

New Centrally Sponsored Scheme

“Scheme for Formalisation of Micro food processing Enterprises (FME)”

Background:

The unorganized food processing sector in the country comprising nearly 25 lakh food processing enterprises which are unorganized and unregistered. With only 7% of investment in plant & machinery and 3% of outstanding credit, the unorganized enterprises contribute to 74% of employment (a third of which are women), 12% of output and 27% of the value addition in the food processing sector. Nearly 66% of these units are located in rural areas and about 80% of them are family-based enterprises.

The sector faces a number of challenges including the inability of the entrepreneurs to access credit, high cost of institutional credit, lack of access to modern technology and inability to integrate with the food supply chain and compliance with the health and safety standards.

To address these problems, through a comprehensive package of interventions. Government of India has approved an all India Centrally Sponsored Scheme **“Scheme for Formalisation of Micro food processing Enterprises (FME)”**

2. Aim:

- (i) To modernize and enhance the competitiveness of the existing individual micro enterprises and ensure their transition to formal sector
- (ii) To support FPOs/ SHGs/ Cooperatives for delivery of package of services, creation of common infrastructure along the value chain, ensure backward & forward linkages, branding & marketing, etc.

3. Objectives:

- (i) Increase access to finance
- (ii) Increase in revenues of target enterprises
- (iii) Enhanced compliance with food quality and safety standards
- (iv) Strengthening capacities of support systems
- (v) Special focus on Women entrepreneurs and Aspirational Districts

- (vi) Encourage Waste to Wealth activities
- (vii) Focus on minor forest produce in Tribal Districts
- (viii) Transition from the unorganized sector to the formal sector

4. Salient features:

- (i) All India Centrally Sponsored Scheme with an Outlay of Rs.10,000 crore for 5 years from 2020-21 to 2024-25
- (ii) Coverage of 2,00,000 enterprises
- (iii) Expenditure to be shared by Government of India and States at 60:40
- (iv) About Rs. 25,000 cr investment is expected under the programme
- (v) Cluster approach and Focus on perishables
- (vi) Assisted units to have unique identity

5. Support to Individual micro units:

- (i) Micro enterprises will be supported with credit linked subsidy @ 35% of the eligible project cost with a ceiling of Rs.10 lakh.
- (ii) Beneficiary contribution will be minimum 10% and balance through loan.
- (iii) Handholding support for farm level upgradation plan, DPR preparation, Skill training, obtaining bank credit, FSSAI/ local body license, Udyog Aadhaar etc.

6. Support for FPOs/ SHGs/ Cooperatives:

- (i) Seed capital to SHGs (@ Rs.4 lakh per SHG) for loan to members for working capital and small tools
- (ii) Grant for backward/ forward linkages, common infrastructure, packaging, marketing & branding
- (iii) Skill training and Handholding support for DPR, technical upgradation etc.
- (iv) Credit linked capital subsidy

7. Brand Building & Marketing

- (i) Support to SHGs/ FPOs/ Co-operatives in brand building and marketing for the micro-enterprises
- (ii) Linkage of clusters with lead buyers

- (iii) Support to micro-enterprises coming together for brand-building and marketing.

8. Strengthening capacities of institutions

- (i) Support to micro enterprises in technology upgradation, entrepreneurship development and food safety by strengthening existing National and State level institutions
- (ii) Preparation of comprehensive training curricula, training of trainers at State level and Nodal institutions, preparation of standard DPRs etc.
- (iii) Development of new products and processes for micro units

9. Convergence

- (i) Support from the existing schemes under implementation by the Government of India and State Governments
- (ii) To fill in the gaps, where support is not available from other sources, especially for capital investment, handholding support, training and common infrastructure

10. Employment Generation Potential

- (i) The project is likely to generate nine lakh skilled and semi-skilled jobs.
- (ii) Nearly eight lakh micro- enterprises will benefit through access to information, better exposure and formalization.