

Prime minister employment generation programme: a tool to attain economic development through MSMEs in India

Economic development
through MSMEs in India

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Abstract

Purpose - This paper reviews and empirically analyses the performance of PMEGP in creating continuous and sustainable (self-) employment opportunities to a large segment of traditional and prospective artisans, rural and urban unemployed youth through micro-entrepreneurial activities.

Design/methodology/approach - The paper empirically analyses the impact of PMEGP in creating employment opportunities in 6 different zones of the country for the period of 2009 through 2016. The study considers estimated employment opportunities created (EEOC) as dependent variable and number of units assisted (NOU) and Margin Money Subsidy Utilized (MMSU) as explanatory variables for analyzing their effect on EEOC; employing various statistical analysis including descriptive statistics, ordinary least square (OLS) regression, regression equation statistics and econometric analysis.

Findings - The random effect model shows that the overall r-square is 0.77 and the f-statistics probability is zero indicating the model is the good fit. Thus, the result of the study reveals that NOU is significant determinant for generating employment opportunities whereas MMSU is insignificant. The paper concludes by giving recommendations for policy makers.

Research limitations/implications - The paper studies the impact of the scheme at a macro level without considering enterprises on an individual basis and the micro-level problems such as inadequate response from banks, etc.

Practical implications - The paper provides a tool to attain economic development through MSMEs in India.

Originality/value - The study spreads across all the six zones of India and examines the contribution of PMEGP in creating employment opportunities, thereby achieving sustainable economic development.

Keywords - Prime minister employment generation programme, MSMEs, Sustainable economic development, Panel data analysis, Random effect model.

Paper type - Research paper.

1. Introduction

Since 1980s, the share of small firms in overall traded value is expanding leading to a shift in economic activity towards the small firms (Wennekers and Thurik, 1999). New possibilities for economic growth, technological innovation, production possibilities, employment and self-employment are emerging from small and new firms, thereby accentuating the concept of entrepreneurship and hone the entrepreneurial abilities (Naudé 2008; Carree and Thurik 2016). The entrepreneurial abilities to make available such opportunities may lead to sustainable economic growth (Dhaliwal, 2016).

In emerging economies particularly, the micro, small and medium enterprises (MSMEs) are emerging as the engine of economic growth (Kumar, Prasad and Rao, 2013) by contributing enormously to the socio-economic development through generation of large employment opportunities at low capital cost, reduction of regional imbalances and provision of equitable



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distribution of national income (Dessai, 2017). While pressing the need for government interventions to support the MSMEs, Singh (2018) specifically highlights measures for ease of doing business and collateral free credit guarantee scheme.

The major challenge for all the states and union territories in India is the generation of productive employment opportunities to fight against poverty (Shallu, 2015). Ministry of MSMEs in India has opened up new opportunities to boost productivity and look for new markets at national and international level (Kumar, Prasad and Rao, 2013). Organisations like progress harmony development (PHD) chamber of commerce and industry and the entrepreneurship development institute of India (EDII) are laying foundations for creating entrepreneurs and entrepreneurial qualities among the youth in India (Dana, 2000).

In accordance with the provision of Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, Ministry of Micro Small and Medium Enterprises (2018) explain three types of enterprises namely- Micro enterprises, Small enterprises and Medium enterprises. Table 1 shows the classification of these enterprises and the limit for investment in plant and machinery / equipment for manufacturing (for manufacturing sector) and service enterprises (for service sector).

Enterprises	Manufacturing Sector	Service sector
	<i>Investment in plant & machinery</i>	<i>Investment in equipment</i>
Micro enterprises	Does not exceed twenty five lakh rupees	Does not exceed ten lakh rupees
Small enterprises	More than twenty five lakh rupees but does not exceed five crore rupees	More than ten lakh rupees but does not exceed two crore rupees
Medium enterprises	More than five crore rupees but does not exceed ten crore rupees	More than two crore rupees but does not exceed five crore rupees

Table 1.
Types of enterprises

Source: (Ministry of micro small and medium enterprises, 2018)

Government at both national and state level is undertaking the task of employment generation at a rapid pace. Further, to achieve employment growth various programs, schemes and initiatives are introduced to make the youth of rural as well as urban areas self-employed. The present study, therefore, focuses on the most prominent and successful programme run by Government of India i.e. Prime Minister Employment Generation Programme (Shallu, 2015; Kaur and Kaur, 2017).

1.1. Prime minister employment generation programme

Prime minister's employment generation programme (PMEGP) conducted by khadi and village industries commission (KVIC) as the single nodal agency at the National level to provide self-employment opportunities to needy and poor youth through establishment of micro enterprises in rural as well as urban areas (Suryavanshi, 2010). PMEGP is a new credit linked subsidy programme under the administrative control of the Ministry of MSME and it is introduced by merging the two schemes namely Prime minister's rojgar yojana (PMRY) and Rural employment generation programme (REGP) on 31st March, 2008 (Chaudhari, 2015). PMEGP is implemented with the objective of creating self-employment opportunities at local level, mitigating migration of rural youth to urban areas, increasing wage earning capacity of artisans and increasing growth rate of rural and urban employment (Dessai, 2017). The major challenge to opt for PMEGP is faced by entrepreneurs while availing the scheme which includes inadequate response from bank i.e. problem in smooth flow of finance in the form of credit, sanction of proposals at the end of the year, they do not get finance in accordance with their project reports and huge pendency at branch and nodal banks (Unnisa and Amulya, 2016).

The applications for availing subsidy under the scheme are processed on first come and first serve basis. e-tracking of the applications has been introduced to allow applicants to keep a track of the status of their applications through the official website of KVIC which brings transparency in implementation of the scheme and helps to create data base of

PMEGP beneficiaries. The system prevents corruption in implementation and leads to better governance (Tripathi and Koley, 2015).

The present study is categorised into six sections. The first section highlights on the introductory part of the PMEGP. Section 2 provides an overview of related research. Section 3 outlines the objective of the study. Section 4 describes the research methodology of the study. Section 5 describes the trend of all the three variables i.e. Estimated employment opportunities created (EEOC), Number of units assisted (NOU) and Margin money subsidy utilised (MMSU) and provides the analysis and interpretation of results. Section 6 provides conclusion and the policy implications.

2. Literature review

Micro entrepreneurship have always been the backbone of an economy and its contribution to the economic development is highly remarkable as compared to any other sector of the economy. For a capital scarce developing country like India, SMEs are solution to several economic issues like poverty, unemployment, income inequalities and regional imbalances (Kumar, Prasad and Rao, 2013). The All India Report of 6th Economic Census (2013) states that 58.5 million establishments are in operation, employing 131.29 million persons and contributing approximately eight percent to the GDP of India.

The entrepreneurial development of any country leads to its economic development as it generates employment opportunities, reduce poverty, increases self-sufficiency in a country. There exists a positive relation between the characteristics (government policies and programmes, financing, education, infrastructure or socio-cultural norms) of the entrepreneurial environment and the different stages (factor-driven, efficiency-driven or innovation-driven stage) of development of a country or region (Martinez-Fierro, Biedma-Ferrer and Ruiz-Navarro 2016).

Singh and Singh (2007) evaluate the performance of PMRY particularly in Manipur by making district wise divisions (nine) and analysing entrepreneurs who benefitted from this scheme. They perform parametric test (chi-square, F test) and found that the annual growth in target-disbursement achievement on the implementation of PMRY in 4 districts of Manipur is significantly negative. Meetei and Deepakkumar (2012) review the activities of Khadi and Village industry of the nine districts of Manipur under the PMEGP scheme. Data is collected from primary as well as secondary sources and it is concluded that KVI products have good demand but lack adequate supplies. The Manipuri women have unique artistic quality promoting textile industry but the states lack youth participating in paper industry in spite of having adequate raw materials. Gupta (2018) studies the impact of PMEGP in Sikkim by considering employment generation, project sanctioned and margin money released in a decade of 2008-2017. It's found that the rural poor's or uneducated youth's income increased but the industries covered were limited.

Suryavanshi (2010) propose that the lower education in rural area is not a barrier in entrepreneurial development. Rather, it is their motivation and learned skills as explained by the experiences shared by 15 borrowers (with various occupational status) who got benefitted from REGP in Kohlapur District, Maharashtra. The interviews were conducted of the officials of DIC, KVIC and banks to authenticate the experiences.

S. Kumar (2013) examine the status of PMEGP in encouraging self-employment in context of Uttar Pradesh by collecting data from 102 beneficiaries who got their projects financed through this scheme. It reveals that the entrepreneurs has PMEGP as an important source of finance which promotes self-employment sector more than the salaried employment. Mittal (2015) discuss the opportunity of self-employment through PMEGP by giving details about the scheme's eligibility conditions, quantum and nature of financial assistance, industries supported (micro and small scale) and the EDP training centres particularly in Punjab helping the low qualified applicant to start an industry and through self-employment earns and contribute to economy as well. Shallu (2015) study the impact of PMEGP on the employment generation in Punjab (divided in three regions - Malwa, Doaba and Majha) further divided in 13, 4 and 3 cities respectively. Percentage and ranking method chosen shows that the employment per city is highest in Malwa, then Majha and finally followed by Doaba. Khan

et al. (2017) notice the physical as well financial performance of khadi and village industry in J and K under PMEGP. The secondary data analysis is based on descriptive statistics and it reveals that both the targets were achieved to its fullest (approx. 95 percent) in recent year (2015-16). Also, the study is based on industry-group wise and social-category wise where the services and textile industries were the best performers and the minority community was the highest beneficiary under the scheme.

Choudhury and Ghosh (2015) investigate the performance of PMEGP in village industries in entire India as well as particularly in Jharkhand on the basis of numbers of project started, production, sales, employment and earnings. The correlation analysis shows a high correlation among all variables but in Jharkhand, project started-production and production-sales have strong relations whereas project started-employment and employment-earnings show weak correlation which may be due to naxalism. Tripathi and Koley (2015) analyse the status of West Bengal as compared to other states of India in terms of projects financed, margin money distributed and employment generated under the scheme of PMEGP. West Bengal accounted for 14 percent of total employment generated and nine percent of projects financed in India.

Dvouletý (2017) empirically investigates the impact of the newly established entrepreneurial activity on the economic development (real gross domestic product per capita) of the Czech regions. The higher rates of newly established business companies led to higher GDP per capita whereas the rate of new self-employed set ups had no impact.

Kaur and Kaur (2017) assess the comparative contribution of different kind of banks (public sector, RRB and cooperative) in implementation of PMEGP in all over India. For this, secondary data from various annual reports of KVIC, websites, journals and newspapers etc. is collected and analysed about number of projects, margin money, production, sales, employment generated, earnings, awareness camps, workshop, exhibitions, EDP training persons, bankers meeting, monitoring committee meetings etc. It shows decreasing trends in few and so suggestions are made to the government to increase the events to make people aware of the scheme.

Going through the literature, the three variables chosen for panel data study are number of units assisted (NOU), margin money subsidy used (MMSU) and estimated employment opportunities created (EEOC) and further explained in Research Methodology section (Tripathi and Koley, 2015; Kaur and Kaur, 2017; Khan, Jamal and Shah, 2017; Gupta, 2018).

3. Objective of the study

The article attempts to review the performance of PMEGP in 6 zones of India for the period of 2009 through 2016. The paper empirically analyses the relationship between number of units assisted under the scheme; margin money subsidy provided and employment opportunities created by employing ordinary least square (OLS) regression and econometric analysis including panel data estimations using random effect model (REM).

4. Methodology

The secondary data of 6 zones i.e. North zone, South zone, East zone, West zone, Central zone and North-east zone pertaining to the period 2009-16 have been used. The data are sourced from annual reports available on MSME website. In this study we considered Estimated employment opportunities created (EEOC) as dependent variable, Number of units assisted (NOU) and Margin money subsidy utilised (MMSU) as explanatory variables for analysing their effect on EEOC.

4.1 Explanation of variables:

Dependent variable: Estimated employment opportunities created (EEOC)

Government of India is making an effort towards improving the social and economic conditions of rural population and non-farm sector through a variety of measures which includes creation of productive and sustainable (self-) employment opportunities based on optimal use of local raw materials as well as enhancing skills, expanding markets, upgrading

technology, and capacity building of the entrepreneurs and their groups/collectives. The khadi and village industries commission is engaged in generating sustainable employment opportunities in rural areas. PMEGP is aimed at increasing wage earning capacity so as to increase the growth rate of rural and urban employment, bring together widely dispersed traditional artisans and unemployed youth and give them (self-) employment opportunities through micro-entrepreneurial activities, setting up of new self-employment ventures/projects/ micro enterprises, to keep a check on migration of rural youth to urban areas (Ministry of micro small and medium enterprises, 2010; Bannigol and Hundekar, 2018).

Explanatory variable 1: Margin money subsidy utilised (MMSU)

The Government subsidy under PMEGP has been routed through the identified Banks for distribution to the ultimate beneficiaries / entrepreneurs in their Bank accounts. The beneficiary/ entrepreneur is required to bring their own contribution of 10 per cent of the total project cost. In case the beneficiaries belong to SC/ST or from other weaker sections, the contribution of beneficiary is 5 percent of the total project cost. Banks will sanction the loan for balance of the total project cost (90 percent or 95 percent as the case may be). After sanction of the credit has been made by the Bank and the beneficiary has undergone EDP (Entrepreneurship Development Program) training, eligible amount of margin money subsidy will be kept in term deposit for three years in his/her account at the leading bank branch, which will be credited to his loan account after a period of two years from the date of first disbursement of loan. The permissible margin money assistance under PMEGP is higher as compared to REGP and PMRY (Ministry of micro small and medium enterprises, 2011).

4.2 Explanatory variable 2: number of units assisted (NOU)

Government of India is providing financial as well as technical assistance for setting up of micro and small industrial production units under various schemes including PMEGP which come under the purview of all India khadi and village industries commission (KVIC), Government of India. Assistance under the scheme is available only to the new units. Existing units that have already availed any subsidy under PMRY, REGP or any other scheme of Government are not eligible to avail assistance under the scheme. Different industrial units/projects financed under PMEGP are handmade paper and fibre industry, agro-based food processing industry, forest-based industry, polymer and chemical based industry, service and textile industry, mineral based industry and others. It enables the first generation entrepreneurs to set up their own units as well as created an entrepreneurial wave in every corner of the country especially in rural areas (Khan *et al.*, 2017).

This study is based on panel data estimation which employs an analysis of the dynamic behavior of the parameter, and can take heterogeneity explicitly into account. Panel data regression is used because of its superiority over cross-section and time series data in using all the evidence obtainable, which are not measurable in pure cross-section and time series (Baltagi and Kao, 2001). In this study, a pool of data has been created by 6 zones of India from 2009-10 to 2015-16. The relationship between EEOC and its influencing variables under PMEGP scheme is modeled as:

$$EEOC = f(\text{NOU}, \text{MMSU})$$

where EEOC is the estimated employment opportunities creation by the scheme in a particular year; NOU is the number of units assisted by the scheme through its financial assistance and MMSU is the margin money subsidy utilised by such units.

These factors have an impact on the employment generation and form a part of model which can be expressed as a regression equation shown by:

$$EEOC_{it} = \beta_{1i} + \beta_{2i} \text{NOU}_{it} + \beta_{3i} \text{MMSU}_{it} + u_{it}$$

where ($i=1,2,\dots,N$, where N is the number of the cross-sectional units, $t=1,2,\dots,T$, where T is the time dimension/period) EEOC is the estimated employment generated in zone i in year t ; NOU is the number of units assisted in zone i in year t and MMSU is the margin money subsidy utilised by zone i in year t . In this model, u_{it} is the error term and β_s are the slopes of coefficients.

This study covers all the 29 states and 7 UTs of India as undertaken by PMEGP scheme.

Panel data have been used for analysis as it provides valuable and reliable information, consistency, less co-linearity amongst the variables, efficiency and a greater degree of autonomy. Panel data technically refers to a structure where each entity is observed at two or more than two points in time (Arora and Kalsie, 2018). Further, in panel data, it is easier to identify and measure the effects than that in case of cross-section or time-series data.

The panel data model may be measured using three methods: pooled ordinary least squares (OLS), fixed effect (FEM) and random effect (REM) method. The pooled data estimation assumes similarity between cross-section & time-series data i.e. homogeneity of data set (Vijayakumar, Sridharan and Rao, 2010), so it is evident that pooled OLS method does not differentiate among various zones and the EEOC impacted by other variables among distinct zones in different time periods.

The other two models of the panel data are FEM and REM. The presence of individual effect arising due to the employment of individual entities necessitates the panel data to accept either fixed or REM (Kumari and Sharma, 2017). The advantage of using FEM is that it provides the benefit of controlling for the omitted variables which are either difficult to capture or are unobservable. The merit of using REM over the FEM is that it helps in controlling the unobserved heterogeneity by estimating the time invariant variables. Further, Hausman (1978) have been used test to identify which model (FEM or REM) is more appropriate to be applied and identified REM to be best suited for this study (Arora and Kalsie, 2018).

5. Results and discussions

This section summarises and discusses the results from the empirical analysis conducted as part of the study.

5.1 Trend of Estimated employment opportunities created (EEOC), Number of units assisted (NOU) and Margin money subsidy utilised (MMSU)

The trend is depicted through graphical presentations using line graphs where,

Figure 1.
Trend of EEOC, MMSU and NOU from 2009-16

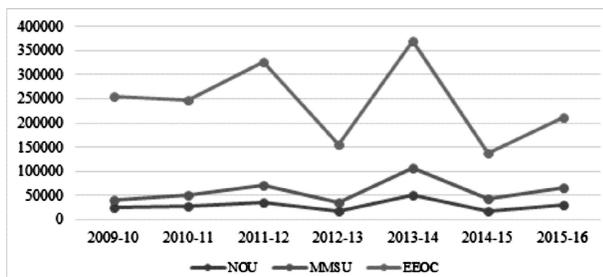


Figure 1 shows the trend of all the three variables - NOU, MMSU and EEOC over the period of 2009 through 2016. A trend analysis depicts that an increase or decrease in NOU and MMSU leads to an increase or decrease in EEOC respectively. Although the NOU assisted and MMSU increased rapidly in the financial year 2013-14 which results in a remarkable performance of EEOC, a greater decline can be seen in the years 2012-13 and 2014-15. Hence, NOU and MMSU have been essential determinants of EEOC.

Figure 2.
Zonal distribution of EEOC from 2009-2016

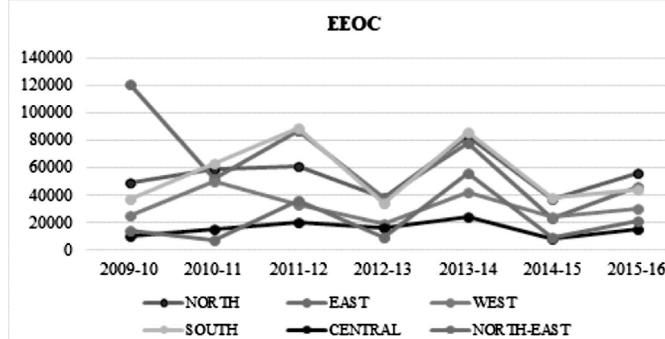


Figure 2 reveals the zonal distribution of EEOC for the period starting from 2009 to 2016. Among all the zones, east zone ranked at the top for employment generation in the year 2009-10 whereas North zone placed second. Gradually the trend changes and north zone created the largest number of employment opportunities as compared to other zones. To increase the employment generated, there is a need to allocate more funds for MSME development especially at village level to accelerate overall GDP growth (Dessai, 2017). The performance of North zone has been continuously improving due to the subsidies and other benefits provided by the government (Ministry of micro small and medium enterprises, 2008).

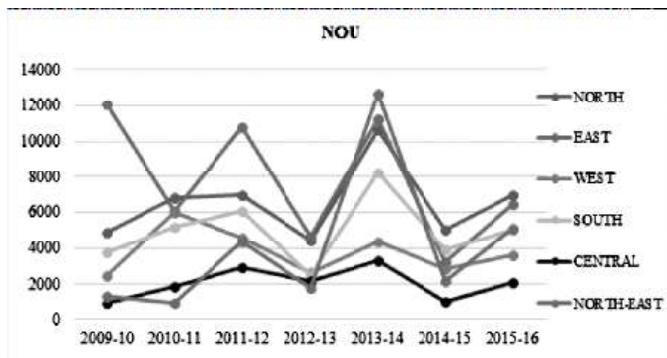


Figure 3.
Zonal distribution of NOU from 2009-2016

It is evident from Figure 3 that during 2009-10 the maximum number of units assisted belongs to East zone. Since 2009-10, the number of units assisted has been relatively small in the Central zone. The underdeveloped rural economy of the Central zone is forcing extreme poverty, mal-nutrition and naxalism. Recently, there has been a spurt of naxal violence which mobilised civilians in their struggle and became a concern of the state authorities (Choudhury and Ghosh, 2015). In the year 2015-16 North zone is ranked at top for assisting maximum number of units outperforming the East zone. The Central Government of India supports and supplements the efforts of State Government through various initiatives. However, the prime responsibility of development and promotion of the scheme is of the State Governments (Dessai, 2017). The backlog of employment is rising in the East zone, mainly because of corruption and population explosion. Although the number of industries increased in East zone under the scheme but a lot needs to be done to depict a consistent performance over the years (Choudhury and Ghosh, 2015).

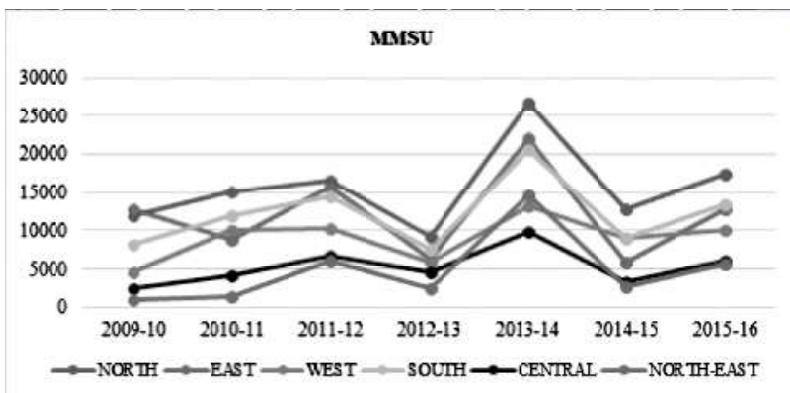


Figure 4.
Zonal distribution of MMSU from 2009-2016

Figure 4 indicates that margin money subsidy utilised has been highest in East zone in 2009-10 whereas it is lowest in case of North-east zone. The trend has changed throughout the period and the highest amount of subsidy has been utilised in the North zone. The financial support provided by the Government in the form of budget allocated has been inconsistent (Dessai, 2017). Also, there is a need for developing a scientific method of selection of beneficiary under the scheme as the number of male beneficiaries were more as compared to female beneficiaries (Gaba, 2015). The North-east zone remains at the lowest level. Irregular power supply, law and order situation, lack of awareness, training and development of skills has contributed towards the poor performance of the scheme in North-east zone. It is necessary to make efforts to promote handloom industries in the zone and attract young rural artisans towards these industries and prevent them from migrating to metropolitan cities for job (Meetei and Kumar, 2012).

The trend analysis, depicting the performance of PMEGP, has shown inconsistent results. While availing the scheme, entrepreneurs are facing many problems which are common for all the zones, including smooth flow of finance from bank, lack of awareness, approval of partial project cost, etc. (Tripathi and Koley, 2015). Also, banks have not achieved their targets in disbursements of loans under the scheme. It is seen that in all the figures 2, 3 and 4, the East zone has the highest NOU, EEOC and MMSU in 2009-10 (due to the presence of mineral and metal based industries, coal based thermal powers units, oil refineries, ports and textile industries).

5.2 Statistical analysis

The data pertaining to the three variables in six zones is analysed statistically using descriptive statistics and regression analysis:

Zone	Descriptive Statistics	EEOC	MMSU	NOU
North	Mean	54714	15734.02	6520
	SD	15900.92	5649.43	2109.70
	COV	0.29	0.36	0.32
East	Mean	63165.29	12045.07	7764.43
	SD	33535.09	5738.46	3523.65
	COV	0.53	0.48	0.45
West	Mean	31955.57	9028.54	3797.14
	SD	10824.11	2925.80	1272.77
	COV	0.34	0.32	0.34
South	Mean	55941	12195.45	4943.857
	SD	23325.74	4597.27	1876.75
	COV	0.42	0.38	0.38
Central	Mean	15498.29	5326.84	2046.86
	SD	5535.95	2507.19	870.58
	COV	0.36	0.47	0.43
North-East	Mean	21755	4888.19	4059.71
	SD	18142.12	4787.75	4088.07
	COV	0.83	0.98	1.01

Table 2.
Descriptive statistics

Table 2 demonstrates the individual nature of both the dependent and explanatory variables. The table shows mean, standard deviation and COV in all 6 zones. On average, the highest value of MMSU is reported for North zone i.e. Rs. 15734.02 lakhs and the COV in all three variables is comparatively lower than the other panels, hence exhibiting a consistent performance of the North zone. Also, it is noticeable that the North-East zone has remained most inconsistent as the COV is the highest in this region in all three variables. In the context of EEOC and NOU assisted, the East zone performed better than others having average as 63165.29 and 7764.43 whereas the Central zone has not performed as good.

Regressor	Coefficient	Standard Error	p-value
C	-.3130E-6	.070040	
NOU	.65730	.12656	0.000
MMSU	.27309	.12656	0.037

Table 3.
Ordinary least squares regression

Table 3 shows the ordinary least square regression using EEOC as the dependent variable and NOU and MMSU as the explanatory variable. Table 4 shows that the regression model is appropriate (high r-squared and adjusted r-squared values), and there is no serial correlation between the variables (D-W statistics value close to 2 and L-M test null hypothesis getting rejected at 90%).

R-squared	0.80402
Adjusted R-squared	0.79397
D-W Statistic	1.7525
L-M Test (p-value)	0.063

Table 4.
Regression equation statistics

Independent Variables	Fixed effect (within) Regression	Random effects GLS Regression
Constant	8036.375 (0.05)*	5177.018 (0.26)
MMSU	-0.298497 (0.69)	0.369003 (0.56)
NOU	7.293949 (0.00)*	6.525997 (0.00)*
No of Zones	6	6
No of observation	42	42
Overall R ²	0.88	0.77
F-statistics	36.85 (0.00)	66.49 (0.00)
Hausman p-value	0.11	

Table 5.
Regression results or panel data effects results

*significant at 5 percent. p-values are there in the parenthesis.

Table 5 shows the results of the panel data analysis for the selected period of 2009-2016. According to the Hausman (1978) Test specifications, if probability value is more than 5 percent (insignificant), the REM is accepted and FEM is rejected, and vice versa. Here, Hausman p-value is 0.11, leading to the rejection of Fixed effect model and acceptance of Random effect model. Although, the analyses of data set include OLS (FEM) and GLS (REM) techniques but the results of only REM are discussed as it is the accepted model for this study.

The coefficients make clear the correlation between EEOC and explanatory variables (MMSU and NOU). It is visible that both the explanatory variables have positive relation with the EEOC. The estimated coefficient between MMSU and EEOC is 0.37 implying that a 1 percent increase in MMSU is estimated to lead to 0.37 percent increase in EEOC. Thus, this shows a positive (but not significant) relationship between MMSU and EEOC. The coefficient of NOU is 6.52 shows a positive and very significant relationship between the NOU and EEOC where 1 percent increase in NOU would lead to 6.52 percent increase in EEOC.

Also, the REM shows that the overall r-square is 0.77 and the f-statistics probability is zero

indicating the model is the good fit.
Thus, the result of the study reveals that NOU is significant determinant for generating employment opportunities whereas MMSU is insignificant.

6. Conclusion and policy implications

The paper empirically analyses the role of PMEGP in creating employment opportunities through micro-entrepreneurial activities. This paper also investigates the relationship between number of units assisted under the scheme; margin money subsidy utilised and employment opportunities created in 6 different zones of the country, namely - North zone, South zone, East zone, West zone, Central zone and North East zone - for the period of 2009 through 2016 using panel data analysis. It can be concluded that NOU is significant determinant for generating employment opportunities whereas MMSU is insignificant.

MSMEs in India are facing problems due to untimely financial support from the government (Tripathi and Koley, 2015). The present study shows that the government should provide more funds under PMEGP to increase employment opportunities in villages and rural areas and, thereby, contributes towards overall GDP growth (Dessai, 2017). The khadi and village industries (KVI) projects should be diversified into industries like Polymer and Chemical industries; Handmade paper and fiber with innovation. Further, to prevent migration of educated youth to metropolitan cities for job, efforts should be made to induce entrepreneurial activities and maximum utilisation of raw materials (Meetei and Kumar, 2012).

Programmes and exhibitions should be promoted to create awareness about the schemes among the first-generation entrepreneurs. Banks should develop an entrepreneurial atmosphere in various regions by having a separate counter for PMEGP loan scheme (Kaur and Kaur, 2017). To enhance economic growth of India there is a need to effectively implement the conducive operating environment, appropriate modern technology, arranging proper finance and improvement of infrastructure for small and new firms (Kumar, Prasad and Rao, 2013).

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