

Role and Performance of Prime Minister Employment Generation Programme (PMEGP) in Assisting Micro, Small and Medium Enterprises (MSME) and Self-Employment

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Abstract

MSME, credited with generating the highest rates of employment growth, account for a major share of Industrial Production and exports in India. It is estimated that this sector accounts for 90 per cent of industrial units in India and 40 per cent of value addition in the manufacturing sector. Today, MSME occupies a position of strategic importance in the Indian economic structure due to its significant contribution in terms of output, exports and employment. India accorded high priority to micro, small and medium enterprises from the very beginning and pursued support policies and programmes to make these enterprises viable and vibrant and over time, these have become major contributors to the GDP. Despite numerous protections, schemes, programmes and policy measures, MSMEs in India have remained small, technologically backward and lack competitiveness. The survival of MSMEs in today's global and competitive environment requires credit facilities, subsidies, training, upgradation of latest technology, knowledge etc. from Government. PMEGP is one of the main programmes launched by Government of India to promote MSMEs and increase self-employment among people in both urban and rural areas of India.

Key Words

PMEGP, MSMEs, GDP

INTRODUCTION

Prime Minister Employment Generation, a new credit-linked subsidy programme was launched by the Government of India on 15th August, 2008 by merging the two schemes namely Prime Minister's Rojgar Yojana (PMRY) and Rural Employment Generation Programme (REGP) for generation of employment opportunities by establishment of micro enterprises in rural as well as urban areas. PMEGP is a centrally-controlled programme administered by the Ministry of Micro, Small and Medium Enterprises. Marginal money (subsidy money) is one of the important features of this programme. As per the guidelines of PMEGP, Government provides subsidies, to general category @15% of the project cost to urban area beneficiaries and @25% of the project cost to rural area beneficiaries, in case of special category (included SC / ST / OBC / Minorities / Women, Ex-servicemen, Physically Handicapped, NER, Hill and Border areas etc.) @25% of the project cost to urban area beneficiaries and @35% of the project cost to rural area beneficiaries. This scheme is implemented by Khadi and Village Industries Commission (KVIC) as the single nodal agency at the national level, under the administrative control of the Ministry of MSME. At the state level, the scheme is 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.

Since the inception of this programme, many initiatives were taken by various agencies and banks. There is a need to assess the performance, role and working of this programme in the progress of MSMEs and self-employment in India.

REVIEW OF LITERATURE

Various studies have been conducted from time to time covering employment perspective. Kharbanda (2001) highlights that knowledge as a factor for competitive advantage has replaced traditional factors like labour and capital. The present day knowledge economy demands knowledge-intensive enterprises which only can survive in the ongoing process of globalization and increased international competition. Dev and Mahajan (2003) analysed the employment situation of Andhra Pradesh by providing a profile of trends in employment and unemployment. The study found that people of Andhra Pradesh were more employed in unorganized sector as compared to organized sector. Dev (2006) studied current policies and programs for employment generation along with an

analysis of the trends and challenges. The research concluded that there was growth in the country, but on the other side, there was negligible growth in employment opportunities. The researcher suggested, efforts need to be put on improvement of employment generation programs and social security programs. Cooker (2011) studied the historic perspective of the right to work act, depth study of EGS, NREGS and MREGs from 1972 to 2010. The researcher revealed that wage rate and employment rates were less in case of MREGS. The prime motive of EGS i.e. poverty alleviation did not achieve. Salwan (2012) examined the factors responsible for low profitability of banks. The study found that lending rules to MSMEs increased the NPAs as MSMEs did not adopt the best management practices and there was no strategic planning. Karimov (2012) revealed the role and importance of small business and private entrepreneurship in implementing the social and economic policy in Uzbekistan. It showed the vital role played by Uzbekistan in presenting and neutralizing the negative and destructive consequences of the global financial crisis post-2007. Palta Singh (2012) described that the present educational scenario in developing countries has limited scope for preparing the young masses to overcome the problems of unemployment and poverty. It suggested that the creativity and interest of the young minds need to be nurtured through an appropriate system of education. Arshad et al. (2013) concluded that despite the support provided, the SMFEs are plagued with structural problems that require more than institutional support that includes R and D and innovation, infrastructural development and specific policies to address their unique problems. The above researches showed that no worthwhile research has been conducted to assess the role, progress and performance of PMEGP in the development of MSME and self-employment in India. This study is an attempt in this direction.

OBJECTIVES OF THE STUDY

1. To assess the role, progress and performance of PMEGP in the development of MSME and self-employment in India.
2. To make suggestions on the basis of the findings of the study to make PMEGP more effective and successful in promoting MSME and self-employment in India.

RESEARCH METHODOLOGY

This study is based on secondary data. The data has been collected from various annual reports of MSME, journals, websites, etc. The time period of the

study has been taken from 2009-10 to 2012-13. To achieve the desired objectives of the study, the data related to employment generation, the EDP training program organized, awareness camps organized, exhibitions and workshops conducted, total number of applications received, projects recommended, projects sanctioned, the projects actually disbursed and marginal money utilized has been collected and analyzed.

LIMITATIONS OF THE STUDY

The study collected the data from the secondary sources so it carries all the limitations inherent in the secondary data.

ANALYSIS OF PERFORMANCE OF PMGEP

Table 1

Progress, Response and Benefits Given to New Applicant under PMEGP

Year	Total No. of Applications Received	No. of Projects Recommended	No. of Projects Sanctioned by the Bank	No. of Projects Actually Disbursed by the Bank	Margin Money Utilized (In Lakhs)
2009-10	215241	106286	26692	7515	16008
2010-11	270673	116034	42833	26871	51548.85
2011-12	154643	65837	57733	35607	69879.64
2012-13	214912	53143	24464	18160	36146.28

Source : Annual Reports of MSME

Table 1 depicts the total applications received from aspirants to take credit-linked subsidy scheme, the applications recommended to banks to sanction loans, banks sanctioned cases and actually disbursed cases from 2009-10 to 2012-13. The results show that there is no significant increase in the number of applicants. The total applicants received in 2009-10 and 2010-11 were 2,15,241 and 2,70,674 respectively, which reduced to 1,54,643 in the year 2011-12 and again increased to 2,14,912. This may be due to lack of awareness among the people regarding this programme. The projects recommended from applications received were showed decreasing trend. The projects recommended in the year 2009-10 were 1,06,286 which reduced to 53143 in the year 2012-13. There is a huge decrease of 50 per cent. This may be due to the reason that applicants do not

apply properly, do not have attractive proposals, don't present their proposal effectively, corruption at various levels, the norms adopted by the recommending agencies to clear the proposals etc.

The banks sanctioned the recommended proposals and actually disbursed cases show an increasing trend from 2009-10 to 2011-12 and again show decreasing trend in the year 2012-13. This is very surprising that banks reject lots of recommended proposals and also did not disburse all their sanctioned cases. The success rate of applications to avail this scheme in majority of the years is less than 10 per cent. This may be due to large corruption, lack of commitment and accountability among employees of the agencies and of the banks in the implementation of government schemes. The lower success rate of this program may also be one of the reasons of the slow progress of this scheme.

Although for improved implementation of the scheme, the progress made under PMEGP is reviewed in the Ministry at regular intervals. Besides, all Chief Ministers have been requested to instruct the state implementing agencies, namely, DICs and KVIBs as well as banks to put in more concerted efforts in improving the performance of PMEGP. Regular review meetings by national level monitoring committee, KVIC and others are also held. But the progress results of the study depict ineffectiveness of the Ministry and all other agencies. The non-progress of this programme may be due to the reason that banks don't disburse to lot of applicants whose cases were earlier sanctioned by the banks. It may be due to fear of banks regarding non-performing assets, corruption by bank employees, ineffective control of RBI and the government on banks in implementation of PMEGP.

Table 2

Percentage Success of Applicants in Availing Credit-linked Subsidy under PMEGP

Year	Total Applications Received	Projects Recommended	Projects Sanctioned by the Bank	Projects Actually Disbursed by the Bank
2009-10	100	49.38	12.40	3.49
2010-11	100	42.87	15.82	9.93
2011-12	100	42.57	37.33	23.02
2012-13	100	24.72	11.38	8.45

Source : Annual Reports of MSME

Table 2 reveals the success rate of applications to avail loan under the credit-linked subsidy scheme under PMEGP from 2009-10 to 2012-13. The results depict that from 2009-10 to 2012-13 more than 50 per cent applications were rejected and in the year 2012-13 only 24.72 per cent proposals were recommended to banks. The proposals sanctioned were 12.40 and 15.82 per cent in the year 2009-10 and 2010-11 respectively. The sanctioned cases showed some improvement in the year 2011-12 and reached 37.33 per cent. The bank sanctioned only 11.38 per cent in the year 2012-13. The study again showed surprising results that banks actually disbursed few sanctioned cases. In the year 2009-10, the banks sanctioned 12.40 per cent cases and disbursed only 3.49 per cent cases. It shows that under this programme, very few applicants avail actual benefit of credit-linked subsidy whereas majority applicants' efforts do not bear fruit.

Table 3

Performance of Work under PMEGP

Year	No. of Persons Got Employment Opportunities	No. of Persons Undergone EDP Training	No. of Awareness Camps Organized	No. of Exhibitions Conducted	No. of Workshops Conducted
2009-10	255060	30890	758	220	45
2010-11	246133	18233	564	143	15
2011-12	325359	22132	164	180	07
2012-13	155418	31367	268	267	19

Source : Annual Reports of MSME

Table 3 highlights the progress and performance of PMEGP in providing employment opportunities, providing entrepreneurship development training, to increase awareness among public by organizing awareness camps, organizing exhibitions and workshops. The results in all the above mentioned parameters are not impressive and express the sorry state of affairs. The employment generated by PMEGP in the year 2009-10 was 2,55,060 persons which reached at 3,25,359 persons in the year 2011-12 and again drastically reduced to just 1,55,418 persons in the year 2012-13. The persons trained under EDP in the year 2009-10 were 30890 and decreased to 22132 in the year 2011-12. This again shows an increasing trend as persons trained under an EDP were 31367 in the year 2012-13. Similarly, the number of awareness camps, exhibitions and workshops shows a decreasing trend. All these results reveal poor performance

of PMEGP from 2009-10 to 2012-13.

SUGGESTIONS

The study suggests the following measures which should be taken by the Government as well as providers of this programme to make it successful :

- i. The public should be educated about this programme. Awareness camps should be organised to make people aware about the scheme.
- ii. The program should be popularised through aggressive publicity with the help of posters, banners, hoardings, advertisement in newspapers, radio and television.
- iii. The people living in rural areas do not know which business to start. Therefore, they should be provided with all kind of assistance required in making the decision.
- iv. The providers including banks should also provide consultancy services to the applicants so that they can apply properly and their application is not rejected at the first instance.
- v. The providers should not reject application proposals due to clerical errors or errors in paper work; rather they should help the applicants to complete the formalities.
- vi. Banks should disburse all the proposals sanctioned without any delay and not exercise any favouritism.
- vii. The procedure to avail scheme should be made easy and less time consuming.
- viii. RBI and the Government should take strict action against employees who delay the process and reject the recommended and sanctioned proposals.
- ix. All the providers, employees should act honestly and work with full commitment to implement the programme so that all the needful people can avail the benefit of this scheme.
- x. The study suggests that focus should be given more on implementation part as compared to framework part.
- xi. The providers should increase the number of awareness camps, workshops and exhibitions to increase awareness and success of this programme.
- xii. The providers should be accountable for the progress and success of this programme in true spirit.

CONCLUSION

PMEGP is a pivot plan to generate employment and encourage self-employment in both urban and rural areas. The scheme has a good demand but the supplies are not adequate. The technicalities in acceptance and disbursement of the project are cumbersome. The delays in disbursement discourage people and affect the performance of the scheme. There is a need for continuous evaluation and corrective measures as and where required. Bankers need to change their attitude and lend a helping hand in educating people. The suggestions provided by the study will surely improve the performance of PMGEP.

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