

# ENTREPRENEURIAL DEVELOPMENT OF TRIBAL BENEFICIARIES AND PMEGP IN BIHAR: EFFECT AND CONSEQUENCES

Dr. Sudhanshu Chaturvedi  
University Department of Commerce,  
B.R.A. Bihar University, Muzaffarpur.

## Abstract:

The poverty eradication is the biggest challenge to attain the objectives of inclusive growth in India. Poverty is a socio-economic phenomenon that is intimately allied to inequality, poor lifestyle, deprivation, malnourishment, illiteracy and low human resource development. It adversely affects physical well-being, psychology, efficiency and productivity as well disturbs their economic status. No country can claim economic growth when sections of the people are marginalized. India is home to 22 percent of the world's poor. Reduction of poverty in India, is, therefore, vital for the attainment of MDGs and SDGs. The poor's entrepreneurship, a participatory transition through self-employment, is readily recognized as a means of circumventing existing power structures, embedded gender inequalities and gaining agency through improved financial status, which can be possible through the state livelihood development program interventions like Prime Minister's Employment Generation Programme (PMEGP), particularly in the Bihar region of India. Therefore, present research paper aims to study the performance of PMEGP in the study area in terms of its impact in developing the entrepreneurship and in turn, socio-economic growth of the beneficiaries in those regions.

## INTRODUCTION

Poverty is the single most important issue of the world as more than three fourth populous of the world, living in developing countries, hold only 16% of the world's total income, while the richest 20% have 85% of the global income (Todaro, 1997). Thus, the livelihood development is the shifting of power from a state of unjust to one that is just. It includes the provision of opportunities to those deprived sections of the society for making their decisions with reference to their household matters (economic) which include production related activities and investment in different futuristic livelihood options (Shah et.al., 2010). It is a form of transition where the poor feel free from any sense of subservience to the richer. This means the livelihood development programmes echo in the increasing self-reliance to enable them to recognize and improve their multifactor well-beingness. Thus, people empower themselves by increasing their ability to control their own lives and economic resources in order to create a more fulfilling existence through mutual efforts to resolve their shared problems through the government sponsored programmes (Maser, 1997).

Regardless, it is clear that one's work is critical to the survival and security of their households and thus, their economic contributions should be given importance in policy design. Poor continue to have systematically poorer command over a range of productive resources, including land, knowledge, skill, information and financial resources. International experience demonstrates that when they feel relatively equal, economies tend to grow faster, the poor move more quickly out of the poverty and the well-being of men, women, and children is enhanced. Entrepreneurship, developed through the state's intervention, plays an important role in determining economic growth, poverty reduction, and development effectiveness, through the control over the decisions and resources (Kabeer, 2003).

While micro business activities in India and other developing world managed to relieve poor of the burden of un/underemployment and provide them with some economic returns to reduce their poverty, numerous constraints continue to hold them back - a dearth of available capital or finance including other resources; basic infrastructure, technology, education, and other basic business skills (Jena, 2014). Rich have immense control of poor because employment relations embody ideas, values and identities; allocate labour between tasks, activities and domains, determine the distribution of resources and because rich-poor relations assign authority, agency and decision-making power. (Kabeer, N. 2003, pp 169- 193).

In old days, a number of market, government, educational and systemic “failures”, deficiencies in institutional arrangements, and gender discrimination combine to adversely affect poor’s access to development, food, education, training, management, finance, credit, professional business development services, market information, representation and other economic resources and opportunities. Local entrepreneurs in the Bihar state, Arunachal Pradesh, face an intimidating array of challenges arising out of their socio-cultural, economic, legal, political, and technological milieus. Moreover, adverse conditions in local regulatory, normative, and cognitive systems play the role of the hostile brother to put an additional burden on these poor who want to become entrepreneurs or to expand an entrepreneurial venture.

As Sen & Parpart argue: “we reject the belief that it is possible to obtain sustainable improvements in poor’s economic and social position under conditions of growing relative inequality, if not absolute poverty, for both women and men. Equality for poor is impossible within the existing economic, political, and cultural processes that reserve resources, power and control for small groups of people. But neither is development possible without greater equity for, and participation by poor. (Parpart, 2000 Sen & Parpart in Desai & Potter, 1988). The poor’s entrepreneurship, a participatory transition through selfemployment, is readily recognized as a means of circumventing existing power structures, embedded gender inequalities and gaining agency through improved financial status, which can be possible through the livelihood development program interventions like Prime Minister’s Employment Generation Programme (PMEGP) provided by the governments from time to time, in the Bihar region of India.

### Research Background & Review of Literature

**PMEGP:** Government of India has introduced Prime Minister's Employment Generation Programme (PMEGP), on 15th August 2008, a credit linked subsidy programme, by merging two schemes that were in operation till 31.03.2008, viz., Prime Minister’s Rojgar Yojana (PMRY) and Rural Employment Generation Programme (REGP) for generation of employment opportunities through establishment of micro enterprises in rural as well as urban areas. PMEGP is a central scheme to be administered by the Ministry of Micro, Small and Medium Enterprises and implemented by Khadi and Village Industries Commission (KVIC) as the single nodal agency at the National level; and State KVIC Directorates, State Khadi and Village Industries Boards (KVIBs) and District Industries Centres (DICs) and banks at state level. The Government subsidy under the Scheme is routed by KVIC through the identified banks for eventual distribution to the beneficiaries/ entrepreneurs. The implementing agencies are associated with various local bodies in the implementation of the scheme, especially for identification of beneficiaries & setting up viable projects and providing training for entrepreneurship development.

**Table No. 1 PMEGP- All India Achievement-Progress of PMEGP during XI (2008-09) to 2011-12) & XII Plan (2012-13 to 2015-16)**

Year	MM subsidy released (Rs. crore)	MM subsidy utilized # (Rs. crore)	No. of projects assisted	Estimated employment generated
<b>XI Plan Total (2008-09 to 2011-12)</b>	<b>3131.65</b>	<b>3067.69</b>	<b>1,64,283</b>	<b>16,05,865</b>
<b>2012-13</b>	<b>1228.44</b>	<b>1080.66</b>	<b>57,884</b>	<b>4,28,246</b>
<b>2013-14</b>	<b>988.36</b>	<b>1076.45</b>	<b>50.493</b>	<b>3,78,907</b>
<b>2014-15</b>	<b>1073.17*</b>	<b>1122.54</b>	<b>48.168</b>	<b>3,57,502</b>
<b>2015-16</b>	<b>1013.53</b>	<b>872.44</b>	<b>38.103</b>	<b>2,78,160</b>
<b>XII Plan Total</b>	<b>4303.5</b>	<b>4152.09</b>	<b>1,94,648</b>	<b>14,42,815</b>
<b>XI and XII Plan total</b>	<b>7435.15</b>	<b>7219.78</b>	<b>3,58,931</b>	<b>30,48,680</b>

NB : \*including un-utilized balance funds of previous year.

Source: <https://msme.gov.in/scheme/pm-employment-generation-progra> and other credit support schemes

According to official estimates, employment generation under the PMEGP has declined consistently after 2012-13. While 4,28,246 jobs were generated in 2012-13 under PMEGP, in 2013-14 the number fell to 3,78,907 and further dipped to 3,57,502 in 2014-15. In 2015-16, the jobs creation stood at 2,78,160, whereas according to provisional estimates, between March and October 2016, employment was generated for 1,87,000 persons. The general category beneficiaries under the scheme can avail of margin money subsidy of 25% of the project cost in rural areas and 15% in urban areas. For beneficiaries belonging to special categories such as SC, ST, OBC, minorities, women, ex-servicemen and physically handicapped, the margin money subsidy is 35% in rural areas and 25% in urban area.

### **PMEGP, Entrepreneurship Development and Socio Economic Development:**

The entrepreneurship development is indispensable to achieve overall desired economic development in the country. It is a process in which persons are injected with motivational drives of achievement and in sight to combat uncertain and risky situations especially in dynamic business undertakings. Skill human resource always owe to assets creation which can be ensured through entrepreneurship development, creativity innovation and diversification in the business venture. The process of entrepreneurial development focuses on financial, training, education, reorientation and creation of conducive and healthy environment for the growth of enterprises (Desai, 2010ix; Edward, 2012 ; Jena, 2015, Gupta & Khanka, 2000; Harlay, 1990).

The benefits of the present economic growth in India, generated by a handful of modern industries, do not necessarily trickle down to those business sectors where the largest proportion of the population is engaged, and not at an acceptable pace, with respect to poverty reduction and inclusive growth. It is therefore necessary to take a multidimensional perspective on poverty reduction and includes “bottom-up growth strategies” to encourage the broad-based rise of entrepreneurial initiatives. The “bottom-up growth strategy” focuses on the transformation and diversification of micro and small-scale enterprises to growth-oriented activities and on increasing the productive capacity in order to enable them to participate in the mainstream economy of the nation. This strategy is not a welfare programme, but a necessary condition for attaining sustainable inclusive economic growth by unleashing under-utilized productivity potentials. Thus, the aim of a “bottom up economic growth strategy” is to help poor people to grow out of the poverty trap through micro entrepreneurship (Stevenson, 1986

Dunn et. al. (2006 points out that microenterprise play a vital role in poverty reduction in both urban and rural areas and reinforce urban- rural linkages for social and economic development. The linkages are essential not only for local resources but also in acting as agents for the flow of goods and services between rural and urban areas. Their roles are important since they facilitate self-employment generation through labour intensive traditional enterprise and craftsmanship, employment to poor and women, optimum use of local resources, meeting basic needs of the poor, self-satisfaction on the job, new entrepreneurship venture and equitable distribution of income among poor (Hernandez et al. 2012).

The ability of the poor to grow through self-employment depends on the finance. It may be the venture or seed capital or the working capital needs, the poor faces the constraints. Lack of awareness, inability to provide security, lack of constant flow of income and present oriented-life-style made them vulnerable towards generation of capital to be self-employable or self-reliant. The livelihood development programmes like SGSY, PMEGP, SJSRY, NRY, and PMIUPEP etc. enhance their capital generating capability by eliminating the constrictions of institutional financing, which ultimately leads to a sustainable socio-economic development (Jena, 2015xix). Many research findings reveal that the livelihood development programmes in India are leading to lopsided success, by providing a financial base for the entrepreneurial development. (Medhora, 1965xx; Singh, 1974. Heggade, 1983, Mohsin, 1985, Behari,1990; Roy et.al., 1990).

The similar results were also instituted by other researchers like Sharma & Parthasarathy, 2008; Kabeer, 1995; Nirmala, 2007; Luber & Leicht, 2000; and Pandey, 1990. Importance of government programmes for development and livelihood on first generation entrepreneurs. Her study reveals that PMRY programme, which enhances financial accessibility and skill, had a positive impact on increasing personal effectiveness of the beneficiaries. The training imparted, under the

scheme, has infused higher confidence level among the participants. However, the traditional and conventional activities are predominated among first-generation entrepreneurs. Majority of the enterprises have suffered due to inadequate finance particularly from the formal sources. Therefore, diversification, modernization and identification of suitable schemes could bring substantial results of entrepreneurship activities, if and only if they provided a sound base for generation of capital for development and running of the enterprises (Mathur, 2009 exhorted rural development will be successful only when it goes along with the development of human race, entrepreneurship, financial power, employment generation and infrastructure development. Livelihood through self-employment has become an indispensable tool to eradicate poverty as the Bihar states couldn't accommodate to employ all the job seekers through formal sector jobs. KVI has been tremendously successful in promoting entrepreneurship and livelihood opportunities among the Manipuri women, particularly in textile industries, through PMEGP. The growth rate of employment generation has tremendous as adequate supply of financial products is provided to poor entrepreneurs.

**Basis of Analysis** The present research hypothesized that Prime Minister Employment Generation Programme (PMEGP) has impacts on the entrepreneurship in the Lohit Districts of Arunachal Pradesh, i.e., on the variables - the revenues, fixed assets, employment, and transactional relationships (with both suppliers and customers) of the enterprises. For most livelihood development programmes, the first place one would expect to find impact is in the enterprise operated by the beneficiaries, primarily. It would normally be expected that an effective.

Livelihood Development Programme (LDP) would raise the revenues, fixed assets, and employment of that particular enterprise. During the review of literature, it was found that many an impact studies undertaken previously look no further beyond the primary enterprise for impact of the LDPs. But the current study goes beyond the first level of study – the impact at entrepreneurial level, to the second level i.e., individual and household levels. There are, however, three important reasons for searching more widely. The first argument, which is general, is fungibility. Although loans are taken for particular stated purposes, by enlarging the pool of resources available to the household they can lead to increased expenditure on any of a number of potential uses. Borrowers often have more than one microenterprise, and they may choose to invest in an enterprise other than the one for which the loan was nominally taken. Further, they may not invest in a microenterprise at all. The other two reasons for looking beyond the respondent's primary microenterprise relate to differences between PMEGP and the common type of microenterprise credit programs. PMEGP are more interested in promoting livelihood and entrepreneurship sustainably than in making loans. For this reason, as well as because we believe that entrepreneurship is as important as credit in general, this study evaluates the impact of PMEGP on developing the entrepreneurship. The third and the most important reason is that the growth of entrepreneurship leads to rise in economic flow to the individual beneficiary or to his household. The rise in economic flow affects the life style of the individual and his HH. This will be reflected through various variable leading to changes like Material, Cognitive, & Perceptual Changes.

### **Impact of PMEGP on Entrepreneurship Development – An Analysis**

The first null hypothesis of the present study is "H<sub>0</sub>: Participation in PMEGP scheme has not increased entrepreneurial capabilities of the respondents in the study area, significantly". The variables are studied to substantiate the present research hypothesis are: revenue or income, profit, asset acquisition, employability, savings and loan usability / fungibility, sanction of loan availability and repayment, transactional relationship, and record keeping and management. Therefore, to quantify the above research hypothesis all the above variables for the enterprise are widely tested with the help of descriptive statistical analysis, and ANOVA and presented in table no 4. To nullify the inflationary trends, the values of the two periods were put under the GDP Deflator Index, which is 100 in the year 2012 and 125.1 in the year 2017xliv. The major inferences found from the comparative analysis between two survey periods of the statistics of various entrepreneurial variables are as follows:

1. The changes in average annual revenue and profit, both in absolute and deflated values, between two survey periods are significant statistically and in absolute terms. This rise lead to a significant increase in the value of fixed assets and ploughing back or reinvestment of profit in the business.
2. The employment generation capabilities of the enterprises are also significantly raised between two survey periods in absolute & statistical terms.
3. A turn-around effect, a growth of 17 times in absolute terms and 13 times in terms of deflated values, was experienced with respect to the saving habits of the entrepreneurs.
4. Fungibility of the loans i.e., diverting loans into non-sanctioned purposes, has been reduced in significant manners which proves that the HH has enough income to maintain the day-to-day expenditures and future eventualities.

### Impact on the Perceptual Changes:

The idea of providing low-income people with money to reduce poverty and insecurity was, until recently, regarded with skepticism in development circles. But that is changing rapidly. What the researchers show is that a basic income can be used as development aid and can be transformative. It had four effects, most accentuated by the presence of the collective body. First, it had strong welfare, or “capability”, effects. There were improvements in economic activity and earned incomes, and the socio-economic status of women, the elderly and the disabled. Second, it had strong equity effects. It resulted in bigger improvements for scheduled caste and tribal households, and for all vulnerable groups, notably those with disabilities and frailties. This was partly because the basic income was paid to each individual, strengthening their bargaining position in the household and community. Third, it had growth effects. Contrary to what skeptics predicted, the basic incomes resulted in more economic activity and work. Fourth, it had emancipator effects. These are unappreciated by orthodox development thinkers. The poor’s liberty has no value. But the basic income resulted in some families buying themselves out of psychologically bondage. These four effects – welfare, equity, growth and emancipation – combine to be transformative.

Table : No. 02 Perceptual Changes within Individual/HH (Indirect Impact) Variable between Two Survey periods

Impact Variables	Absolute Change in % between Two Survey Periods, 2012 & 2017	ANOVA		
		F	P	CHANGES
Self Esteem	+75.41%	13.19	.000*	Significant
Self Confidence	+64.98%	10.83	.003*	Significant
Visibility & Respect	+66.53%	12.51	.002*	Significant
Social Participation	+17.53%	1.95	.327	Non-Significant
Mobility & Self Reliance	+84.19%	15.79	.000*	Significant

\* at 5% Significant level, \*\* at 10% Significant Level

Source : Field Study in 2012 & 2018 and Analysis thereafter.

To trace the impact of the PMEGP on the lifestyle of the respondents with respect to the perceptual changes, five variables were taken viz., Self-Esteem, Self Confidence, Visibility & Respect, Social Participation, and Mobility & Self-reliance. For each of the variables, the respondents were asked to answer in five Likert’s scale.

According to the Round I survey, the self-esteem, which includes the factors concerned with the enhanced perception of own individuality, interest, and values like acceptability / recognition of the contributions, recognition of one’s value and giving importance to the interest by the HH and the society etc. was enhanced 75.41%. The second variable, self-confidence, which includes the factors responsible for the enhanced perception of own ability and capacities, scores a growth of 64.98% in the Round II survey.

## Findings

1. The PMEGP has impacted positively on the entrepreneurial growth as reflected in the factors like income / revenue of the enterprise, profit, total informal sector earnings, savings, employment generation, transactional relationships, loan fungibility, subsequent loan issues and repaying capacity, and management of records.
2. The indirect outcome variables or the individual or HH variables like material change, cognitive change and Perceptual change, which had also been tested positive and significant, while analysing the impact of PMEGP in the growth and development of the entrepreneurship which leads to development of the life style of the respondents.

## CONCLUSION

PMEGP found to be effective livelihood measure to ameliorate poverty, unemployment and reduce social and economic disparity among the beneficiaries. Many educated youths including women has benefitted from this scheme to live descent life in the society. The finance considered to be life blood of any business concern. PMEGP helps to solve the problems of operational and seed capital. In the study area, business prospect found to very high in different sectors.

Only productive engagement and proper direction / motivation of unemployment youth toward undertaking some business venture will fetch a positive result towards eradication of poverty and equidistributional economic power.

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