVIC through the identified Banks for eventual distribution to the beneficiaries / entrepreneurs in their Bank accounts. The Implementing Agencies, namely KVIC, KVIBs and DICs will associate reputed Non Government Organization (NGOs)/reputed autonomous institutions/Self Help Groups (SHGs) / National Small Industries Corporation (NSIC) / Udyami Mitras empanelled under Rajiv Gandhi Udyami Mitra Yojana (RGUMY), Panchayati Raj institutions and other relevant bodies in the implementation of the Scheme, especially in the area of identification of beneficiaries, of area specific viable projects, and providing training in entrepreneurship development.

## 2. Objectives

- To generate continuous and sustainable employment opportunities in Rural and Urban areas of the country
- To provide continuous and sustainable employment to a large segment of traditional and prospective artisans, rural and urban unemployed youth in the country through setting up of micro enterprises.
- To facilitate participation of financial institutions for higher credit flow to micro sector.

## 3. Eligibility

- (i) Any individual, above 18 years of age
- (ii) There will be no income ceiling for assistance for setting up projects under PMEGP.
- (iii) For setting up of project costing above Rs.10 lakh in the manufacturing sector and above Rs. 5 lakh in the business /service sector, the beneficiaries should possess at least VIII standard pass educational qualification.
- (iv) Assistance under the Scheme is available only for new projects sanctioned specifically under the PMEGP.
- (v) Self Help Groups (including those belonging to BPL provided that they have not availed benefits under any other Scheme) are also eligible for assistance under PMEGP.
- (vi) Institutions registered under Societies Registration Act,1860;
- (vii) Production Co-operative Societies, and
- (viii) Charitable Trusts.
- (ix) Existing Units (under PMRY, REGP or any other scheme of Government of India or State Government) and

the units that have already availed Government Subsidy under any other scheme of Government of India or State Government are not eligible.

#### 4. Other eligibility conditions

- (i) A certified copy of the caste/community certificate or relevant document issued by the competent authority in the case of other special categories, is required to be produced by the beneficiary to the concerned branch of the Banks along with the Margin Money (subsidy) Claim.
- (ii) A certified copy of the bye laws of the institutions is required to be appended to the Margin Money (subsidy) Claim, wherever necessary.
- (iii) Project cost will include Capital Expenditure and one cycle of Working Capital. Projects without Capital Expenditure are not eligible for financing under the Scheme. Projects costing more than Rs.5 lakh, which do not require working capital, need clearance from the Regional Office or Controller of the Bank's Branch and the claims are required to be submitted with such certified copy of approval from Regional Office or Controller, as the case may be.
- (iv) Cost of the land should not be included in the Project cost. Cost of the ready built as well as long lease or rental Work-shed/Workshop can be included in the project cost subject to restricting such cost of ready built as well as long lease or rental workshed/workshop to be included in the project cost calculated for a maximum period of 3 years only.
- (v) PMEGP is applicable to all new viable micro enterprises, including Village Industries projects except activities indicated in the negative list of Village Industries. Existing/old units are not eligible.

#### 5. Salient features of the scheme

- The Scheme is implemented through KVIC and State/UT Khadi & V.I. Boards in Rural areas and through District Industries Centres in Urban and Rural areas in ratio of 30:30:40 between KVIC / KVIB / DIC respectively.
- No income ceiling for setting up of projects.
- Assistance under the Scheme is available only to new units to be established.
- Existing units or units already availed any Govt. Subsidy either under State/Central Govt. Schemes are not eligible.
- Any industry including Coir Based projects excluding those mentioned in the negative list.
- Per capita investment should not exceed Rs. 1.00 lakhs in plain areas and Rs. 1.50 lakhs in Hilly areas.
- Maximum project cost of Rs. 25.00 lakhs in manufacturing sector and Rs. 10.00 lakhs in Service Sector.

#### 6. Area of Operation

- **Rural Area** as declared under KVIC Act 2006 - Scheme to be implemented by KVIC, KVIB and DIC ("Rural Area" means the area comprised in any

Village and includes the area comprised in any town, the population of which does not exceed twenty thousand or such other figure as the Central Government may specify from time to time as declared under KVIC Act 2006)

- **Urban area** - Only District Industries Centres (DIC)

#### 7. Project Cost:

The maximum cost of the project admissible is 25 lakh under the manufacturing sector and 10 lakh under business / service sector.

Project cost will include Capital Expenditure and one cycle of Working Capital. Projects without Capital Expenditure are not eligible for financing under the Scheme. Cost of the land should not be included in the Project cost.

Working Capital component should be utilized in such a way that at one point of stage it touches 100% limit of Cash Credit within three years and not less than 75% utilization of the sanctioned limit during the first year. If it does not touch aforesaid limit, proportionate amount of the subsidy will be recovered and refunded to the KVIC at the end of the third year.

#### 8. Negative list of activities

- Industry / Business connected with productions / processing / sale of meat or intoxicant items like Beedi / Pan / Cigar / Cigarette etc.
- Industry / Business connected with cultivation, sericulture, horticulture, floriculture.
- Manufacture of Polythene carry bags of less than 20 microns / containers of recycled plastic.
- Processing of Pashmina Wool and products involving hand spinning and hand weaving coming under purview of Khadi Certification Rule.
- Rural Transport (except Auto rickshaw, House boat, tourist boat in A & N Islands and except house boat, Shikara & Tourist Boats in Jammu & Kashmir and Cycle Rickshaw.)
- CNG Auto Rickshaw will be allowed only in A & N Islands and NER with the approval of Chief Secretary of the State on merit.

#### 9. Quantum of margin money subsidy

##### **Margin:**

The margin money contribution @ 10% of the project cost for General category borrowers and @ 5 % of the project cost for Special category borrowers.

##### **Subsidy:**

General Category: The eligible subsidy is @ 15% of the project cost in urban area and @ 25% of the project cost in rural area.

Special Category : The eligible subsidy is @ 25% of the project cost in urban area and @ 35% of the project cost in rural area.

**Special treatment to:**

- Scheduled Castes (SCs)
- Ex-Servicemen
- Scheduled Tribes (STs)
- Differently - abled
- Other Backward Classes (OBCs)
- People from northeastern states
- Minorities
- People living in border areas and hills
- Women

Certain banks have been identified for the purpose of disseminating the funds to the eventual beneficiaries and the amount is normally credited to the designated bank accounts.

**10. Rate of Interest and Repayment Schedule:**

Normal Rate of Interest as applicable to the enterprise from time to time. Repayment Schedule may range between 3 to 7 years.

**Security:**

No collateral security and third party guarantee are insisted. Assets created out of the bank loan should be hypothecated to Bank.

**Nodal Agency:**

The Khadi and Village Industries Commission (KVIC) is the nodal agency at the national level. The scheme will be implemented through KVIC and KVIB in rural areas and through DICs in both rural and urban areas.

**Financial Institutions**

- 27 Public Sector Banks and all Regional Rural Banks
- Co-operative Banks
- Private Sector Scheduled Commercial Banks
- Small Industries Development Bank of India (SIDBI)

**11. Implementing Agencies**

The Scheme will be implemented by Khadi and Village Industries Commission (KVIC), Mumbai, a statutory body created by the Khadi and Village Industries Commission Act, 1956, which will be the single nodal agency at the national level. At the State level, the scheme will be implemented through State Directorates of KVIC, State Khadi and Village Industries Boards (KVIBs) and District Industries Centres in rural areas. In urban areas, the Scheme will be implemented by the State District Industries Centres (DICs) only. KVIC will coordinate with State KVIBs/State DICs and monitor performance in rural and urban areas. KVIC and DICs will also involve NSIC, Udyami Mitras empanelled under Rajiv Gandhi Udyami Mitra Yojana (RGUMY), Panchayati Raj Institutions and other NGOs of repute in identification of beneficiaries under PMEGP.

**12. Other Agencies**

The details of other agencies to be associated by nodal agencies in the implementation of PMEGP are as under:

- i) Field Offices of KVIC and its State offices
- ii) State KVI Boards
- iii) District Industries Centre (DIC) of all State Governments/Union Territories Administrations reporting to respective Commissioners /Secretaries (Industries).
- iv) Banks/Financial Institutions.
- v) KVI Federation
- vi) Department of Women and Child Development (DWCD), Nehru Yuva Kendra Sangathan (NYKS), The Army Wives Welfare Association of India (AWWA) and Panchayati Raj Institutions
- vii) NGOs having at least five years experience and expertise in Project Consultancy in Small Agro & Rural Industrial Promotion and Technical Consultancy Services, Rural Development, Social Welfare having requisite infrastructure and manpower and capable of reaching Village and Taluk level in the State or Districts. NGOs should have been funded by State or National Level Government Agency for any of its programmes in the preceding 3 years period.
- viii) Professional Institutions/Technical Colleges recognized by Government/University and University Grants Commission (UGC)/ All India Council for Technical Education (AICTE) having department for vocational guidance or technical courses providing skill based training like ITI, Rural Polytechnic, Food Processing Training Institute, etc.
- ix) Certified KVI institutions aided by KVIC / KVIB provided these are in category A+, A or B and are having required infrastructure, manpower and expertise for the role.
- x) Departmental and Non-Departmental Training Centres of KVIC / KVIBs.
- xi) Micro, Small and Medium Enterprises Development Institutes (MSME-DIs), MSME Tool Rooms and Technical Development Centres, under the administrative control of Office of Development Commissioner, MSME.
- xii) National Small Industries Corporation's (NSIC) offices, Technical Centres, Training Centres, Incubators and Training cum Incubation Centres (TICs) set up in PPP Mode.
- xiii) National level Entrepreneurship Development Institutes like National Institute for Entrepreneurship and Small Business Development (NIESBUD), National Institute for Micro, Small and Medium Enterprises (NIMSME) and Indian Institute of Entrepreneurship (IIE),

Guwahati under the administrative control of Ministry of MSME, their branches and the Entrepreneurship Development Centres (EDCs) set up by their Partner Institutions (PIs).

xiv) Udyami Mitras empanelled under Rajiv Gandhi Udyami Mitra Yojana of Ministry of MSME.

xv) PMEGP Federation, whenever formed.

### 13. Conclusion

Ministry of MSME will be the controlling and monitoring agency for implementation of the scheme. It will allocate target, sanction and release required funds to KVIC. Quarterly review meeting will be held in the Ministry on the performance of PMEGP. CEO, KVIC, Principal Secretaries / Commissioners (Industries) responsible for implementation of the Scheme in States through DICs, Representatives of State KVIBs and

Senior officials of Banks will attend the meeting. In the organized sector, the employment opportunities have been stagnant. In such a back drop, PMEGP has become a boon to the unemployed youth. The beneficiaries were satisfied with the loan amount given. Their average monthly income had risen, thereby raising the living standards. Except for the delay in sanctioning the loan, the beneficiaries didn't face much problem, while availing the loan. It has also emerged as a successful scheme in uplifting the morale of the women beneficiaries by raising their self-confidence, decision making status, improving their communicative skills and problem solving ability. This scheme has become a boon for the women, who have to earn an extra income for the family due to economic necessities. To bring in more women the authorities concerned should promote awareness about Prime Minister's Employment Generation Programme by giving wide publicity through local media, especially newspapers, radio and television.

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