ujiyari

UPSC & STATE PCS CURRENT AFFAIRS · UJIYARI.COM

DAILY CURRENT AFFAIRS

PMFME Crosses Two Lakh Credit-Linked Beneficiaries

12 July 2026 · REPORTS & SCHEMES · GS3

CURATED & WRITTEN BY

Bharat Choudhary

UPSC Educator & Content Creator

linkedin.com/in/epicbharat

PMFME Crosses Two Lakh Credit-Linked Beneficiaries

12 July 2026 · 6 min read ·

Source: ujiyari.com — researched, fact-checked & UPSC-mapped

Every fact web-verified against primary sources (https://ujiyari.com/how-we-verify/)

WHY IN NEWS

On July 11, 2026, in New Delhi, Union Minister for Food Processing Industries Chirag Paswan marked the sanction of loans to over under the Pradhan Mantri Formalisation of Micro Food Processing Enterprises (PMFME) scheme, the scheme's original headline target.

THE MILESTONE IN NUMBERS

The announcement is significant because PMFME set out with a target of supporting **2 lakh micro enterprises**, and it has now reached that number in credit-linked sanctions rather than merely in applications received. The supporting figures matter as much as the headline.

INDICATOR	ACHIEVEMENT
Micro enterprises with loans sanctioned	Over 2 lakh
Project investment leveraged	Over Rs 20,300 crore
Direct and indirect jobs supported	Nearly 11 lakh
First-generation entrepreneurs	About 90 per cent of beneficiaries
Women beneficiaries	About 44 per cent
Units formalised (Udyam, FSSAI (https://ujiyari.com/terms/fssai/), GST)	Over 75,000

Two of these numbers deserve emphasis. First, roughly **90 per cent are first-generation entrepreneurs**, which means the scheme is not simply refinancing existing businesses but creating new ones. Second, about **44 per cent are women**, a share far above the norm for credit-linked industrial schemes, reflecting the deliberate (https://ujiyari.com/vocab/deliberate/) use of Self Help Group (SHG) channels.

UNDERSTANDING PMFME

PMFME stands for **Pradhan Mantri Formalisation of Micro Food Processing Enterprises**. It was launched on **June 29, 2020** as part of the **Atmanirbhar Bharat** package, and the nodal ministry is the **Ministry of Food Processing Industries (MoFPI)**.

Scheme Architecture

- **Type:** a **Centrally Sponsored Scheme**, not a Central Sector Scheme. This distinction is a frequent Prelims trap.
- **Cost sharing: 60:40** between the Centre and States, and **90:10** for **North-Eastern and Himalayan States**.
- **Outlay:** about **Rs 10,000 crore**.
- **Original target: 2 lakh micro enterprises**.
- **Approach:** the **One District One Product (ODOP)** framework, under which each district focuses on a single identified produce or product for cluster-based support.

The Three Core Instruments

1. **Credit-linked capital subsidy: 35 per cent** of the eligible project cost, capped at **Rs 10 lakh per unit**. The subsidy is released only when a bank sanctions the loan, which forces bankability discipline.
2. **Seed capital: Rs 40,000 per SHG member** for working capital and small tools, routed through SHG federations.
3. **Branding and marketing support:** for groups, FPOs, cooperatives and SHGs, to move units up the value chain rather than leaving them as raw suppliers.

WHY FORMALISATION IS THE REAL INNOVATION

India's food processing sector is dominated by **unorganised micro units**, typically home-based or single-owner operations working with informal credit at punitive (https://ujiyari.com/vocab/punitive/) interest rates. Their central problem is not a lack of skill but **invisibility to the formal system**: no registration means no credit history, no credit history means no bank loan, and no bank loan means no capital to scale.

PMFME's design attacks this directly. By requiring and enabling registration under **Udyam** (MSME registration), **FSSAI** (food safety licensing) and **GST**, it pulls units into the formal credit and tax net. Once a unit has a digital trail of registered turnover, **cash-flow-based lending** becomes possible, replacing the collateral-based lending that excludes the asset-poor. Over **75,000 PMFME-supported units** have now formalised through this channel.

This is why the formalisation number should be read as the scheme's most durable outcome. A subsidy is a one-time transfer; a formalised unit with a bank relationship keeps compounding after the subsidy ends.

THE BROADER FOOD-PROCESSING ECOSYSTEM

PMFME does not work alone. It sits alongside:

- **PM Kisan SAMPADA Yojana:** infrastructure-focused, covering mega food parks, cold chains, agro-processing clusters and food-testing labs.
- **PLI Scheme for Food Processing Industries:** targets large-scale manufacturing, branding and global champions.
- **Operation Greens:** price stabilisation and supply-chain support, originally for tomato, onion and potato (TOP), later expanded.

Together they form a ladder: Operation Greens stabilises the farm gate, PMFME formalises the micro unit, SAMPADA builds shared infrastructure, and the PLI scale up national champions.

ANALYSIS AND WAY FORWARD

Food processing is arguably the **highest-leverage (https://ujiyari.com/vocab/leverage/) node** for two enduring problems. It raises **farm incomes** by shifting the farmer's realisation from raw commodity price to processed value, and it cuts **post-harvest wastage**, which remains a large silent loss in Indian agriculture. Every tonne saved from spoilage is, in effect, a tonne produced without additional land, water or fertiliser.

Yet the critiques are real and must appear in a balanced answer:

- **Bank hesitancy on micro-loans:** ticket sizes of a few lakh rupees carry high transaction costs relative to returns, and branch managers remain risk-averse toward first-generation borrowers without collateral. Sanction rates lag application volumes.
- **ODOP rigidity:** in agro-diverse districts, mandating a single focus product can exclude viable enterprises working with the district's second or third crop.
- **Uneven state capacity:** as a Centrally Sponsored Scheme, delivery depends on State nodal agencies and District Resource Persons, whose capacity varies widely.
- **Post-sanction survival:** the metric that matters eventually is not loans sanctioned but units still operating and profitable after five years.

The way forward lies in strengthening the **District Resource Person** cadre for handholding, allowing **ODOP flexibility** where agro-diversity justifies it, using digital footprints from Udyam and GST to enable genuinely **cash-flow-based lending**, and shifting evaluation from disbursement (https://ujiyari.com/vocab/disbursement/) targets to **enterprise survival and turnover growth**.

UPSC RELEVANCE

GS Paper 3: Food processing and related industries in India, scope and significance, location, upstream and downstream requirements, supply chain management; inclusive growth; employment; government schemes.

Prelims pointers:

- PMFME = Pradhan Mantri Formalisation of Micro Food Processing Enterprises, launched June 29, 2020 under Atmanirbhar Bharat.
- It is a **Centrally Sponsored** scheme, cost-shared 60:40 between Centre and States (90:10 for North-Eastern and Himalayan States).
- Outlay about Rs 10,000 crore; target 2 lakh micro enterprises; nodal ministry is MoFPI.
- Credit-linked capital subsidy of 35 per cent of eligible project cost, capped at Rs 10 lakh per unit.
- Seed capital of Rs 40,000 per SHG member; plus branding and marketing support.
- The scheme follows the One District One Product (ODOP) approach.
- Related schemes: PM Kisan SAMPADA Yojana, PLI Scheme for Food Processing, Operation Greens.

Mains question: “PMFME’s most significant contribution is not the subsidy it provides but the formalisation it enables. Critically examine the design of the PMFME scheme, and evaluate its effectiveness in raising farm incomes and reducing post-harvest wastage.” (15 marks, 250 words)

FACTS CORNER

📌 FACTS CORNER, KNOWLEDGEPEDIA

Full form: Pradhan Mantri Formalisation of Micro Food Processing Enterprises.

Launched: June 29, 2020, under Atmanirbhar Bharat; nodal ministry MoFPI.

Type: Centrally Sponsored Scheme; 60:40 Centre-State, 90:10 for NE and Himalayan States.

Outlay: about Rs 10,000 crore; target 2 lakh micro enterprises.

Subsidy: credit-linked capital subsidy of 35 per cent of eligible project cost, capped at Rs 10 lakh per unit.

Seed capital: Rs 40,000 per SHG member.

Approach: One District One Product (ODOP).

Milestone (July 11, 2026): over 2 lakh units with loans sanctioned; over Rs 20,300 crore investment leveraged; nearly 11 lakh direct and indirect jobs.

Profile: about 90 per cent first-generation entrepreneurs; about 44 per cent women; over 75,000 units formalised via Udyam, FSSAI and GST.

Union Minister, Food Processing Industries: Chirag Paswan.

Sources: PIB (https://pib.gov.in/), Ministry of Food Processing Industries

---

RELATED EDITORIALS

THE HINDU

[Credible Statistics for Evidence-Based Governance]

29 Jun

THE HINDU

[MSMEs Need Credit and Formalisation, Not Just a Day]

27 Jun

INDIAN EXPRESS

[West Bengal's Children Need Eggs in Their Mid-Day Meal, Not Ideology]

26 Jun

INDIAN EXPRESS

[India Can Attract FDI. The Harder Task Is Retaining It]

25 Jun

RELATED KEY TERMS

KEY TERM

[Anganwadi]

A government-run village-level child care and mother care centre under...

KEY TERM

[Annapurna Bhandar Scheme]

West Bengal's revamped women's cash-transfer scheme that began...

KEY TERM

[Atal Bhujal Yojana]

₹6,000 crore World Bank-assisted central scheme (2020-25, extended)...

KEY TERM

[Bharat-VISTAAR]

AI-driven multilingual digital public infrastructure for farmers,...

Ujiyari Current Affairs · ujiyari.com · ~~Free Daily~~ Current Affairs for UPSC & State PCS

CURATED & WRITTEN BY

Bharat Choudhary

UPSC Educator & Content Creator

linkedin.com/in/epicbharat

📖 Read Full Article on Ujiyari →

https://ujiyari.com/daily/2026/07/12/pmfme-two-lakh-beneficiaries-2026/