

# **STUDY ON THE IMPACT OF CAPACITY BUILDING SCHEMES ON MICRO ENTERPRISES OF ASSAM WITH SPECIAL REFERENCE TO PRIME MINISTER'S EMPLOYMENT GENERATION PROGRAMME**

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## **ABSTRACT**

*Micro enterprises are considered to be engines of economic growth in a State like Assam where few industries are not sufficient to pull the overall development. In order to sustain and grow, the capacities of these enterprises are required to be built and skill to be infused to survive the competition. The paper attempts to examine the role of the capacity building scheme, Prime Minister's Employment Generation Programme (PMEGP), and find out its effectiveness on micro enterprises and their owners in the economic and social aspect. The beneficiaries of Kamrup District availing PMEGP training under DI&CC, Guwahati have been selected for the study. The training was found to be effective in respect of building confidence, attaining self-sufficiency, enhancing performance and creativity among the micro entrepreneurs.*

**Keywords:** Micro enterprises, capacity building and skill development.

## **INTRODUCTION:**

Assam is rich in natural resources and the rural economy is truly entrepreneurial in character. The increased competition, however, on account of globalization has significantly affected the size of enterprises and level of technology. The state has few industries which cannot pull the overall development. The basic hindrance to the growth rate is the lack of capital, motivation, skill and awareness and inability to utilize various incentives provided by the Government. However, in recent years 'micro enterprises (MEs) as defined under Micro Small and Medium Enterprises Development Act 2006' have gained momentum and are accepted as engines of economic growth as the MEs do not require huge capital and sophisticated technology. The Government, therefore, has assigned due importance by designing various schemes for capacity building of micro entrepreneurs so that more units could be opened for getting themselves self-employed, as MEs still remain the backbone of our economy.

### **Initiatives to promote micro enterprises in Assam:**

The growth of micro enterprises is given due importance as the growth of rural economy is associated with the growth and development of such enterprises. To boost the development of the state, efforts have been made on the part of the Central and State Government to provide adequate finance to the MEs located at different parts of the state through different development agencies. As per Reserve Bank of India guidelines, 60% of the total Small Scale Industries credit is earmarked for micro enterprises (Master Circular of RBI, 2014-15). Apart from financing, the MEs are also aided in core areas like capacity building which includes skill upgrading, entrepreneurship development training, technology support, skill oriented training for self-employment to the entrepreneurs which add to the all-round development of the MEs. Some of the prominent capacity building agencies engaged in skill development of the MEs are Khadi Village Industries Commission (KVIC), State Institution of Rural Development (SIRD), Indian Institute of Entrepreneurship (IIE), National Small Industries Corporation Ltd. (NSIC), National Bank for Agriculture and Rural Development and Small Industries Development Bank of India (NABARD). The different support institutions implement various schemes and welfare programmes that are structured to enhance the capacity of micro enterprises.

### **Capacity building of micro enterprises:**

Many organizations have committed themselves to promote sustainable livelihood through MEs in order to contribute to the overall goal of creating employment and eradicating poverty. The target has been mostly educated and semi-literate youth who have the potential to start their own venture but due to lack of capital and skill, are unable to set up their units or find it difficult to sustain their business. Promotion of MEs through capacity building is a key strategy for simultaneously addressing both poverty and unemployment. Sustainable development is the goal and capacity building is the means to achieving it. In broad sense, capacity building of MEs involves advocacy and networking, where the viability and suitability of enterprises is essential for better acceptance.

### **Institutions supporting capacity building of MEs:**

MEs require the support and facilities provided by various institutions in their various stages of growth and development. The role of various institutions to promote the growth of MEs is quite unique. At present various Central and State Government institutions have come forward to help the MEs by providing them various support and facilities. The Government has proposed a number of schemes at Central and State level for skill development in different activities so that the micro entrepreneurs can start their own units after availing such support. Some of the schemes are PMEGP implemented by District Industries And Commerce Centre (DI&CC)/Khadi Village Industries Board, Chief Minister's Jeevanjyoti Swarnojan Yojana of SIRD, Rural Entrepreneurship Development Programme of NABARD, Trade Related Entrepreneurship Assistance and Development Scheme implemented by Non-Government Organizations, Mahila Udyam Nidhi and Mahila Vikas Nidhi implemented by Small Industries Development Bank of India.

## **ROLE OF KVIC IN CAPACITY BUILDING OF MES IN ASSAM THROUGH PMEGP:**

Among the above mentioned promotional institutions of Assam, KVIC has been playing a pioneering role in nurturing various MEs with the provision of necessary training to build their existing capacity through tailored schemes. The main function of KVIC is to plan, promote, organize and assist in implementation of the programmes, projects, schemes for generation of employment opportunities. It also undertakes activities like skill improvement, transfer of technology, research and development, marketing, etc. The PMEGP is one of such schemes that provide training as well as subsidy to encourage the first generation entrepreneurs towards setting up of MEs for self-sufficiency.

### **PMEGP (Prime Minister's Employment Generation Programme):**

The PMEGP is a credit linked subsidy programme for generating employment opportunities through establishment of MEs in rural and urban areas. The scheme is implemented by KVIC as the Nodal agency at the National level. At the state level the scheme is implemented through the State KVIC Directorates, KVIBs, DI&CC and banks. The Government subsidy under the scheme is being routed by the KVIC through the identified banks for the eventual distribution to the beneficiaries in their bank accounts. Bank will sanction 95% of the project cost to the beneficiary and disburse the full amount suitably for setting up the project. Bank credit will range between 60-70% of the total project cost after deducting 25-35% of margin money and owner's contribution of 5% from the beneficiaries. Once the project is sanctioned and before the release of the first installment, the training is arranged for the beneficiaries. The first installment of loan will only be released only after completion of the training.

### **REVIEW OF LITERATURE:**

(Sharma Rakesh 2007), examined the contribution of rural non-farm MEs to the economy of Sonitpur District and identified the capacity building requirements of rural non-farm micro enterprises. (Mmbengwa Victor Mbulaheni, 2009), analyzed the internal capacity (skills, infrastructure, markets, etc.) and external capacity (market, training, etc.) of small, micro and medium enterprises which indicated the lack of appropriate training for farming. (Haan, L. De, 2010) studied the capacities of Business Development Service Providers (BDSPs) in micro enterprise activities, as well as capacity building work of Udyogini. The study stressed on requirement of more and training for providing skills, knowledge and other incentives to micro enterprises. (Mandal Ram Krishna, 2011) emphasized the need of capacity building and innovation in organizational development of medium, small and micro enterprises. The capacity building training should include the leadership challenges, skill gaps, developing the skills of learning of participants, management of change and coping up with difficulties faced. The author further laid the importance of creating a structured approach on focusing the issues that include finance, regulatory framework and capacity building. (Bhaskaran E., 2012) studied the various capacity building measures taken for micro enterprises under the PMEGP scheme. The study stated that PMEGP has been successful in building capacity and generating employment for micro enterprises and the future policy based on infrastructure support, direct catalytic subsidy support, technical support, information and marketing support should be designed. (Nwazor C., 2012) suggested the different types of capacity building trainings that could be imparted to the entrepreneurs including 'off-the-job training, electronic training, traditional education, vocational entrepreneurship training, on-the-job training and classroom training'. (Mohanty S.R., Das Bijaylaxmi and Moahanty T., 2013), studied the capacity building of women in rural Odisha after participating in micro-enterprises. There was an enhanced access to resources by women, reduced their dependency on men and access to financial resources highly influenced their decision making capacity. The study concluded by stating that capacity building of women and their participation in micro enterprises had affected the attitude and thinking pattern of women. (Sarkar and Pandey, 2013) highlighted the importance of development institutes in promoting rural entrepreneurship in the state of Assam. The study examined the functioning of two flagship schemes PMEGP and CMJSY of KVIC and SIRD respectively, stating that both the schemes were quite effective in promotion of rural entrepreneurship in Assam. (Das Biswajit and Barman Kandarpa, 2013) identified the constraints relating to the growth of micro enterprises in the backward block which included price competition from large

producers, inability to maintain stock, irregular labour supply and high cost of inputs. For developing skills, capabilities and competence among small entrepreneurs, efforts from entrepreneurship development programmes should be the first priority of the Government. (Sarkar and Pandey, 2014) compared the CMJSY and PMEGP offered by Development Institutes for promoting rural entrepreneurship in Assam. The paper further highlighted the types of assistance provided, impact of these assistance and constraints faced by the beneficiaries of the schemes. (Mishra K. Arpita, 2015) studied the different issues of women entrepreneurship and changes that occurred through capacity building processes. The paper points out that there are several components of capacity building that helps women entrepreneurs to establish and run enterprises successfully like building self-confidence and guidance to women entrepreneurs to start and management of enterprise and promote women entrepreneurs' opportunities and capacity to effectively participate in the economy. The study further stated that investment in building the productive capacity of women entrepreneurs through networks and training can pull women out of poverty and strengthen their small enterprises. (Ofunya Afande Francis, 2015) evaluated the impact of human capacity building on small and medium enterprises in Kisumu and emphasized that research, management and policy development of training in small and medium sectors needs to be more open and flexible in order to access the requirements of SME sector. (Sahani S.K., 2015) emphasized the necessity of entrepreneurial and skill required for micro enterprises in the informal sector. The study conducted on informal micro entrepreneurs showed that they have very limited skills due to lack of formal education and training. Technical skill is considered as a pre-requisite for starting a micro business. Training intervention is needed for developing personal skills and business operation skills and management skills which include being a good organizer, problem solving, leadership abilities, decision making, delegation and team-building. (Kithae and Keino, 2016), studied the impact of human capacity building on MSEs of Kisumu City. The study focused that appropriate business training is an important contributing factor to the growth small enterprises. A need for design and delivery of specific business and technical training programmes by national and regional institutes was highly felt to foster the growth of micro and small enterprises.

#### **STATEMENT OF PROBLEM:**

Assam, being the hub of resources is unable to utilize the abundant human resource to attain balanced regional development. It has become difficult to address the problem of unemployment that has drastically increased over the years. Unemployment is growing not due to lack of opportunities but because the unemployed have failed to take advantage of the initiatives offered by various development agencies. This is mainly due to lack of awareness towards assistance and motivation. However, over the few years, numerous capacity building schemes have been designed to encourage the unemployed and equip themselves with the requisite skills to set up their own MEs. Under this backdrop the paper attempts to examine the impact of capacity building scheme PMEGP on the prospective entrepreneurs by DI&CC.

#### **Objectives:**

The objectives of the study are

1. To examine the expectations of micro enterprises in respect to capacity building scheme.
2. To examine the effectiveness of PMEGP implemented by DI&CC in capacity building of MEs.

#### **METHODOLOGY:**

The present study is based on primary and secondary data. The primary data has been collected by conducting a sample survey through structured questionnaires and personal interview with the micro entrepreneurs availing support from the PMEGP scheme of KVIC implemented by DI&CC, Guwahati in Kamrup District. The secondary data has been collected from published and unpublished sources; from books, official websites, journals and documents of KVIC and DI&CC. The population consists of all the micro entrepreneurs (excluding farming and allied activities) of Kamrup district availing training from DI&CC under PMEGP, from the year 2009-14. For determining the sample, the list of entrepreneurs has been collected from the office of DI&CC, Guwahati. A random sample of 100 beneficiaries of PMEGP of Kamrup district has been considered for the study.

## **FINDINGS:**

- i. Only 1% of the respondents belong to the age group of below 18 years. 18% of the respondents belong to the age group of 19 to 22 years, 50% between 23 to 27 years and 29% between 28 to 35 years. This implies young and middle aged age groups are keen to undertake training.
- ii. Among the 100 respondents, 21% belong to urban areas and 79% belong to rural areas of Kamrup District. Majority of the respondents are from rural areas which indicate the interest of rural masses towards entrepreneurship.
- iii. 48% of the respondents have their annual income below 1 lakh rupees, 41% earn between 1 to 2 lakh rupees, and 8% within the range of 2 to 3 lakh rupees. 2% have their income in between 3 to 4 lakh rupees and 1% above 4 lakh annually. Majority of the respondents earn upto 2 lakh.
- iv. 6% of the respondents are engaged in manufacturing activities that comprises of carpentry and furniture making. 94% are engaged in service sectors comprising pattern making, parlour, computer skills and repairs and maintenance activities. Compared to manufacturing sector, the service sector has become more popular.
- v. 81% of the respondents have undertaken the training before setting up their units and 19% have undertaken training while they were employed or had their own units. This indicates that few entrepreneurs had been in business already before training and have undergone training to avail subsidy only.
- vi. 60% of the respondents could immediately start their business after acquiring the training, 38% could not start their business immediately due to delay in sanction of loan, rejection of loan application and lack of knowledge to set up units. Majority of the respondents could start their business post training, which indicates the success of training.
- vii. 70% of the respondents stated that their business was being monitored from time to time by banks and DI&CC. However, 30% states that whether they could start their units or the performance of their units were never monitored. The banks and DI&CC have been partially successful in monitoring the progress of the enterprises after training.

## **Expectations of micro entrepreneurs:**

The sample of 100 entrepreneurs availing capacity building training under PMEGP have stated their expectations which are highlighted below-

- i. 39% of the respondents expect the capacity building training of PMEGP to include the current market conditions and consider market demands while imparting the training. Moreover, inclusion of practical sessions is expected to acquire the skills better.
- ii. 47% of the respondents expect the training to meet the requirements of the entrepreneurs. Trainees from pattern making and parlour opined that the traditional methods were taught which were insufficient to survive the competition.
- iii. 27% of the respondents expect the training to be more job-oriented. Due to various reasons the entrepreneurs could not set up units within a short period. Hence, they expect the training to include the skills that could fetch them a job to earn their livelihood.
- iv. 5% of the respondents expect the procedure of availing the training to simple and fast.
- v. 4% of the respondents have expectations from banks and DI&CC to cooperate with them in areas of acquiring loan, monitoring business and providing non-monitory incentives like equipments and machines.
- vi. Apart from the above, 18% of the respondents expect increase in the duration of training, separate batch based on homogenous trade, advanced course post PMEGP for selected entrepreneurs and increase in initial loan installments from banks.

## **Effectiveness of capacity building training implemented by DI&CC micro enterprises:**

The economic, social and psychological impact of the PMEGP on the selected entrepreneurs are discussed below-

- i. 77% of the respondents are in business after undertaking the capacity building training and 23% have either closed down the business due to financial losses or could not set up their own units post the capacity building training or have been employed. This indicates that the entrepreneurs have been able to sustain.
- ii. 70% of the respondents agree that the capacity building training has helped them to be self-employed. 22% have neutral opinion and 8% disagree to the above statement. The training has been effective in creating employment to an extent.
- iii. 52% of the respondents agree that they could deliver their services efficiently post training. 40% are neutral about efficient delivery of service and 8% disagree to the same. The training has partially been able to enhance the delivery of services.
- iv. 73% of the respondents agree that the capacity building training has helped in bring a regular flow of income. 22% have neutral opinion and 5% disagree to the above statement. It indicates that the training has been able to create a positive impact on the economic conditions.
- v. 74% of the respondents agree that the capacity building training has increased their creativity in different aspects. 18% are neutral and 8% disagree that the training has increased their creativity. The training has been effective in encouraging innovations and creativity.
- vi. 67% of the respondents agree that the capacity building training has boosted their confidence. 19% are neutral and 4% disagree that the training has increased their confidence. The training has been effective in creating a positive impact on the psychological impact of the respondents.
- vii. 51% of the respondents agree that the training has enhanced their performance to a great extent which has helped them in attaining sustainability. 45% are of neutral opinion and 4% disagree that the training could enhance their performance.
- viii. 65% of the respondents agree that the training has motivated their entrepreneurial instinct. 27% are of neutral opinion regarding the motivation and 4% disagree that the training could encourage entrepreneurship. Majority of the respondents are of the opinion that the training has helped in encouraging entrepreneurship.
- ix. 82% of the respondents agree that the training has helped them in becoming independent and self-sufficient. 11% have neutral opinion and 7% disagree to the above statement. This indicates that the training has been successful to a considerable extent to uplift the beneficiaries economically.
- x. 18% of the respondents agree that the training has improved their business oriented skills. 37% have neutral opinion regarding improvement in business skills and 45% disagree to the above statement. The training is effective in developing the business oriented skills.

#### **RECOMMENDATIONS:**

- i. The micro entrepreneurs have access to subsidy under PMEGP for setting up their enterprises but the rate of subsidy is low. It is difficult to make profits in the initial phase of business. Increase in financial subsidy could help the enterprises to attain stability in the initial period of business.
- ii. The training period of PMEGP is only for 15 days which is insufficient to attain the skills required to start a business. The increase of training duration is recommended so that it would help to understand the process of setting up a unit as well as equip themselves with the requisite skills.
- iii. Provision of advanced training and full market oriented courses is required in context of current market demand in fields like pattern making and parlour as it becomes impossible to survive the competition with traditional methods.
- iv. Entrepreneurs from different trades are trained together in the same batch, which was not favourable to them. Separate sessions based on homogenous trades could be more beneficial to them.
- v. Provision of few machineries/ equipments in fields like parlour, pattern making and photography as cash given as loan installment is insufficient and with for purchase of machines and equipments.
- vi. At least 5 days practical training to be incorporated separately, trade wise.
- vii. Interest rate is high (14-18%) for new entrepreneurs as they could not gather enough profits in the initial phase. So lowering of interest rates in the initial phase of business is expected.

- viii. Timely monitoring of business, guidance regarding utilization of loan and subsidy, periodical sessions of counseling and elimination of communication gap would solve the problems of the entrepreneurs relating to fund management and growth of their enterprises.

## **CONCLUSION:**

To sum up, it can be concluded that for attaining overall growth and development of Assam, micro enterprises have played a significant role. For promoting, nurturing and fostering the enterprises, adequate skill development and capacity building training is crucial among the entrepreneurs. Out of the several capacity building schemes, PMEGP has been successful partially to generate employment through establishment of micro enterprises. The impact of the training on entrepreneurs is worth a praise as it has turned them positive, economically independent, confident, better decision makers, creative and participative towards business and different social and economic activities. However, inclusion of separate practical sessions, team building efforts, considering current market demands job-oriented training, management of their units could meet the expectations of the entrepreneurs and would make the training more effective. Thus, it can be concluded that effective training along with encouragement towards micro entrepreneurship serves as a solution to economic empowerment and regional development.

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**TABLES:**

**Table 1: Characteristics of the respondents**

Sample Characteristics	Category	Frequency (No. of respondents)	Percentage (%)
Age	Below 18 years	01	1
	19 to 22 years	18	18
	23 to 27 years	50	50
	28 to 35 years	29	29
Area	Urban	21	21
	Rural	79	79
Annual Income	Below 1 lakh rupees	48	48
	1 to 2 lakh	41	41
	2 to 3 lakh	08	8
	3 to 4 lakh	02	2
	Above 4 lakh rupees	01	1
Activity of trade	Manufacturing	06	6
	Service	94	94
Training undertaken	Prior to business	81	81
	During business	19	19
Setting up business	Immediately after training	60	60
	Could not start immediately	38	38
Monitoring	Business was monitored	70	70
	Business was never monitored	30	30

Source: field survey

**Table 2: Expectation of respondents from PMEGP**

Expectations	Frequency (No. of respondents)	Percentage (%)
Consider current market demands	39	39
Meet the requirements for survival	47	47
Job oriented	27	27
Simple and fast procedure to avail training	05	5
Cooperation from banks	04	4
Increase in duration of training	18	18

Source: field survey



**Table 3: Effectiveness of PMEGP on respondents**

<b>Impact on respondents</b>	<b>Responses</b>	<b>Frequency (No. of respondents)</b>	<b>Percentage (%)</b>
Setting up units	Could set up units	77	77
	Could not set up units or had to close down	23	23
Training created employment opportunities	Agree	70	70
	Neutral	22	22
	disagree	08	8
Efficient delivery of service	Agree	52	52
	Neutral	40	40
	disagree	08	8
Regular income	Agree	73	73
	Neutral	22	22
	disagree	05	5
Increase in creativity	Agree	74	74
	Neutral	18	18
	disagree	08	8
Boost in confidence	Agree	67	67
	Neutral	19	19
	disagree	04	4
Enhanced performance	Agree	51	51
	Neutral	45	45
	disagree	04	4
Motivated the entrepreneurial instinct	Agree	65	65
	Neutral	27	27
	disagree	04	4
Independent and self-sufficient	Agree	82	82
	Neutral	11	11
	Disagree	07	7
Developed business oriented skills	Agree	18	18
	Neutral	37	37
	Disagree	45	45

**Source:** field survey

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