

A REVIEW OF PRIME MINISTER'S EMPLOYMENT GENERATION PROGRAMME (PMEGP) IN THE STATE OF WEST BENGAL

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Abstract

The Prime Minister's Employment Generation Programme (PMEGP) is a credit link subsidy scheme for micro entrepreneurs. The main objective of this scheme is to generate employment throughout the country. The Khadi and Village Industries Commission (KVIC) is the nodal agency at the national level. The scheme was introduced in 2008. Since then more than two million employments have been generated and 233000 lakhs projects have been financed. More than Rs 5381 crores have been released as margin money subsidy. Through this article an attempt has been made by the authors to analyse the status of West Bengal vis-à-vis the PMEGP. A comparison has been done with respect to other states of India from the point of employment generation, projects financed and margin money distributed under the scheme from the year 2008-2009 to 2013-2014. Since the inception of the scheme the state has shown remarkable performance in implementing the same.

Key Words: Prime Minister's Employment Generation Programme, Subsidy scheme, Employment Generation, Micro Projects.

The Prime Minister's Employment Generation Programme (PMEGP) is a credit linked Scheme of Govt. of India created by merging REGP and PMRY scheme. The scheme was announced on 15th August, 2008 (Reporter, 2008). The Khadi and Village Industries Commission (KVIC) is the nodal Agency at the national level for implementing the scheme. The main objective of this scheme is to generate employment throughout the country. It also helps to create continuous and sustainable employment opportunities to a large segment of traditional and prospective artisans, rural and urban unemployed youths in the country through setting up of micro enterprises. (Mallikarju Kharge, 2011) The main problem in micro sector growth is lack of capital. The scheme looks after the flow of higher credit from financial institutions to micro sector.

To be covered under this scheme, an individual should have the eligible age, i.e. 18 years. He should pass VIII standard if his project is above Rs 10.00 lakhs and Rs 5.00 lakhs in case of manufacturing and service sector respectively. Self-help groups and charitable trusts can also apply for this scheme. Institutions registered under the Societies Registration Act, 1860 and production based co-operative societies are also eligible for this scheme. (Ministry of Micro, Small & Medium Enterprises, Govt of India, January 2011)

The Scheme is implemented through KVIC, State/UT Khadi & Village Industries Boards (KVIB) and District Industries Centre. The KVIC and State/UT Khadi & Village Industries Boards are responsible for implementation in rural areas, whereas District Industries Centres(DIC) is responsible for both urban as well as rural areas. KVIC, KVIB and DIC are responsible for implementation in the ratio of 30:30:40 respectively. The subsidy under the scheme is only applicable to new units to be established. Existing units or units who have already got any Govt. subsidy either under State/Central Govt. Schemes are not eligible for this scheme. Per capita investment should not exceed Rs. 1.00 lakhs in plain areas and Rs. 1.50 lakhs in hilly areas. Maximum project cost under this scheme is Rs. 25.00 lakhs in manufacturing sector and Rs. 10.00 lakhs in Service Sector. (Ministry of Micro, Small & Medium Enterprises, Govt of India) ("Rural Area" means the area comprised in any village and includes the area comprised in any town, the population of which does not exceed twenty thousand or such other figure as the Central Government may specify from time to time as declared under the KVIC Act, 2006).

The scheme does not provide subsidy in following areas (This is also called negative list of industries under the scheme):

- Industry / Business connected with productions / processing / sale of meat or intoxicant items like Beedi / Pan / Cigar / Cigarette etc.
- Industry / Business connected with cultivation, sericulture, horticulture, floriculture.
- Manufacture of Polythene carry bags of less than 20 microns / containers of recycled plastic.
- Processing of Pashmina Wool and products involving hand spinning and hand weaving coming under purview of Khadi Certification Rule.
- Rural Transport (except Auto rickshaw, House boat, tourist boat in A & N Islands and except house boat, Shikara & Tourist Boats in Jammu & Kashmir and Cycle Rickshaw.)

- CNG Auto Rickshaw will be allowed only in A & N Islands and NER with the approval of Chief Secretary of the State on merit

Table -1 Category of Subsidies

Categories of beneficiaries under PMEGP	Beneficiary's own contribution (of project cost)	Rate of Subsidy	
		Urban	Rural
General Category	10%	15%	25%
Special Category*	05%	25%	35%

* Special Category includes SC/ST/OBC /Minorities/ Women, Ex-Servicemen, Physically handicapped, NER, Hill and Border areas etc. (Neha Dangi, April 2014)

Source: <http://msme.gov.in>

The applications for subsidy under this scheme are processed on first come and first serve basis. To bring transparency in implementation of the scheme e-tracking of the applications has been provided through the official website of KVIC. The applicants can track current position of their application. This service also helps to create data base of PMEGP beneficiaries. The system is successful to enable complete transparency in the decision processes. This leads to better governance and prevents corruption in implementation.

All industries under PMEGP are classified into some major groups. Agro and food based industries includes mainly food processing like oil seed, milk fruit and vegetable processing e.g. bakery, Indian sweets making, daliya making etc. In this category there are total thirty four industries. The next category is forest based industry which involves Ayurvedic Medicine Manufacturing, Bamboo and Cane work, Bee-keeping etc. In this category one can also get thirteen industries. Likewise in the group of handmade paper and fibre industry, Mineral based industry, Polymer & chemical based industry, rural engineering and bio-tech industry we will get ten, twenty, twenty five, fifty seven industries respectively. Service and textile industry contains following industries: 1.Agriculture servicing for sprayers 2. Art board painting/Spray Painting 3.Auto Service Centre 4. Ban Making 5.Band troupe 6. Barber 7.Battery charging 8. Cable T.V. Network/ Computer Centre 9.Cotton Bed/pillows 10.Cycle repair shops 11.Dyeing & Raising(Flannel) 12.Electronics(TV) 13.Embroidery 14.Embroidery of Fabrics 15.HDPE Bag Stitching &Printing 16.Herbal Beauty Parlour/Ayurvedic Herbal Products 17.Hiring of sound system like loud speaker 18.Hosiery 19.Kamble Weaving 20.Laundry 21.Mandap Decoration 22.Manufacture of Lok Vastra cloth 23.Manufacture of Silk Sarees 24.Masonry 25.Mineral Water 26.Motor cycle to fly as taxi (for Goa only) 27.Motorised local boat (Fire glass) for Goa only 28.Musical instruments (for Goa only) 29.Offset Printing & Binding 30.Painter/Mfg. of Paints 31.Plumbing 32.Polyvastra/Silk 33.Printing Press/Screen Printing 33.Public Transport Service/Rural Transport Service 34.Repairs of diesel engines pump sets etc. 35.Screen Printing 36.Screen Printing in Cotton Textile Fabrics 37.Servicing of Electric wining and Electronics appliances and equipments 38.Sofa Repair works 39.Tailoring and preparation of Readymade Garments 40.Tea Stall /Confectionary Shop 41.Thread Balls and Woolen Balling Lacchi making 42.Toys and Doll making 43.Tyre vulcanizing unit 44.Video & Photo studio 45.Watch Repairing 46.Xeorx Centre.

Table - 2 PMEGP Industry Group wise Report

(1st April 2013-31st March 2014) Agency: All

SI No	INDUSTRY GROUP	No of Projects	Category:	ALL(WEAKER GEN)	Gender:	ALL	
			(Amount in Rupees)				
			MM Utilised	Production	Sales	Employment	Wages
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
1)	AGRO AND FOOD BASED INDUSTRY	3024	898485880	2127142275	2747551913	23771	1169928251.25
2)	FOREST BASED INDUSTRY	548	97699459	260940173	283840002	2902	143517095.15
3)	HAND MADE PAPER AND FIBRE INDUSTRY	430	142017978	381889537	495220273	4543	210039245.35

4)	MINARAL BASED INDUSTRY	1285	520276046	1972027014	2734613551	14396	1084614857.7
5)	POLYMER AND CHEMICAL BASED INDUSTRY	732	218205486	741095295	919924444	5961	407602412.25
6)	RURAL ENGG. AND BIO-TECH INDUSTRY	3003	785917119	1915863213	2498473206	20783	1053724767.15
7)	SERIVCE AND TEXTILE INDUSTRY	6235	1180258314	2988939871	3742730039	37305	1643916929.05
-	Total:	15257	3842860282	10387897378	13422353428	109661	571

Source: <http://www.kviconline.gov.in/pmegp>

PMEGP is administered through KVIC at the national level. Applications are invited from prospective entrepreneurs who are interested to open an enterprise under PMEGP through advertisement by the State/Divisional Directors of KVIC in consultation with KVIB and Director of Industries of respective states (for DICs). (S. DHINESHSANKAR, MAY 2012)The beneficiary can submit application along with project report at nearest KVIC/KVIB/DIC/Bank offices. KVIC opened 73 RICS Cells especially to guide the entrepreneurs in preparation of project reports. Other required documents are Certificate of educational qualification, Technical Qualification, Caste Certificate (wherever applicable), EDP Training Certificate (for beneficiaries already undergone). A minimum 2 week EDP training is mandatory for getting subsidy under PMEGP. If beneficiary have no EDP training, after the release of first installment by the Bank, EDP Training should be completed within a year. Beneficiaries will be selected through interview process by the District Task Force Committee headed by the District Magistrate/Dy. Commissioner/Collector. Project will be sanctioned by financing branches of the banks as per techno-economic viability. To provide benefit for large number of beneficiaries, under PMEGP one Unit could setup by one family only. As per RBI guidelines the project costing upto Rs.5.00 lakhs under PMEGP loans are free from collateral security. The CGTSME provided collateral guarantee for the project beyond Rs.5.00 lakhs and upto Rs.25.00 lakhs under PMEGP scheme. More than two million people have been employed and Rs 5,381.63 crore has been released under the Prime Minister's Employment Generation Programme (PMEGP), since it was launched by the ministry of micro, small and medium enterprises (MSME) on August 15, 2008. More than 233,000 lakh projects have already been provided subsidy under this scheme. (As per the data released in February 2014).

The government has been increasing the allocation for PMEGP every year and the allocation for 2013-14 is Rs 1,418.28 crore. For the country as a whole, the outlay for the PMEGP has been enhanced by 70% to Rs 8,060 crore from the Eleventh Plan to the Twelfth Plan. (BS Reporter, 2014).

It has been observed by Nathan Economic Consulting India Private Limited for Ficci-Confederation of MSME that Rs 5.33 lakh is the average investment under prime minister's Employment Generation Programme for setting up micro enterprises and the average employment generated is nine employees per unit over the period of 2008-09 to 2012-13. The study also has pointed to another fact that between 2008-09 and 2012-13, about 80 per cent of the target for the number of projects assisted under the PMEGP has been achieved and it has also been able to achieve 75 per cent of the employment generation target; and 99.4 per cent of government subsidies known as margin money released to open MSME have been used. (As per data of October 2014)

The following table describes the targets and actual achievement for this five-year period(2008-09 to 2012-13) for margin money released, number of projects assisted and employment generated:

Table: 3 Target and achievement for the first five years under PMEGP (Total)

	Margin Money (Rs in Crore)	Project	Employment Generation (In Millions)
Target	4,173.7	278,550	2.68
Achievement	4148.35	222,167	2.035

(Shirali, 2014)

The actual achievement is really encouraging.

The Central is planning to double upper investment limit of units eligible under the Prime Minister's Employment Generation Programme (PMEGP) to Rs 50 lakh — the maximum cost of the project admissible under the manufacturing sector. A consistent rise in input cost mainly that of plant and machinery has prompted the central government to take decision for modifying limit. Many studies observe that the current average cost of putting up industry anywhere in India is Rs 4 lakh, but if it is considered about Punjab and Haryana it is about Rs 9 lakh and Rs 7.5 lakh respectively. The proposed move would thus benefit states like Punjab and Haryana to a great extent (Roy, 2012).

PROBLEMS IN IMPLEMENTING THE SCHEME

Researchers have found out various problems faced by entrepreneurs while availing the scheme. Using traditional channels of communication only to create awareness about the scheme is the first problem. Next problem is the obstacle in the smooth flow of finance from bank in form of credit. Though entrepreneurs get sanction of margin money from nodal agency under PMEGP, they don't get rest of the finance from the banks easily. Often they get finance in the form of cash credit loan, not in accordance with their project reports. It is often seen that the selection committee of PMEGP approves partially of proposed project cost of their business venture. Time taken for approval and release of fund varies from three months to one year. Majority gets fund after nine months. (Kumar, July 2013)

The table - 4 The performance of PMEGP in whole of India from 2008-09 to 2012-13:

Year	Govt. Subsidy Released by MSME(Rs.in Crore)	Projects financed (No.)	Margin Money subsidy utilized(Rs.in Crore)	Employment opportunities created (No of persons)	Employment/Project
2008-09	740.00	19,166	356.23	2,04,747	10.68
2009-10	504.21	40,918	762.44	4,24,982	10.39
2010-11	877.20	49,064	891.18	4,80,613	9.80
2011-12	1010.24	55,135	1057.84	4,95,523	8.99
2012-13	1228.44	57,078	1080.66	4,28,221	7.50

Source: <http://www.kviconline.gov.in/pmegp>

If we consider it we can see that from the year 2008-09 to 2012-13 total govt. subsidies released by MSME is Rs 4360.09 crore. In case of total margin money utilization in form of subsidy is Rs 4148.35. Total no of projects financed are 222167. Total no employment generated are 2035000.

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Table- 5 Achievement of West Bengal under PMEGP from the 2008-09 to 2010-2011

Year	Applications received		Sanctioned		Disbursed		Employment (No.)
	No.	Margin Money	No.	Margin Money	No.	Margin Money	
2008-09	11521	16908	2929	3243	2508	2681	22572
2009-10	33813	52153	6900	7154	6111	6375	27536
2010-11	53955	77999	8451	7814	6178	6012	27801

*Margin Money in lakhs

Source: <http://msmewb.org>

From the table it is observed that in West Bengal, the total number of employment generation, number of projects financed and margin money distributed are 77909, 14797 and 15068 lakhs respectively covering the period 2008-09 to 2010-11.

In case of whole of India, the number of employment generation, no of project financed and margin money distributed are 1110342, 109148 and 200985 lakhs respectively during the same period, i.e., 2008-09 to 2010-11.

If performance is considered, West Bengal has achieved 13.55% of projects financed, 7.49% of margin money distributed and 7.02% of employment generated with respect to the overall performance of whole of India under Prime Minister Employment Generation Programme from the year 2008-09 to 2010-11.

Table-6, State-wise details: units assisted, margin money utilised and estimated employment generation during 2011-12 (upto 15th february, 2012) under PMEGP

Sl No	State/UT	Number of units assisted in	Margin Money subsidy utilised (Rs.IN lakh)	Estimated Empl. opportunities (No. of persons)
1	Chandigarh	13	10.42	41
2	Delhi	105	147.00	1190
3	Haryana	666	1258.72	6786
4	Himachal Pradesh	514	757.99	2617
5	J & K	1109	1478.71	9890
6	Punjab	640	1360.59	5938
7	Rajasthan	1497	2588.80	14590
8	A & N Islands	131	66.80	357
9	Bihar	2442	5061.71	15423
10	Jharkhand	942	1511.91	6448
11	Odisha	2101	3901.91	21010
12	West Bengal	5290	5249.36	43562
13	Andhra Pradesh.	1459	4895.52	33115
14	Karnataka	1347	2722.40	15442
15	Kerala	1243	2247.94	12430
16	Lakshadweep	0	0	0
17	Puducherry	43	44.60	234
18	Tamil Nadu	1827	4466.73	27138
19	Goa	72	149.32	1245
20	Gujarat	1494	5215.84	8058
21	Maharashtra	1533	2300.72	9276
22	Chattisgarh	1199	2583.12	6163
23	Madhya Pradesh	1707	4173.34	14032
24	Uttarakhand	692	850.50	3738
25	Uttar Pradesh	3205	10758.81	30880
26	Arunachal Pradesh	370	441.63	3500
27	Assam	2234	2349.17	17944
28	Manipur	275	481.28	1766
29	Meghalaya	460	828.93	1820
30	Mizoram	189	349.01	1890
31	Nagaland	390	823.92	4215
32	Tripura	397	769.97	4548
33	Sikkim	21	32.97	73
	Total	35607	69879.64	325359

Note: Figures of Dadra & Nagar Haveli and Daman & Diu have been included in the figures of Gujarat and Maharashtra, respective.

Source: (Ministry of Micro, Small and Medium Enterprises, 2012)

In the year 2011-12, West Bengal has held 1st position in total units assisted and no of employment generated and 2nd position in margin money distributed in compare to other states under PMEGP.

Table - 7 State-wise details- Units assisted, margin money utilized and estimated employment generation during 2012-13(up to 31 December 2012) under PMEGP

Sr. No.	State/UT	Number of units assisted in	Margin Money subsidy utilized (Rs. IN lakh)	Estimated Empl. opportunities (No. of persons)
1	Jammu & Kashmir	837	1363.54	7480
2	Himachal Pradesh	368	561.39	1793
3	Punjab	348	403.06	1831
4	UT Chandigarh	0	0.00	0
5	Uttarakhand	91	86.95	485
6	Haryana	243	377.68	1302
7	Delhi	64	44.06	640
8	Rajasthan	66	213.22	317
9	Uttar Pradesh	2490	6470.68	24835
10	Bihar	219	510.66	2170
11	Sikkim	18	36.84	121
12	Arunachal Pradesh	0	0.00	0
13	Nagaland	180	412.70	2297
14	Manipur	358	513.48	1875
15	Mizoram	0	0.00	0
16	Tripura	45	78.95	352
17	Meghalaya	198	440.54	496
18	Assam	987	1018.51	4085
19	West Bengal	2864	2655.27	22912
20	Jharkhand	635	1092.84	3175
21	Odisha	963	2006.26	9730
22	Chhattisgarh	1006	1633.83	6892
23	Madhya Pradesh	1133	3016.83	9501
24	Gujarat*	595	2301.04	6937
25	Maharashtra **	1982	3315.69	11882
26	Andhra Pradesh	494	2006.77	6257
27	Karnataka	624	1800.56	4307
28	Goa	10	9.84	31
29	Lakshadweep	0	0.00	0
30	Kerala	169	565.30	1366
31	Tamilnadu	1095	3169.39	22109
32	Puducherry	11	9.63	85
33	Andaman & Nicobar Islands	67	30.77	155
	Total	18160	36146.28	155418

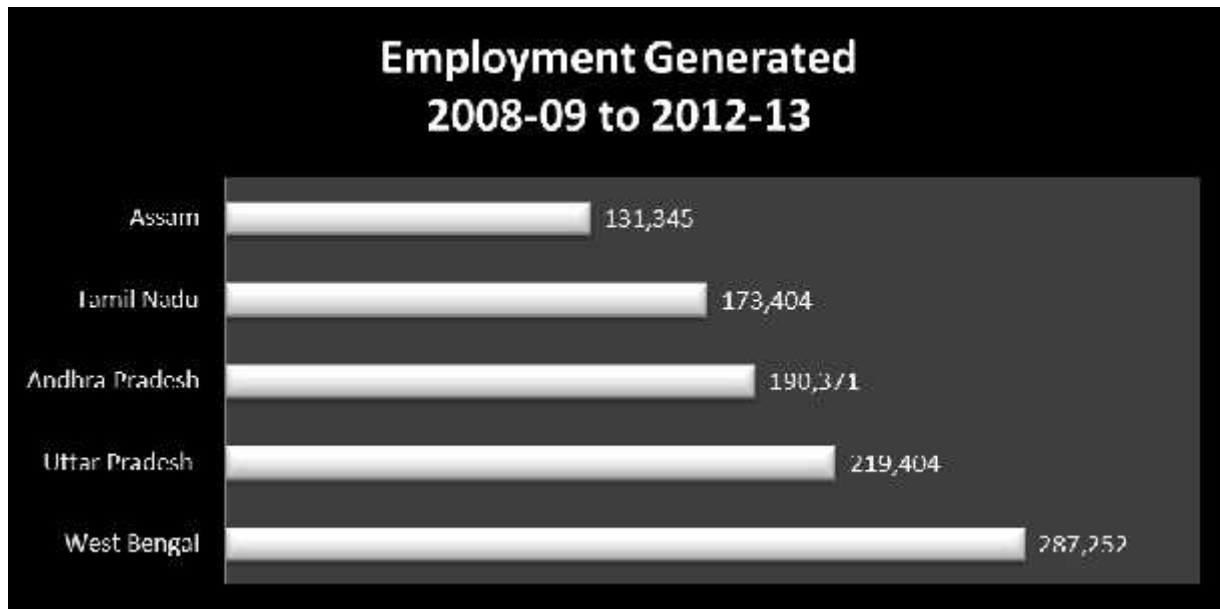
* Including Daman & Diu.

** Including Dadra & Nagar Haveli

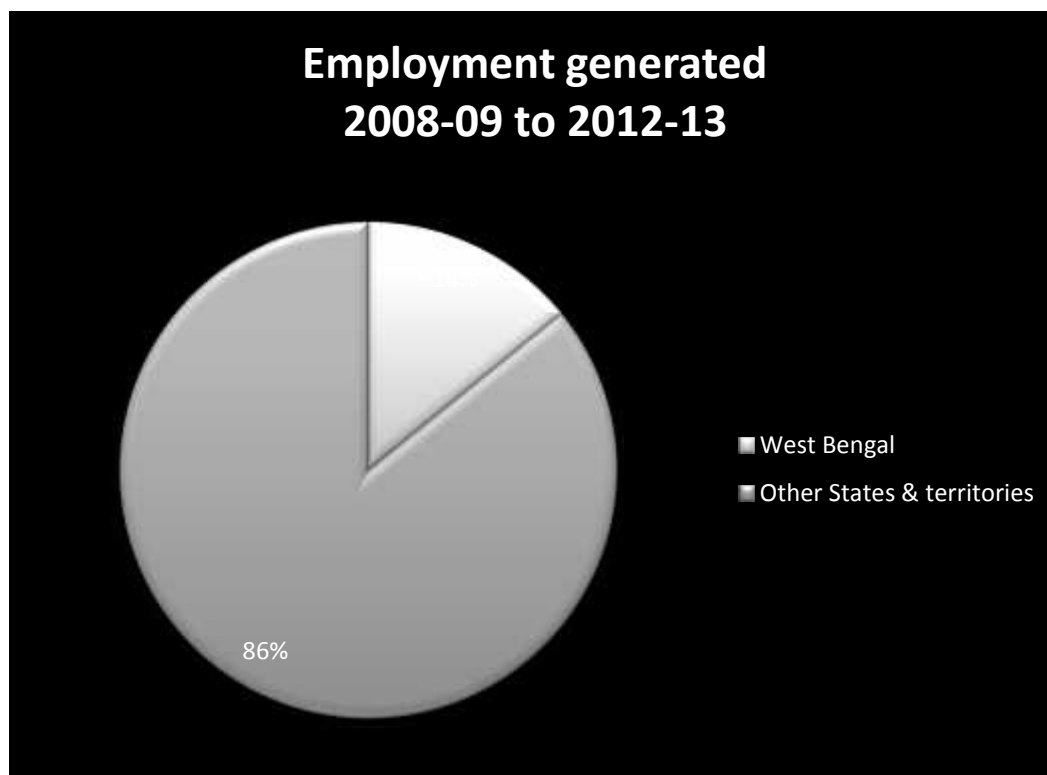
Source: (Government of India Ministry of Micro, Small and Medium Enterprises, 2013).

In the year 2012-13, West Bengal is the best performer in respect of total no of projects assisted. In case of margin money distributed and employment generated, West Bengal has got 2nd position after Uttar Pradesh.

If data of PMEGP are considered from 2008-09 to 2012-13, it would be observed that West Bengal has achieved maximum employment generation numbered 2,87,252 in comparison to other states.



West Bengal has generated 14% of total employment in India under Prime Minister Employment Generation Programme from 2008-09 to 2012-13.



In projects financed, again West Bengal is in first position as compared to other states from 2008-09 to 2012-13 under PMEGP. The total no of projects financed are 29,212.



West Bengal has financed 9% of total projects financed in the whole country.



Though it is true that West Bengal has received maximum assistance of Rs 333 Crores from the central government under the PMEGP scheme over these five years, it is also true that the state has been able to utilize nearly all of Rs 333 crores worth of margin money subsidy (Shirali, 2014).

In the year 2013-14, number of projects assisted, margin Money distributed and estimated employment generated were 50460, Rs 107574.97 Lakhs, and 368545 respectively. The state had assisted 3273 projects and it had secured the 3rd position at the national level.. It had distributed Rs 5596.67 lakhs, estimated employment generated was 24189 and it was in 5th position in comparison to other states. (Government of India Ministry of Micro, Small and Medium Enterprises, 2014)

It is encouraging if we consider the regression analysis carried out in the study by the Nathan Economic Consulting India Private Limited which indicated a "statistically significant" positive impact of employment generated under the PMEGP on gross state domestic product (SGDP). The analysis showed that a 10 per cent increase in employment under the PMEGP has been resulted in a 1.5 percentage point increase in the GDP of the state concerned

To study the relationship between employment generated under the PMEGP scheme and the total employment in the organised sector, correlation analysis has been done between the two variables by Nathan. The result of this analysis is that employment generated under the programme is significantly correlated to the total employment in the organised sector (61.5 percent). A conclusion can be drawn that a high number of newly start-up micro enterprises are providing ancillary services to the organized sector. (Nathan Economic Consulting India Private Limited , August 2014)

It is also observed that average investment per unit is Rs 5.33 lakh. Micro industries are labour intensive and provide large no of employment. It is also encouraging that average employment created is 9 employees per unit. (Nathan Economic Consulting India Private Limited , August 2014)

If we consider West Bengal, We will see that West Bengal's SGDP (nominal) has grown at the rate of 14.14% from the year 2012-13 to 2013-14 which is much lower than Madhya Pradesh having highest SGDP growth of 21.15% (Planning Commission). The unemployment rate of West Bengal is 52%. (Bengal's employment rate improving, says report, 2015) Unorganized sector employment in India is 93% where the state is in a better position. By considering this situation, the central government should provide more assistance under PMEGP to West Bengal. At the same time, the state should keep its performance at par with the previous standard to overcome the present situation.

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