

## **Salient Features of Revised PRIME MINISTER'S EMPLOYMENT GENERATION PROGRAMME (PMEGP)**

**1. The Scheme** 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 31.03.2008 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 will be a central sector scheme to be administered by the Ministry of Micro, Small and Medium Enterprises (MoMSME). The Scheme will be 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 National level. At the State level, the Scheme will be implemented through State KVIC Directorates, State Khadi and Village Industries Boards (KVIBs) and District Industries Centers (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. However, in case of Delhi where no DIC is in existence the scheme is implemented by State office KVIC & KVIB in entire Delhi. KVIC will coordinate with State KVIBs/State DICs and monitor performance in rural and urban areas

### **2. Objectives**

- (i) To generate employment opportunities in rural as well as urban areas of the country through setting up of new self-employment ventures/projects/micro enterprises.
- (ii) To bring together widely dispersed traditional artisans/ rural and urban unemployed youth and give them self-employment opportunities to the extent possible, at their place.
- (iii) To provide continuous and sustainable employment to a large segment of traditional and prospective artisans and rural and urban unemployed youth in the country, so as to help arrest migration of rural youth to urban areas.
- (iv). To increase the wage earning capacity of Workers and artisans and contribute to increase in the growth rate of rural and urban employment.

### 3. Quantum and Nature of Financial Assistance

#### 3.1 Level of support under PMEGP:

i) For setting up of new micro enterprise (units)

Category of the beneficiary under PMEGP	Beneficiary's contribution (of project cost)	Rate of Subsidy (of project cost)	
		Urban	Rural
Area (location of project/unit)			
General Category	10%	15%	25%
Special (including SC / ST / OBC /Minorities/Women, Ex-servicemen, Physically handicapped, NER, Hill and Border areas etc.	05%	25%	35%

Note:-

- (1) The maximum cost of the project/unit admissible for Margin Money subsidy under manufacturing sector is Rs. 50.00 lakh)
- (2) The maximum cost of the project/unit admissible for Margin Money subsidy under business/service Sector is Rs. 20.00 lakh.
- (3) The balance amount ( excluding the own contribution) of the total project cost will be Provided by Banks.
- (4) If the total project costs exceeds Rs. 50.00 lakh or Rs. 20.00 lakhs for manufacturing and Service sectors respectively, the balance amount may be provided by Banks without any Government subsidy.

(ii) 2<sup>nd</sup> loan for upgradation of existing PMEGP/REGP/MUDRA units

Category of the beneficiary under PMEGP	Beneficiary's contribution (of project cost)	Rate of Subsidy (of project cost)
All categories	10%	15% ( 20% for NER and Hill States)

Note:-

- (1) The maximum cost of the project/unit admissible for Margin Money subsidy under manufacturing sector for upgradation is Rs. 1.00 Crore. Maximum subsidy would be Rs. 15.00 lakh (Rs. 20.00lakh for NER and Hill states).
- (2) The maximum cost of the project/unit admissible for Margin Money subsidy under business/service Sector for upgradation is Rs. 25.00 lakh. Maximum subsidy would be Rs. 3.75 lakh (Rs. 5.00 lakh for NER and Hill states).
- (3) The balance amount ( excluding the own contribution) of the total project cost will be Provided by Banks.
- (4) If the total project costs exceeds Rs. 1.00 Crore or Rs. 25.00 lakhs for manufacturing and Service sectors respectively, the balance amount may be provided by Banks without any Government subsidy.

## 4. Eligibility Conditions of Beneficiaries

### 4.1 For PMEGP new enterprises/units

- (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. 5.00 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) 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

#### **Other Eligibility Conditions of PMEGP (New units)**

- (i) Projects without Capital Expenditure are not eligible for Financing under the scheme.
- (ii) 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 work shed/workshop to be included in the project cost calculated for a maximum period of 3 years only.
- (iii) PMEGP is applicable to all new viable micro enterprises, including Village Industries projects except activities prohibited by Local Government/Authority keeping in view environment or socio-economic factors and activities indicated in the negative list of the guidelines. (Para 30 of the guidelines).
- (iv) Trading activities
  - a. Business/Trading activities in the form of sales outlets may be permitted in NER, left wing Extremism (LWE) affected districts and A & N Islands.
  - b. Retails outlets/Business – Selling Khadi Products, village industry products produced from Khadi & Village Industries Institutions certified by KVIC and products manufactured by PMEGP/SFURTI clusters only may be permitted under PMEGP across the country.
  - c. Retail outlets backed by manufacturing (including processing) / Service facilities may be permitted across the country.
  - d. The maximum cost of project for Business/Trading activities as above (a) & (b) may be Rs. 20 lakh (at par with maximum cost of project for service sector).
  - e. Maximum 10% of financial allocation in a year in a state may be used for Business/Trading activities as above (a), (b) & (c).

Note:-Only one person from one family is eligible for obtaining financial assistance for setting up of projects under PMEGP. The 'Family' includes self and spouse.

#### **4.2 For upgradation of existing PMEGP/REGP/MUDRA units**

- i. Margin Money (Subsidy) claimed under PMEGP has to be successfully adjusted on the completion of lock in period of 3 years.
- ii. First loan under PMEGP/MUDRA/REGP has to be successfully repaid in stipulated time.
- iii. The unit is profit making with good turnover and having potential for further growth in turnover and profit with modernisation/upgrading the technology.

#### **5. Implementing Agencies**

5.1 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 Centers and COIR Board for coir related activities others agencies like National Scheduled Tribes Finance and Development Corporation (NSTFDC), National Backward Classes Finance and Development Corporation (NBFDC), Indian Institute of Entrepreneurship, Guwahati, National Institute of Entrepreneurship and small Business Development, National Institute for Micro small and Medium Enterprises, Institute of Entrepreneurship development, Odisha, TR&TCs, O/o DCMSME and MSME DIs etc. Can also be enrolled as IAs, as and when necessary.

All the IAs including the AIs that may be enrolled in future will be allowed to receive and process applications in all rears irrespective of the rural or urban category. KVIC will coordinate with state KVIBs/ State DICs other IAs and monitor performance in rural and urban areas. They IAs will also involve National Small Industries Corporation (NSIC), Udyami Mitras empanelled under Rajiv Gandhi Udyami Mitra Yojna, RSTEs/RUDSETIs, Panchayati Raj Institutions, NGOs of repute and other relevant agencies in identification of beneficiaries under PMEGP.

Coir Board will be involved in identifying Coir units for their setting up under PMEGP in both rural as well as urban areas, their hand holding and monitoring.

#### **5.2 Other Agencies**

- i Department of Women and Child Development (DWCD) Nehru Yuva Kendra Sangathan and the Army Wives Welfare Association of India.
- ii 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 funded by State or National Level Government Agencies for any of its programmes in proceeding 3 years period.

lii Professional Institutions/Technical Colleges recognized by the Government/University and University Grants Commission. All India Council for Technical Education having department for vocational guidance or technical courses providing skill based training like ITI, Rural Polytechnic, Food processing Training Institution etc.

iv 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.

V Departmental and Non-Departmental Training centres of KVIC/KVIBs.

vi Micro Small and Medium Enterprises Development Institutes, MSME Toll Rooms and Technical Development Centres under the administrative control of office of Development Commissioner, MSME.

Vii National Small Industries Corporation (NSIC) offices Technical Centres, Training Centres, Incubation Centres set up in PPP model.

Viii National Level Entrepreneurship Development Institutions like Nation Institution for Entrepreneurship and small Business Development, National Institute for Micro small and Medium Enterprises, Indian Institute of Entrepreneurship, Guwahati under the administrative control of Ministry of MSME there branches and Entrepreneurship Development Centres set up by their partner institutions.

Ix PMEGP Federation when ever formed.

X Any other agency with the approval of competent authority.

## **6. Financial Institutions**

- (i) All Public Sector Banks.
- (ii) All Regional Rural Banks, Co-operative Banks, Private Sector Scheduled Commercial Banks regulated by RBI.
- (iii) Small Industries Development Bank of India (SIDBI).

## **7. Identification of beneficiaries:**

The identification of beneficiaries will be done at the District level by implementing agencies and Banks. The Banks should be involved right from the beginning to ensure that bunching of applications is avoided. The applicants who have already under gone training of at least 10 days (for off line mode) / 60 hours (for online mode) under EDP or Skill Development Programme (ESDP) or vocational training need not undergo EDP training again. Priority will be given to persons affected bu natural calamities/disasters in the areas which are declared as affected by 'Disaster' as defined under Section 2(d) of the Disaster management Act 2005 by the Ministry of Home affairs.

Exaggeration in the cost of the project with a view only to availing higher amount of subsidy should not be allowed.

KVIC in consultations with Bankers Association had devised scoring model (Score card) which is being used by IAs for appraisal of PMEGP proposals and subsequent forwarding of applications/proposals to the Banks. The scoring model is displayed on the website of KVIC and Ministry.

## **8. Bank Finance**

8.1 The Bank will sanction 90% of the project cost in case of General Category of beneficiary/institution and 95% in case of special category of the beneficiary/institution, and disburse full amount suitably for setting up of the project.

8.2 Banks will finance Capital Expenditure in the form of Term Loan and working Capital in the form of Cash Credit. Project can also be financed by the Bank in the form of composite loan consisting of Capital Expenditure and Working Capital.

8.3 Maximum cost under PMEGP is Rs. 50 lakh, which includes Term loan for Capital Expenditure and working Capital. For manufacturing units, Working capital component should not be more than 40% of the project cost and for units under Service-Trading Sector the working capital shall not be more than 60% of the project cost. However, for the projects where the capital expenditure reaches the maximum ceiling of the project cost for manufacturing/service sector units the Banks can consider sanctioning of additional funds over and above Rs. 50 lakhs and Rs. 20 lakhs respectively. In such cases, the additional funds over and above Rs. 50 lakhs and Rs. 20 lakhs will not be covered for subsidy.

In case the incurred Capital Expenditure and Working Capital Expenditure (at the end of third year from the commencement of production) is less than the sanctioned amount under the Bank loan (including own contribution) the excess Margin Money (Subsidy) (against the short fall) shall be refunded to KVIC.

### **8.4 Rare of Interest and repayment schedule**

Normal Rate of interest shall be charged. Repayment schedule may range between 3 to 7 years after an initial moratorium as may be prescribed by the concerned Bank/financial institution.

RBI has issued necessary guidelines to the Banks to accord priority in sanctioning projects under PMEGP. RBI also issues suitable guidelines from time to time as to which RRBs and other Banks will be excluded from implementing the scheme.

### **Definition of Industry and Employment Criteria**

Any Industry (Except those mentioned in the negative list) located in the rural/urban area which produces any goods or renders any service with or without the use of power and in

which the fixed capital investment per head of a full time artisan or worker i.e. Capital Expenditure on workshop/workshed machinery and furniture divided by full time employment created by the project does not exceed Rs. 3 lakh in Plain areas and Rs. 4.5 lakh in hilly areas.

## **9 Rural Areas**

(i) Any area classified as village as per the revenue record of the state/union Territory, irrespective of the population

(ii) All the areas irrespective of their population, falling under Panchayati Raj Institutions will be accounted under rural area whereas area falling under Municipality to be treated as urban areas.

## **10. Modalities of on-line Process Flow of application and fund flow under the Scheme**

10.1 Online applications will be mandatory and no manual applications will be allowed as PMEGP Portal has been developed and put into operation by KVIC. Applications For new projects and also for upgradation/expansion of the existing units as per eligible criteria defined under PMEGP will be filled and submitted only through the said PMEGP-Portal.

10.2 There are separate online application forms available on the portal for individuals applying for setting up of new units and upgradation of existing units

10.3 Applicants will be provided with User ID and Password at the time of initial registration (application filing) for their use in tracking the status of their application. Applicants will also be provided with application ID on final submission.

10.4 Applicant's Aadhaar number is mandatory and is authenticated with UIDAI data base before they proceed for filling the application. In case of individuals to whom no Aadhaar number has been assigned, such individuals shall make an application for Aadhaar Enrolment and furnish the enrolment number. In case an individual has not been issued Aadhar in certain areas (NER, J&K ETC.) the individual shall be offered alternate and viable means of identification like PAN card etc. For benefit under the scheme.

10.5 There will be a provision to upload the Photo and documents which are necessary for screening the application, before submitting the application. These documents will include the following: a. Caste Certificate b. Special Category Certificate, wherever required. c. Rural Area certificate. d. Project Report. e. Education/ EDP/Skill Development training certificate f. Any other applicable document.

10.6 The applicant will; fill all information in the respective fields of application form available on the portal. The username and password will be provided to the applicant's registered mobile number immediately after saving the online application for future access.

10.7 The applicant shall upload the required documents as per the eligibility criteria for first and second tranche/dose of assistance as applicable. A self assessed score will be generated based on the information filled by the applicant. On completion of all the documentation the applicant will make the final submission and get the unique Application ID through which the status of the application can be tracked. The applicant can also down load and print the acknowledgment as a proof for submission of the application. The entire set of documents and application form will be electronically forwarded to the representatives of the preferred IA.

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