

PMRY for Entrepreneurial Development – An Overview

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ABSTRACT

Since the appearances of early economic schools, method of measuring wealth of nations, and elements which can influence determination of wealth of nations have always been a crucial issue. Efforts led to introducing a new approach namely “growth accounting”. The new approach, variables such as entrepreneurship and social capital- as explanatory variables and known as residual of Solow Model- were added to classic production factors; i.e. capital and labor force (Portela, 2012: 321). Entrepreneurship, among others, as a phenomenon, whose main required capital is creativity, bravery and using opportunities, is the most important potential source of economic growth, increasing productivity and producing wealth. In other words, today growth does not rely necessarily on existence of abundant natural resources or existence of given sociopolitical system; but depends on human sources. The main factor in economic developments arises from mind (Job Portal Site). Furthermore, Entrepreneurship is based on opportunities rather than employing resources (Stevenson and Gumpert, 32:1991). This era is known for information age and globalization and faces innovative consequences, quick changes and transformations in human interchanges and severs competition in business. In such atmosphere entrepreneurship is an important factor for growth and development (Clark, 2004).

I. INTRODUCTION

The word entrepreneur first appeared in Cantillon’s texts. He introduced three levels of economic factors: owners, entrepreneurs and workers. To him, entrepreneur is a person who practices involvement with business encountering lack of definiteness. Cantillon reasoned that entrepreneurship originates in lack of right prediction. Vone Thunen, too, differentiated between entrepreneur and fund provider. In his point of view, entrepreneur is a person similar to

the one Cantillon explained as entrepreneur (Wennekers and Thurits 27: 1999). Menger, one of Austrian’s school founders, considered this differentiation, too. Initially, he considers entrepreneur as an individual who combines production factors and introduces entrepreneur based on this personage (Lumpkin and Dess, 631: 1996). Marshal adds another important role to entrepreneur compared to other neoclassic theoreticians: “new routes pioneers”. Apparently, modern monetarist neoclassical economists do not place entrepreneur in their models. Knight and Schumpeter differentiated between management or supervision and the role of entrepreneur. Herbert and Link (1989) suggest the following definition for who entrepreneur is and what he does: “Entrepreneur is a responsible person for making accurate decisions which influence environment, using commodity, resources or institution” (van Dijk and Thurik, 1999).

II. LITERATURE REVIEW

Some studies tried to explain entrepreneurship as an important factor in explaining higher levels of economic growth in countries or various districts of a country. Van Stel et al (2004, 2005) applied three explanatory variables of economic growth of a country: the rate of entrepreneurship, output per capita and the world competition index. Using data of GEM, they found that entrepreneur activities' rate has a positive effect on economic growth.

Salgado-Banda (2005) proposed a new variable to measure entrepreneurship. The paper studies the impact of self-employment on economic growth. The study considered 22 OECD countries and found that self-employment appears to be negatively correlated with economic growth. The findings were backed by a battery of econometric specifications and techniques,

Audretsch et al (2006) speculated production function through a sample in Germany

in 1990. They calculated that there is a positive relation between entrepreneurship, capital and local economic growth. Further, Klepper et al (2007) concluded a positive relation between the rate of self employment and economic growth using data of the World Bank. Theoretically, there is evidence that shows not only entrepreneurship eradicates unemployment, but also unemployment itself increases the level of unemployment. This hypothesis was tested by Audretsch and Thurink in 2001 using panel data of 23 OECD countries during 1974 - 1998.

SALIENT FEATURES

Prime Minister's Rozgar Yojana (PMRY) for providing self-employment to educated unemployed youth of economically weaker sections has been in operation since October 2, 1993. The scheme aims at assisting the eligible youth in setting up self-employment ventures in industry, service & business sectors. The scheme intends to cover urban and rural areas.

PARAMETERS FOR ELIGIBILITY

1. Age

18 to 35 years for all educated unemployed, (ii) 18 to 40 for all educated unemployed in North-East States, Himachal Pradesh, Uttarakhand and J&K. (iii) 18 to 45 years for Scheduled Castes /Scheduled Tribes, Ex-servicemen, Physically Disabled and Women.

2. Educational Qualification

8th pass. Preference will be given to those who have been trained for any trade in Government recognized./ approved institutions for duration of at least six months.

3. Family Income

Neither the income of the beneficiary along with the spouse nor the income of parents of the beneficiaries shall exceed Rs.1, 00, 000/- p.a.

4. Residence

Permanent resident of the area for at least 3 years. (Relaxed for married men in Meghalaya and for married women in rest of the country. For married men in Meghalaya and for married women in rest of the country, the residency criteria apply to the spouse or in-laws.

5. Defaulter

Should not be a defaulter to any nationalized bank/ financial institution/cooperative bank. Further, a person already assisted under other

subsidy linked Government schemes would not be eligible under this scheme.

6. Activities covered

All economically viable activities including agriculture and allied activities but excluding direct agricultural operations like raising Crop purchase of manure etc.

7. Project Cost

Rs.2.00 Lakh for business/ service sector and Rs.5.00Lakh for industry sector, loan to be of composite nature. If two or more eligible persons join together in a partnership, project up to Rs.10.00Lakh are covered. Assistance shall be limited to individual admissibility.

Self Help Groups can be considered for assistance under the Scheme provided:

- Educated Unemployed Youth satisfy the eligibility criteria laid down under the Scheme volunteer to form SHG to set up self-employed ventures (Common Economic Activity).
- A Self Help Group may consist of 5-20 educated unemployed youth.
- No upper ceiling on project cost.
- Loan may be provided as per individual eligibility taking into account requirement of the project.
- SHG may undertake common economic activity for which loan is sanctioned without resorting to onward lending to its members.
- The subsidy ceiling for Self Help Group is Rs. 15,000/- per beneficiary subject to a maximum of Rs. 1.25 Lakh per Self Help Group.
- Subsidy may be provided to the SHG as per the eligibility of individual members taking into account relaxation provided in North Eastern States, Uttarakhand, Himachal Pradesh and Jammu & Kashmir.
- Required margin money contribution (i.e. subsidy and margin to be equal to 20 per cent of the project cost) should be brought in by the SHG collectively.
- The exemption limit for obtaining of collateral security will be Rs.5.00 Lakh per borrowal account for projects under Industry Sector. Exemption from collateral will be limited to an amount of Rs.2.00 Lakh per member of SHG for projects under Service & Business Sectors. Banks may consider enhancement in limit of exemption of collateral in deserving cases.
- Implementing agencies may decide necessity of pre-disbursal training for all the members/majority of the members of the

group.

8. Subsidy & Margin money

Subsidy will be limited to 15% of the project cost subject to ceiling of Rs. 12,500/- per entrepreneur. Banks will be allowed to take margin money from the entrepreneur varying from 5% to 16.25% of the project cost so as to make the total of the subsidy and the margin money equal to 20% of the project cost.

For North Eastern States, Himachal Pradesh, Uttarakhand and J&K. Subsidy @ of 15% of the project cost subject to a ceiling of Rs.15,000/- per entrepreneur for north-eastern States, Himachal Pradesh, Uttaranchal and Jammu & Kashmir. Margin money contribution from the entrepreneur may vary from 5% to 12.5% of the project cost so as to make the total of the subsidy and the margin money equal to 20% of the project cost.

9. Collateral

No collateral for units in industry⁷ sector with project cost up to Rs.5.00 Lakh (the loan ceiling under the PMRY). For partnership projects under Industry Sector, the exemption limit for obtaining of collateral security will be Rs.5.00 Lakh per borrower account. For units in service and business sector no collateral for project up to Rs.2.00 Lakh. Exemption from collateral in case of partnership project will also be limited to an amount of Rs.2.00 Lakh per person participating in the project cost.

10. Rate of interest & Repayment Schedule

Normal rate of interest shall be charged. Repayment schedule may range from 3 to 7 years after an initial moratorium as may be prescribed.

11. Reservation

Preference should be given to weaker sections including women. Assistance to SC/ST beneficiaries should be targeted in such a manner that they are benefited in proportion to their population in the respective district/State. However, the number of SC/ST beneficiaries should not be less than 22.5% and 27% for Other Backward Class (OBCs) as is currently envisaged in the PMRY. In case SC/ST/OBC candidates are not available, States/UTs Govt, will be competent to consider other categories of candidates under PMRY.

Training

Each entrepreneur whose loan is sanctioned is provided training as per details given below:

- i) For industry sector: Duration: 15-20 working days. Stipend: Rs.750/- Training expenditure: Rs.1750/-
- ii) For service and business sector: Duration: 7-10 working days. Stipend: Rs.375/- .Training expenditure: Rs.875/-

Motivational Campaigns

To improve the success rate of eligible applicants, States/UTs will be allowed reimbursement of cost of counseling and guiding the applicants @ Rs.200/- per applicant, for 125 per cent of the allocated target of cases.

Recovery of loans

- (i) Panchayati Raj Institutions like Gram Panchayats be empowered to identify and sponsor candidates located in the same area to the District Task Force Committee so as to ensure disbursement of loan to genuine persons and better recovery of loan.
- (ii) To reduce the level of sickness/closure of PMRY units, the District Level Selection Committee/Task Force Committee be made accountable for the proper scrutiny of applications and selection of viable projects.

Implementing Agency -

The District Industry Centre's and Directorate of Industries are mainly responsible for implementation of the Scheme along with the banks.

Check List of documents required while applying for loan under PMRY

1. Application form in prescribed format along with passport size photograph in duplicate.
2. Enclose Affidavit in prescribed format duly counter signed by Executive Magistrate (Tasliildar) in duplicate.
3. Enclose two attested copies of Local Certificate
4. Enclose two attested copies of Employment Exchange Card
5. Enclose two attested copies of Voter Identity Card
6. Enclose two attested copies of Election Identity Card.
7. Enclose two attested copies of Family Identity Card (Ration Card).

8. Enclose two attested copies of Certificate of Academic.
9. Enclose two attested copies of Technical Qualification (if any).
10. Enclose two attested copies of any Trade Training Certificate.(if any)
11. Project Profile of the proposed activity.
12. No Objection of Issuance of Route Permit from the Office of the Deputy Commissioner (South Andaman) and valid driving license, in case the applicant is applying for loan for plying of Auto rickshaw/commercial vehicle.
13. Copy of rent / lease agreement (or) Consent letter from the owner.

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