Perspective of Entrepreneurial Concept in Prime Ministers' Employment Generation Programme (PMEGP): A Case Study of Uttar Pradesh

Prof. (Dr.) Surendra Kumar

Abstract
The paper is aimed to find out the status of Prime Ministers Employment Generation Programme (PMEGP), a scheme launched by Govt. of India for promoting self-employment with special reference to Uttar Pradesh. Samples of 102 beneficiaries whose projects have been financed under this scheme were identified for this study. The results revealed that high degree of desirability is reflected in the self employed sector vis-a-vis other types of employment such as waged and salaried employment. The results further depicted that the credit linked subsidy scheme (PMEGP) acts as an important source of finance for the entrepreneurs. However, so far irrational approach is being adopted while financing the projects under this scheme and the clearance process for the projects takes much time which results de-motivation and loss of dynamism among the prospective entrepreneurs. The study further revealed that whole process needs to be restructured for effective implementation of this scheme.

Key Words: Prime Ministers Employment Generation Programme, Self Employment, Entrepreneurship Development Programme, Business Venture.

Introduction
The promotion of the entrepreneurship offers the opportunity to diversify employment and income-earning alternatives for the large chunk of the population. Entrepreneurship is a key component to generate wealth and jobs and sustaining economic vitality (De Soto, 1989). The self employed people accounted for over one half of all micro-enterprise employment in the developing world (Mead and Liedholm, 1998) and they becomes self sustaining economic juggernauts that contribute significantly to the macro-economy (Pisani and Patrick, 2002). Due to the potential of the entrepreneurship in generating employment and exploration of the resources Government of India (GOI) introduced many self employment schemes which provide credit linked subsidy to those who take initiative in self employment/entrepreneurship. Prominent among such schemes were Prime Minister’s Rozgar Yogana (PMRY) and Rural Employment Generation Programme (REGP). Both of the schemes although devised after rigorous thought work had some demerits while implementing at grass root level. It was because of this reason that a need was felt by GOI to merge both schemes in such a way that maximum benefits could reach to the prospective entrepreneurs. To address the grass root needs of the prospective entrepreneurs and shortfalls in the previous mentioned schemes, GOI introduced a new scheme called ‘Prime Ministers Employment Generation Programme (PMEGP) in the beginning of 2008.

The main objectives of the scheme were to generate employment opportunities in rural and urban areas, to bring together widely dispersed traditional artisans/ rural and urban unemployed youth and give them self employment/entrepreneurial opportunities, and to provide continuous and sustainable employment opportunities. Under this scheme the quantum of credit linked subsidy for urban is 15% and for rural 25% of the total project cost for general category beneficiaries while as, for special category beneficiaries (SC/ST, Women’s, and Minorities etc.) the subsidy for urban 25% and for rural 35% of the total project cost. However, the beneficiaries have to contribute 10% of the total project cost in case of general category and 5% in case of special category. The beneficiary should be above 18 years of age and there is no income ceiling. In case of the project costing above 10.0 lac in the manufacturing sector and above 5.0 lac in the service sector, the beneficiary should possess qualification of middle pass. Under this scheme only new business ventures are eligible for financial assistance.

This scheme has been mandated for implementation to Khadi and Village Industries Commission (KVIC), Mumbai, a statutory body created by the Khadi and Village Industries Commission Act, 1956, which is the single nodal agency at the national level. At the State level, the scheme is implemented through State Directorates of KVIC, State Khadi and Village Industries Boards (KVIBs) and District Industries Centers (DICs) in rural areas. In urban areas, the Scheme is being implemented by the State District Industries Centers (DICs) only. The KVIC is coordinating with State KVIBs/ State DIC’s and monitor performance in rural and urban areas. The KVIC and DIC’s also involve, Udyami Mitras empanelled under Rajiv Gandhi Udyami Mitra Yojana (RGUMY), Panchayati Raj Institutions and other NGOs of repute in identification of beneficiaries under PMEGP.

Need for the Study
The credit linked subsidy schemes have contributed in the entrepreneurship development and employment generation in India. The Uttar Pradesh State besides the central Government schemes for entrepreneurship development/ self-employment has initiated many other schemes for the unemployed youth to

School of Management, Babu Banarasi Das University Lucknow
email- kumarsdr@yahoo.com
mitigate the looming unemployment problem. To motivate and channelize the unemployed youths to start their own income generating units is a Herculean task in a conservative society like Uttar Pradesh where the public sector has been the most preferred choice of employment. Those who want to make a career in self-employment/ entrepreneurship have got a very rough road to tread on due to the non availability of smooth flow of credit, lack of venture capitalists, lack of angle investors, lack of entrepreneurial culture and other entry barriers. In such situation the self-employment/ entrepreneurship development schemes have much relevance in promoting entrepreneurial culture in the state through motivation by way of subsidies and easy & hassle free availability of finance for their projects.

The success of any scheme for self employment / entrepreneurship arena is determined how the scheme is implemented on the ground level, as previous schemes turned out to be unpopular in Uttar Pradesh State and youth have shown low response which can be attributed to many things such as information gap, cumbersome documentation, insufficient credit flow etc. However the PMEGP has been above on merits on some counts, but its real impact can be assessed from the experience of those who opted this scheme to kick start their business ventures. The scheme is still in infancy so far its implementation is concerned in Uttar Pradesh. Therefore, the scheme has to be seen at ground level in its actual practice so that, the hiccups in its effective implementation in pursuit of entrepreneurship development and employment generation are addressed.

Objectives of this Research

The present study has been taken with the following objectives:

1) To find out the status of the PMEGP scheme in Uttar Pradesh State.
2) To study the problems faced by the prospective entrepreneurs in starting their business venture under PMEGP banner.
3) To identify the channels of communication used by the implementing agencies in disseminating information about the scheme;
4) To study the procedure adopted by various stakeholder agencies while implementation; and
5) To draw conclusion, highlight policy implications and to provide result oriented guidelines and suggestions for bring out qualitative improvements in the existing scheme.

Method

Sample

This empirical study was conducted in the State of Uttar Pradesh. Random sample of 102 nascent entrepreneurs (those who have been provided funds along with subsidy to finance their projects under this scheme) were taken for this study. Among total respondents 38.23% were middle pass/under highschool, 39.22% were above highschool /undergraduate, 19.61% were graduates and 2.94% were post graduates. In case of the family background, 69.61% of the respondents were from the business class families and 30.39% were from the service class families. In case of the previous experience of the beneficiaries, 33.33% of the respondents were not having any experience in business, while as 48.04% were having experience below five years in the business, 18.63% above five years of experience in business management.

Measurement

The respondents were asked to give their responses on a questionnaire and the schedule was also administered. Besides they were also interviewed to express their view about the scheme. The questionnaire comprised of two broad sections. In the first section of the questionnaire which aimed to see the status of the scheme, the respondents were asked about i) Why they have opted for entrepreneurship/ self-employment (1. Because of their personal interest, 2. On the advice & motivation by their family members, relatives and friend etc. 3. Due to failure to get a Govt. job, 4. Due to incentives offered by the various schemes.). ii) How they got information about the PMEGP scheme, (1. Through a friend/relative etc, 2. Through electronic and print media, 3. Through the officials of KVIB, KVIC, DIC Banks etc, 4. Through the internet.) Where they faced problems in establishing a business venture under PMEGP (1.In financing the project from the banks 2. In getting PMEGP case sanctioned by the selection committee for margin money, 3. In preparing the supporting documents for releasing the finance. 4. Nowhere). How much of the total project cost was sanctioned in their favor by the selection committee of PMEGP, (1.100%, 2. 75%, 3. 50%, 4. 25%). How much time it took them to get release of finance (1. Three months, 2. Six months, 3. Nine months, 4. More than a year). How much knowledge they had of the technical aspects of the scheme before joining an EDP course (1. Large extent, 2. Some extent, 3. Little extent 4. No extent). What is most appropriate time of the EDP Intervention (1.After the case/business project is sanctioned, 2. Before they select a case/business project idea).

In the second section of the questionnaire the evaluation of the EDP which is a part of the scheme was done. The respondents were asked to evaluate the EDP course they had participated. The degree of the focus of the EDP course on its various aspects was measured on four point likert scale 1=no extent and 4=
larger extent was measured. The aspects were the Motivation and Refinement of Entrepreneurial Attitude and Values, Management Aspects/Soft Skills, Technical Aspects of a Business Venture, Project Planning and Management. At the end the respondents were asked to anchor their level satisfaction on the scale. The statistical techniques used in this study were percentage mean score, mean for central tendency and standard deviation for measuring the scatterness.

Table 1.1 Sample Size and Its Characteristics

<table>
<thead>
<tr>
<th>Parameter</th>
<th>R1(%)</th>
<th>R2(%)</th>
<th>R3(%)</th>
<th>R4(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Education Qualification</td>
<td>38.23</td>
<td>39.22</td>
<td>19.61</td>
<td>2.94</td>
</tr>
<tr>
<td>2 Previous Experience</td>
<td>33.33</td>
<td>48.04</td>
<td>18.63</td>
<td>xxx</td>
</tr>
<tr>
<td>3 Family Background</td>
<td>69.61</td>
<td>30.39</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>4 Total Sample</td>
<td>102</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
</tbody>
</table>

In case of Education Qualification R1= Middle/Under-Highschool R2=Undergraduate R3=Graduate R4=Post-Graduate.
In case of Family Background R1=Business Class R2= Service Class. In case of the Previous Business Experience of the respondents R1=No Experience R2=Less than five Years R3=Above 5 Year of Experiences.

Results and Discussions

Entrepreneurship/Self-employment as a Career
New business is not created by accident. There is enough impeding the process involved in the business startup to suggest that entrepreneurial actions are clearly intentional (Shaver, 1985). Innovation that is Individual's intention to accomplish something new, to get recognition which describes an individual's intention to have status, approval and recognition from ones family, friends and from those in the community (Bonjean, 1966), independence(individuals desire for freedom, control and flexibility in the use of one's time (Schein, 1978), learning, personal development (Scheinberg and McMillan, 1988), welfare and role which include individuals desire to follow family traditions or emulate the example of the others(Shane et al., 1991). There are other environment and economic factors which have an influence upon a person's decision for self employment entrepreneurial career.

The table 1.2 reflects 19.61% of the respondents reported that they took self-employment/entrepreneurship as a career due to failure to get a Govt. job, while as 68.62% of the respondents reported that they took decision of self employment by their own choice to make a career in entrepreneurship which implies that high degree of desirability is reflected by the respondents in the self employed sector/entrepreneurship vis-a-vis other types of employment such as waged and salaried employment in Uttar Pradesh. However, it is also revealed that the self employment schemes do not have much impact on ones decision to make a career in entrepreneurship, as very small percentage (1.97%) of the respondents' report that they opted for self employment/entrepreneurial career due the availability and attraction of the schemes.

Communication Channels for Awareness
The information technology boom in the world has turned world into a global village and lead death of distance. The traditional channels of communication have transformed in to new fast channels. Table 1.2 reflects that 56.86% of the respondents report that they got the information about the PMEGP scheme through field officials of the departments of the KVIB, KVIC, DIC and Banks. However, electronic and mass media channels of communication have been very poorly rated in disseminating information and creating awareness in both rural and urban areas. The traditional channels such as the word of mouth communication through friends and relatives is placed at rank 2nd in creating awareness of PMEGP scheme as, 28.43% of the respondents got information about the scheme through this channel of communication.
Problems Faced by the Entrepreneurs while Availing Finances under the Scheme

In the initial stage of the business venture many problems crop up, as the creation of new venture is a sequence of the events. In the beginning the major challenge is faced in identifying viable business opportunity which involves planning, identifying possible markets and methods of delivery (Cooper, 1982; Vesper, 1990) as well as the identification of the proper resources to support the new business venture (Steveson & Gumpert, 1985; Bird, 1989). However, for small business firms the main source of the finance during their first 2 years of operation are commercial banks (Berger and Udell, 1998). The credit flow is the major hurdle first generation entrepreneur’s face in their business establishment phase, therefore, the various schemes of the Central & State Governments. For self employment/entrepreneurship development are made to address this major hurdle that is the smooth flow of credit to finance the new business ventures. Table 1.2 reveals that the major problems faced by the beneficiary is to get approval of the scheme linked credit for their project from the banks, as 55.88% of the respondents report that once they get the sanction of the case by the selection committee PMEGP and after getting their margin money from the KVIC which is a nodal agency, the problems then arises in banks where the rest of the project finance is not given easily. Moreover, once the Bankers give approval for financing the project, mostly it is given in the form of cash credit limit, with which they are not able to start and execute their ventures as planed and they search for other alternatives of finance at this juncture to support their venture which they are not able to get easily. The financing of projects under this scheme is not provided as per the capital structure given in the detailed project reports (DPR’s). This irrational approach in financing the projects by banks is creating lot of problems in the business startup which leads to aborted ventures.

Total Project Cost Approved

The success of a project is dependent on many factors such as on the right selection of the opportunity, market availability,
right type of technology, proper targeting and segmentation of the market and gaining competitive advantages etc. But one of the main factors which are critical to the success of a business venture is smooth flow of the finance (credit flow). When funds do not flow smoothly during the initial phase of the business venture, it impacts irrevocably, leads to nonprofit making units due to project delay and cost escalations. Moreover, when project is under financed it leads to completely a failure and sick business venture.

The table 1.2 reveals that 43.14% of the respondents report that the selection committee of PMEGP scheme approves only 50% of proposed project cost of their business venture. Only 18.63% of the respondents reported that they have got approval of whole project amount proposed by them. However, on the other side 12.75% of the respondents reported that only 25% of their project cost was approved. This reveals that selection committee of PMEGP are irrationally approving project finance. This irrational approach in financing the project makes beneficiaries to think whether to carry on the proposed project or abandon it or to search other means of finance for the project.

Time Taken to Get Sanction and Release of the Funds for the Venture

It is revealed from the data that 43.14% of the respondents reported that it took those nine months in processing the case under PMEGP to release the project finance and 25.49% of the respondents reported that it took those six months. However, 12.75% of the respondents took more than a year and only 18.63% of the respondents expressed that it took them only three months. This whole explains that the majorities of prospective entrepreneurs do not get timely disbursement of project finance under the scheme for starting their ventures. This is due to many reasons and one of major reason as reported by the respondents is that the cases under PMEGP scheme get held up in the selection process. The selection process is not completed in a time bound manner and beneficiaries have to wait till the selection meeting is held which results into feeling of dissatisfaction and loss of interest among the applicants, as the time factor is a very critical effecting the motivation, dynamism and optimism of the entrepreneurs.

Knowledge of the Technical Aspects of the Scheme before Joining an EDP

Applicants whose projects are being approved under the PMEGP scheme by the selection committee have to go through an Entrepreneurship Development Programme (EDP) which is mandatory to attend before the finance is released to their projects. In EDP course the participant are provided necessary inputs for smooth launching, management and sustenance of their business ventures.

Table 1.2 reveals that 41.18% of the respondents report that they have the knowledge of the technical aspects of the scheme to some extent and 34.31% reports little extent before joining the EDP course. However, small percentage of the beneficiaries 18.63% says they fully had knowledge of the technical aspects of the scheme. It implies that the beneficiaries do not have full understanding of the operational and technical aspects of the scheme before joining an EDP course. While as the beneficiaries must know fully the scheme for which they opt for the credit linked subsidy to launch their business ventures before they undergo an EDP course, as scheme adoption is a matter of decision among various alternatives of finance.

Time of the EDP Intervention

Under PMEGP scheme the prospective entrepreneurs who want to go for self-employment are supposed to apply to the sponsoring agency. After receiving the applications, a selection committee is convened by District Industries Manager who is member secretary of the selection committee. The applicants present themselves personally before the committee which sanctions their cases. The margin money (subsidy part) is sent to the bank along with the detailed project reports for the financing the project. Then the beneficiaries are asked to attend the Entrepreneurship Development Programme (EDP) which is a mandatory for releasing the finance from the banks.

The data reveals that the 60.78% of the respondents report that the Entrepreneurship Development Programme should be conducted before they make a Preliminary Project Report (PPR). While as 39.22% report that the EDP should be conducted after they make PPR. It explains that the practice of the conducting an EDP after the PPR is made is not much favoured by respondents, as majority of the respondents favour that EDP should be conducted before they prepare a business plan & PPR so that they can make an effective preliminary project report by selecting better business opportunity among various business ideas and choosing right production scale and technology and market segment. It is implied from above that the entrepreneurship development process (EDPProcess) is not followed in the implementation of this scheme correctly.

Effectiveness of EDP and Level of Satisfaction

The table 1.3 reveals that the highest mean M=3.63 with SD=0.58 is reflected against the motivation/ refinement of entrepreneurial attitudes and values, aspect of EDP. The lowest mean is reflected against the response of ‘technical aspects of the business venture’ with the mean M=3.39 and SD=0.62. It implies that the EDP focus has remained comparatively a bit
more on motivational aspects. However, the technical aspects of the EDP course are lagging behind other aspects. The technical aspects of the business venture are not talked at length in the EDP’s. This is due to the reason that there is no segregation of the participants on the basis of the business activity. All the beneficiaries participate in an EDP which is of general nature not of customized manner. In such EDP’s the trade specific technical aspects which is part of skill is not imparted them in length. Moreover, the respondents reported satisfaction with the overall EDP course with a mean (M=3.32 and SD=0.75) and a percentage score of 83% level of satisfaction.

Table 1.3 Focus of Entrepreneurship Development Programme (EDP) and Level of Participants Satisfaction

<table>
<thead>
<tr>
<th>Factors</th>
<th>1 (%Score)</th>
<th>2 (%Score)</th>
<th>3 (%Score)</th>
<th>4 (%Score)</th>
<th>Mean</th>
<th>St. Deviation</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation and Refinement of Entrepreneurial Attitude and Values</td>
<td>0.0 (f=0.0)</td>
<td>4.90 (f=5)</td>
<td>27.5 (f=28)</td>
<td>67.65 (f=69)</td>
<td>3.63</td>
<td>0.58</td>
<td>1</td>
</tr>
<tr>
<td>Technical Aspects of a Business Venture</td>
<td>0.0 (f=0.0)</td>
<td>6.86 (f=7)</td>
<td>47.06 (f=48)</td>
<td>46.08 (f=47)</td>
<td>3.39</td>
<td>0.62</td>
<td>4</td>
</tr>
<tr>
<td>Entrepreneurial Management/Soft Skills</td>
<td>0.0 (f=0.0)</td>
<td>7.84 (f=8)</td>
<td>43.14 (f=44)</td>
<td>49.02 (f=50)</td>
<td>3.41</td>
<td>0.63</td>
<td>3</td>
</tr>
<tr>
<td>Project Planning and Management</td>
<td>1.96 (f=2)</td>
<td>5.88 (f=6)</td>
<td>37.25 (f=38)</td>
<td>54.90 (f=56)</td>
<td>3.45</td>
<td>0.70</td>
<td>2</td>
</tr>
<tr>
<td>Overall Satisfaction from EDP Course</td>
<td>0.0 (f=0.0)</td>
<td>16.67 (f=17)</td>
<td>34.31 (f=35)</td>
<td>49.02 (f=50)</td>
<td>3.32</td>
<td>0.75</td>
<td>-</td>
</tr>
</tbody>
</table>

Recommendations
The following recommendations are put forth for the effective implementation of the PMEGP scheme by the various stakeholders.

i. The EDP should be the starting point for the aspirants of self-employment/entrepreneurship. Once they undergo an EDP course they should be asked to make their preliminary project reports (PPR) for financing their projects under the banner of PMEGP scheme.

ii. The sponsoring agencies must workout the Credit cover under the GTMSE scheme of the Govt. of India to facilitate smooth and hassle free finance for these self-employed/first generation entrepreneurs as they are not able to provide collateral security and third party guarantee to the bankers.

iii. The selection committee of PMEGP which gives approval for the projects should be conducted in a fixed time frame of three months, as the time factor in case of first generation entrepreneur plays a very critical factor for their success.

iv. The sponsoring agencies should make use of the electronic and print media for a better coverage and awareness of the PMEGP scheme. And those aspirants of self employment/entrepreneurship must be briefed well in advance about the various pros and cons of the scheme so that they make a choice among various schemes of the State and Central Govt. suitable for their projects.

v. The sponsoring agencies of the PMEGP should make batches of applicants on the basis of the type of the business activity for the EDP course, so that customized EDP’s are offered to them.

vi. The bankers should provide the finance under this scheme as per the capital structure reflected in detailed project reports. Moreover the practice of phasing out the projected amount should be avoided as much as possible.

Conclusion
Most of the respondents have opted for self employment/entrepreneurship as career option due to their own choice and is neither influenced by the schemes of the Government nor
their failure to get a job in public sector. The PMEGP scheme plays an important role in providing credit flow to these aspirants who want to be self-employment and generate employment avenues for others too. The electronic and print media which is the most widespread and fast means of communication in globalized world is poorly used for disseminating the information about the scheme by the line departments, but relying more upon the traditional channels of communication. The beneficiaries of the scheme are facing problems at the hands of the financial institutions which create unnecessary hurdles in releasing the finance for their projects. In most of the cases the sanctioning authority does not approve total proposed project costs to the prospective entrepreneurs. This reflects an arbitrary approach adopted by the sanctioning authorities in financing the projects. Such arbitrary approach towards the project financing put the beneficiaries in dilemma whether to carry on or abandon the project idea or search for other alternatives for financing the project other than this scheme. Moreover, it takes much more time to actually release the finance for the ventures under this scheme, as the selection committees do not process the projects in a time bound manner and bankers were usually found to be bit non-cooperative about the scheme. This whole process leads to unnecessary delay in the project startup which decreases the motivation & interest of the prospective entrepreneurs. The study further revealed in order to create viable and successful entrepreneurial ventures the EDP should be conducted before the prospective entrepreneurs finalize and formulate their projects.

References