

Effectiveness of PMRY Scheme in India

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I. INTRODUCTION

The financial system is the lifeline of the economy. Banks are the backbone of the financial sector. They are the most dominant segment of the country's financial system. Banks play a pivotal role in the development of a sound economy and form the core of the money market. It facilitates payment mechanism, mobilized insured deposits, act as credit intermediaries and serve as the principal channel for transmission of monetary policy actions to the economy at large. The banks provided financial assistance only to the Industries which had already established, financially sound, capacity to repay the loan, favourable credit guarantee etc. After the Independence in 1947, the Government of India as well as the State Governments were trying to show concern for the rural poor. The rural scenario in India was quite disturbing and needs much attention to eradicate poverty through employment opportunities. Therefore, the government had come up with different schemes to eradicate poverty. PMRY Scheme was announced and implemented in the VIIIth Five-Year Plan till now.

Prime Minister's Rozgar Yojana (PMRY) Scheme was launched on 2nd October 1993 to assist educated unemployed youth to set up self-employment ventures. The scheme targeted setting up of 7 lakhs enterprises and consequent employment generation to more than one million educated unemployed youth in the last four years of the 8th Five Year plan. It would provide sustained employment to about 10 lakh educated unemployed youth in micro enterprises, manufacturing and business ventures. It is implemented through District Industries Center (DIC) in all the states of our country.

All promotional, financial and development agencies of the state and central governments at the field level would be involved in the implementation. Reputed NGOs would also be associated with the scheme, especially in the selection, training of entrepreneurs and preparation of projects.

II. NEEDS FOR SELF-EMPLOYMENT TO THE SOCIETY

The need for the creation of self-employment opportunities in the society becomes urgent due to the following factors:

- By providing self-employment, the village industries have high potential for income generation in rural areas. Thus, they help in reducing disparities in income between rural and urban areas.
- The industries encourage dispersal of economic activities in the society and promote balanced regional development.
- Self-employment serves as an antidote to the widespread problems of disguised unemployment or under-employment in the society.
- Self-employment increases the economic progress of the country.
- It increases exports and imports, which will lead to the development of the country.
- It also protects the migration of rural people to the urban areas.
- It eradicates poverty by improving the income of the people in the society.
- It increases the standard of living of the people in the society.
- Self-employment motivates the people to start business or industry, which will lead to the development of the society.
- It increases the welfare of the society.

III. OBJECTIVES OF THE STUDY

- To study the progress of PMRY scheme in India.
- To identify the impact of PMRY scheme in Indian economy.
- To analyze the effectiveness of PMRY scheme in India.

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- To have the SWOT analysis on PMRY.
- To reveal the recovery of PMRY loan in India.
- To analyze the effect on National Income and Per Capita Income of India by employment generation through PMRY scheme.
- To know the effect of PMRY scheme in reducing the rate of Poverty and Unemployment in India.
- To evaluate the performance of PMRY scheme in various Five Year Plans.

IV. STATEMENT OF THE PROBLEM

The PMRY scheme encourages new generation entrepreneurs by granting financial assistance to the small business. The financial assistance is granted to start a new business or industry through banks.

While going through the secondary data, the researcher has identified that the number of beneficiaries to the target fixed is very low. The rejection of major applications is due to ineligibility of applicants, non-viable project, poor recovery, defaulter to earlier scheme, non-fulfillment of terms of sanction, furnishing of incorrect/incomplete information by the applicant etc.

The main aim of the implementation of PMRY scheme is to reduce the rate of unemployment and poverty and increase the per capita income of the people. It is essential to know the effectiveness of PMRY scheme in the Indian economy.

V. TOOLS OF ANALYSIS

To find out the relationship between two variables, Co-efficient of correlation is employed. The formula for finding out the co-efficient of correlation is

$$r = \frac{\sum xy}{\sqrt{\sum x^2 \cdot \sum y^2}}$$

VI. FINANCIAL ASSISTANCE UNDER PMRY IN INDIA

The main aim of the PMRY scheme was to provide easy subsidized financial assistance to educated unemployed youths for starting their own enterprise in production, service and trade sectors.

TABLE 1 : PROGRESS OF PMRY SCHEME IN INDIA

YEAR	TARGET (No)	SANCTIONED		DISBURSED	
		No	% to the target	No	% To the target
1993-94	40000	30029	75.01	23025	57.56
1994-95	220000	185803	84.46	158863	72.21
1995-96*	260000	287218	110.47	241843	109.93
1996-97	220000	271768	123.53	228495	103.86
1997-98	220000	263622	119.83	209103	95.05
1998-99	220000	271342	123.34	191351	86.98
1999-00	220000	259088	117.77	203454	92.48
2000-01	220000	237896	108.13	184890	84.04
2001-02	220000	237392	107.91	189860	86.30
2002-03	220000	228031	103.65	190521	86.60
2003-04	220000	264012	120.00	219444	99.75
2004-05	250000	298003	119.20	248264	99.31
2005-06	250000	314291	125.72	266971	106.79
2006-07 Upto Dec	191250 (255000)	165693	86.64	91388	47.78
Total	2995000	3314188	110.66	2647482	88.4

Source: RBI Data

* Plan target was 220000 it was increased to 260000 to cover backlog.

This is a permanent scheme of Government of India with framed modalities and guidelines for its successful implementation and to fulfill the purpose for which it is designed.

The role of banks in the PMRY process is quite crucial to perform the task of providing the most vital input namely capital to the enterprise. The banks have a higher level of responsibility in the whole process.

The financial assistance by the commercial banks under PMRY in India is explicated in Table 1.

The table 1 shows the target, sanctioned and disbursed number of beneficiaries during the period of its implementation from October 1993 up to December 2006. The planned target in the year of implementation was 40000 for the period of six months. It was increased from the next financial year to 220000. The planned target was increased to 260000 during 1995-96 in order to cover backlog. In the year 2004-05, it was again increased to 250000. It is clearly inferred from the table that the number of PMRY beneficiaries is high during the years 2005-06 (266971) and 2004-05 (248264). Considering target as the base, the sanctioned percentage to the target is the minimum in the year 1993-94 (75.01).

VII. EMPLOYMENT GENERATION BY PMRY

The details of employment generation by PMRY scheme and its share in total employed persons in India are shown in the table 2.

TABLE 2 : Share of employed PMRY beneficiaries to the total employed persons in India

Year	Total employed persons in India	Employed PMRY beneficiaries	Share in total employed persons of India (%)
1993-94	27177000	34552	0.13
1994-95	27375000	238295	0.87
1995-96	27525000	362765	1.32
1996-97	27941000	342743	1.23
1997-98	28245000	313655	1.11
1998-99	28166000	287027	1.02
1999-00	28113000	305181	1.09
2000-01	27960000	277335	0.99
2001-02	27789000	284790	1.02
2002-03	27206000	285782	1.05
2003-04	27000000	329166	1.22
Total	304497000	3061292	1.01

Note: Employment generation is estimated @ 1.5 persons per case disbursed.

Source: i) Office of the Registrar General of India, Ministry of Home Affairs
ii) www.indiabudget.nic.in
iii) RBI Data

It is evident from the table 2 that the share of employed PMRY beneficiaries to the total employed persons in India is maximum (1.32 %) in the year 1995-96 and minimum (0.13 %) in the year 1993-94. It reveals that the implementation of PMRY scheme has some effects in the employment generation in the economy.

VIII. EMPLOYMENT GENERATION & PER CAPITA INCOME

The Table 3 displays the relationship between Employed PMRY beneficiaries and Per Capita Income of India.

$$r = \frac{\sum xy}{\sqrt{\sum x^2 \cdot \sum y^2}}$$

$$r = \frac{679310523}{\sqrt{77035342823 \cdot 187683660}}$$

$$r = 0.44$$

TABLE 3 : Employed PMRY beneficiaries and Per Capita Income

Year	Employed PMRY beneficiaries (X)	$X - \bar{X}$ (x)	x^2	Per Capita Income (Y)	$Y - \bar{Y}$ (y)	y^2	xy
1993-94	34553	-243746	59412112516	7690	-6449	41589601	1571917954
1994-95	238295	-40004	1600320016	8857	-5282	27899524	211301128
1995-96	362765	84466	7134505156	10149	-3990	15920100	-337019340
1996-97	342743	64444	4153029136	11564	-2575	6630625	-165943300
1997-98	313655	35356	1250046736	12707	-1432	2050624	-50629792
1998-99	287027	8728	76177984	14396	257	66049	2243096
1999-00	305181	26882	722641924	15625	1486	2208196	39946652
2000-01	277335	-964	929296	16563	2424	5875776	-2336736
2001-02	284790	6491	42133081	17947	3808	14500864	24717728
2002-03	285782	7483	55995289	19040	4901	24019801	36674183
2003-04	329166	50867	2587451689	20989	6850	46922500	348438950
Total	3061292	3	77035342823	155527	-2	187683660	1679310523

Source: i) RBI Data
ii) www.planningcommission.nic.in

It is inferred from the above calculation that a positive correlation exists between the two variables – Employed PMRY beneficiaries and Per Capita Income. Hence it is clear that if there is an increase in the Employed PMRY beneficiaries, Per Capita Income of India will also increase.

IX. AMOUNT OF PMRY LOAN DISBURSED & NATIONAL INCOME

Table 4 is prepared to represent the relationship between the amount of PMRY loan disbursed and National Income of India.

TABLE 4 : AMOUNT OF PMRY LOAN DISBURSED AND NATIONAL INCOME (Rs. in crores)

Year	Amount of PMRY loan Disbursed (X)	$X - \bar{X}$ (x)	x^2	National Income (Y)	$Y - \bar{Y}$ (y)	y^2	xy
1993-94	137	-1011	1022121	685912	-821130	674254476900	830162436
1994-95	872	-276	76176	805981	-701061	491486525721	193492836
1995-96	1378	230	52900	941861	-565181	319429562761	-129991630
1996-97	1352	204	41616	1093962	-413080	170635086400	-84268320
1997-98	1218	70	4900	1224946	-282096	79578153216	-19746720
1998-99	1093	-55	3025	1415093	-91949	8454618601	5057195
1999-00	1269	121	14641	1564048	57006	3249684036	6897726
2000-01	1168	20	400	1687818	180776	32679962176	3615520
2001-02	1185	37	1369	1861117	354075	125369105625	13100775
2002-03	1198	50	2500	2008770	501728	251730985984	25086400
2003-04	1368	220	48400	2252070	745028	555066720784	163906160
2004-05	1543	395	156025	2542921	1035879	1073045302641	409172205
Total	13781	5	1424073	18084499	-5	3784980184845	1416484577

Source: i) RBI Data
ii) www.planningcommission.nic.in

$$r = \frac{\sum xy}{\sqrt{\sum x^2 \cdot \sum y^2}}$$

$$r = \frac{1416484577}{\sqrt{1424073 * 3784980184845}}$$

$$r = 0.61$$

It is inferred from the above calculation that a positive correlation (0.61) exists between the two variables – Amount of PMRY Loan Disbursed and National Income. Hence it is clear that if there is an increase in the Amount of PMRY Loan, National Income of India will also increase.

X. POVERTY AND UNEMPLOYMENT

The main aim of the PMRY scheme is to reduce poverty and unemployment rate in India. Hence it is essential to know the effect of PMRY scheme in reducing poverty and unemployment in India. The Table 5 displays the number of PMRY beneficiaries, Poverty rate and Unemployment Rate in India.

TABLE 5 : Rate of Poverty and Unemployment in India

Year	PMRY Beneficiaries (No)	Poverty Rate (%)	Increase / Decrease	Unemployment Rate (%)	Increase / Decrease
1993-94	23025	36	-	5.99	-
1999-00	203454	26.1	- 9.9	7.32	+ 1.33

Source: i) RBI Data
ii) www.planningcommission.nic.in

The table 5 depicts that the number of PMRY beneficiaries in 1993-94 and 1999-00 is 23025 and 203454 respectively. The rate of poverty in 1993-94 is 36 percent and reduced to 26.1 percent in 1999-00. But the rate of unemployment is 5.99 percent in 1993-94 and increased to 7.32 percent in 1999-00. The rate of poverty has reduced by 9.9% and unemployment has increased by 1.33% in the year 1999-00. Hence it is clear that PMRY scheme has little more effect in reducing the rate of poverty but not in unemployment. It is due to the higher growth rate of population in India.

XI. THE TARGET AND ACHIEVEMENT OF PMRY

The target and achievement of PMRY in VIIIth, IXth AND Xth Plan are shown in the Table 6

TABLE 6 : Plan-wise target and achievement of PMRY in India

Plan	Target	Sanctioned		Disbursed		Estimated employment generation
	No	No	Percentage to the target	No	Percentage to the target	No
VIII PLAN (1993-94 to 1996-97)	700000	774818	110.69	652226	93.18	978356
IX PLAN (1996-97 to 2001-02)	1100000	1269340	115.39	978658	88.97	2446344
X PLAN (2002-03 to 2006-07) Up to Dec*	1100000	1270030	115.46	1016588	92.42	1524883

Source: RBI

Note: Employment generation is estimated @ 1.5 persons per case disbursed.

* Provisional

It is inferred from the table 6 that PMRY has been a successful scheme, not only in the VIII Plan but also in the IX Plan. It also shows that the sanctions have exceeded the target in all the Five Year Plans.

XII. STATUS OF RECOVERY OF LOANS UNDER PMRY

As per the reports received from RBI, the overall status of recovery under PMRY is given in the Table 7.

The table 7 predicts the fact that rate of recovery of loans under PMRY has been around 34% to 40% in the last four years. The RBI and Government of India have initiated various steps for improving the recovery of loan overdues under the Scheme by ensuring backward and forward linkages for the units set up under the scheme. The Government of India has advised to all State Government to notify PMRY loan overdues as revenues dues under their respective Revenue Recovery Acts. All implementing banks have been advised to file criminal complaints against the borrowers who misutilise loans sanctioned under the Scheme.

TABLE 7

Year	Recovery of PMRY Loan (%)
2002-03	35.2
2003-04	34.96
2004-05	35.32
2005-06	39.19

Source: RBI

XIII. SWOT ANALYSIS OF PMRY

Strengths:

1. PMRY has emerged as a major Central Sector Scheme creating employment opportunities for about 31.6 lakh persons since inception of the Scheme in the year 1993. The employment under the PMRY will further increase over the years, as the PMRY is an ongoing Central Sector Scheme.
2. The Coverage of the Scheme is spread over both for Rural as well as Urban areas. As per the findings of 2nd round of evaluation of PMRY conducted by the Institution of Applied Manpower and Research (IAMR), disbursement of PMRY beneficiaries in Rural and Urban areas is 49.9 percent and 50.1 percent respectively.
3. The evaluation study has also revealed that assets have been created in 89.7 percent of cases disbursed under the PMRY.

Weaknesses:

1. The recovery of loan overdues under the PMRY Scheme has not been satisfactory. The recovery of loan overdues was 34.9 percent for the half year ended March 2002, which stands at 34.96 percent for the half year March 2004.
2. Banks are under financing the projects. The amount of loan disbursed under PMRY is stagnating around Rs.60000 per beneficiary.
3. There is a gap between the cases sanctioned and disbursed made under PMRY by banks. A total of 21.1 lakh cases have been disbursed by banks against the sanctions of 26.7 lakh cases since inception of the scheme till January 2005.

Opportunities:

1. In the situation where employment opportunities in the organized sectors and Government sectors have been virtually stagnating or declined, PMRY scheme has emerged as a major scheme of employment generation in the country for not too qualified and trained educated unemployed youth.
2. The successful self employed units set up under the PMRY scheme may graduate into higher scale units thus creating further employment opportunities for other unemployed persons.
3. Up scaling of successful PMRY units into higher scale units can be encouraged by providing subsequent loans with subsidy to these units.

Threats:

The implementation of the scheme could be improved by:

1. Enhancing the family income ceiling from Rs.40000 per annum to Rs.100000 per annum.
2. Enhancing the project cost from Rs.100000 to Rs.200000 for business sector and from Rs.200000 to Rs.500000 for service and industry sector.
3. Enhancing subsidy ceiling of Rs.7500 per beneficiary to Rs.10000 per beneficiary for State/UTs other than North Eastern States J&K, Himachal Pradesh and Uttaranchal to make the scheme more attractive.

XIV. CONCLUSION

The study explores various issues for researchers to conduct research in future. A further study may be conducted to analyze the effectiveness of the scheme in promoting entrepreneurship culture. With a narrow sense, the government shall broaden its view to avail the PMRY loan in order to create employment opportunities. With a broader sense, the government shall extend its credit to the society by reducing crucial formalities and procedures in order to avoid educated unemployment. Practically, PMRY scheme is a welcoming myth among the educated unemployed youth.

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