



# Factors Influencing Sustainable Entrepreneurship Under The Prime Minister Employment Generation Programme: A Review Of Literature

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## Abstract

This review synthesises literature on the factors that influence sustainable entrepreneurship among beneficiaries of the Prime Minister Employment Generation Programme (PMEGP). Focusing on economic, institutional, individual, market, regional, social, and environmental determinants, the paper examines how these factors shape enterprise creation, survival, growth, and sustainability in rural India, with implications for PMEGP implementation. The review draws on government reports, programme documents, empirical studies, and conceptual works to identify patterns and recurring barriers such as limited credit access, inadequate training, weak market linkages, and infrastructural shortfalls that constrain long-term sustainability. It also highlights enabling conditions, including targeted subsidies, inclusive outreach, strong institutional coordination, and appropriate capacity-building. The paper concludes with policy recommendations to strengthen PMEGP's sustainability outcomes and proposes priority areas for future empirical research, including longitudinal evaluations, district-level comparative studies, and focused analyses of environmental sustainability within PMEGP-supported enterprises.

**Keywords:** PMEGP, sustainable entrepreneurship, rural enterprises, government employment programmes

## 1. Introduction

Government employment programmes are widely used in developing countries to alleviate unemployment and stimulate local economic activity. In India, programmes such as the Prime Minister Employment Generation Programme (PMEGP) aim not merely to create temporary jobs but to foster micro and small-scale enterprises that can provide sustained livelihoods (MSME, 2019; KVIC, 2021). Sustainable entrepreneurship in this context refers to enterprises that are economically viable over time, socially inclusive, and where possible environmentally responsible (Schaltegger & Wagner, 2011).

Understanding the factors that influence whether PMEGP-supported enterprises become sustainable is crucial for both policy design and implementation. While PMEGP provides financial incentives and institutional linkages, the long-term performance of beneficiary enterprises depends on a wider set of

determinants, ranging from beneficiary characteristics to local market conditions and post-establishment support systems (Singh & Belwal, 2019; Rao & Suresh, 2020). This review paper synthesises existing literature to identify, classify, and critically appraise these determinants, with the objective of offering a structured knowledge base that can guide empirical work and policy improvements.

## 2. Review Methodology

This review adopts a narrative, thematic approach to synthesise literature relevant to factors affecting sustainable entrepreneurship under PMEGP and similar government schemes. Sources include government reports and guidelines (MSME, KVIC), international organisation documents (OECD, World Bank), conceptual and theoretical literature on entrepreneurship and sustainability (Audretsch, 2012; Schaltegger & Wagner, 2011), and empirical studies examining PMEGP and rural entrepreneurship in India (Kumar & Kumar, 2017; Sharma & Meena, 2018; Singh & Belwal, 2019; Rao & Suresh, 2020).

Searches were conceptually based on these core documents and extended to peer-reviewed journals and working papers discussing determinants such as finance, skills, institutions, markets, and regional infrastructure. Thematic coding was used to aggregate determinants into coherent categories (financial, institutional, individual, market, regional/infrastructural, social, and environmental). Where possible, empirical findings were summarised to indicate direction and strength of association between factors and sustainability outcomes.

## 3. Conceptual Framework

Sustainable entrepreneurship integrates three interlinked dimensions such as economic viability, social inclusion, and environmental responsibility (Schaltegger & Wagner, 2011). For PMEGP-supported enterprises, sustainability implies continued operation beyond initial subsidy periods, stable or rising incomes for beneficiaries, contribution to local employment, and, increasingly, attention to resource efficiency.

The conceptual model used in this review posits that enterprise sustainability is a function of:

- **Financial inputs and access:** availability of capital, subsidy effectiveness, and credit linkage;
- **Institutional support:** quality of training, mentoring, administrative efficiency, and post-establishment services;
- **Individual/household characteristics:** education, prior experience, motivation, and social capital;
- **Market conditions:** demand, competition, price signals, and value-chain linkages;
- **Regional/infrastructural context:** connectivity, power supply, and access to raw materials;
- **Social/inclusion factors:** gender norms, caste and community support, and social networks;
- **Environmental considerations:** resource availability and adoption of sustainable practices.

This multi-dimensional model aligns with the policy intent behind PMEGP and with broader entrepreneurship theory emphasizing both supply-side (skills, finance) and demand-side (market, infrastructure) determinants (Audretsch, 2012; OECD, 2017).

## **4. Financial Factors**

### **4.1 Margin Money Subsidy and Credit Linkage**

A central financial mechanism in PMEGP is the margin money subsidy, intended to reduce the initial capital burden and leverage bank credit for the remainder (KVIC, 2021). Empirical studies report that access to this subsidy increases the probability of enterprise start-up (Kumar & Kumar, 2017). However, the sustainability of enterprises often depends on timely disbursement and the adequacy of working capital (Singh & Belwal, 2019). Delays in subsidy or loan disbursement can stall production and damage market trust.

### **4.2 Banking Procedures and Financial Inclusion**

Conventional banking practices like stringent documentation, risk-aversion toward first-time rural borrowers, and physical distance to bank branches pose barriers (MSME, 2020). These constraints often force beneficiaries to rely on informal credit or delay scaling operations. Local financial literacy and accommodative bank procedures have been linked with improved enterprise survival (Rao & Suresh, 2020).

### **4.3 Working Capital and Profitability**

Sustainability requires more than initial investment; it requires sufficient working capital to handle seasonality and production cycles. Several studies point to insufficient working capital as a primary reason for closure of micro-enterprises supported under government schemes (Sharma & Meena, 2018). Thus, financial package design must account for working capital needs, not only fixed capital.

## **5. Institutional Factors**

### **5.1 Training and Skill Development**

Training is a core non-financial input in PMEGP. Quality, duration, and relevance of training are repeatedly cited as determinants of entrepreneurial performance (NITI Aayog, 2018). Short orientation sessions may help with project preparation but are insufficient for market-oriented skills, technical know-how, and financial management that underpin sustainability (Sharma & Meena, 2018; Singh & Belwal, 2019).

### **5.2 Mentoring, Monitoring, and Post-Establishment Support**

Post-establishment mentoring and market linkage support are often weak or inconsistent (Rao & Suresh, 2020). Studies indicate enterprises with access to continuous mentoring, government or NGO-led cluster support, and market facilitation have higher survival and growth rates (Singh & Belwal, 2019).

### **5.3 Administrative Efficiency and Local Implementation Capacity**

The role of district-level institutions (District Industries Centres, KVIBs) in beneficiary selection, project appraisal, and monitoring is critical. Variations in local administrative capacity result in uneven outcomes across districts (Government of Rajasthan, 2019). Effective local implementation increases both reach and the quality of support services.

## **6. Individual and Household Factors**

### **6.1 Education, Experience, and Entrepreneurial Intent**

Beneficiary characteristics such as education level, prior work or business experience, and entrepreneurial motivation influence both the probability of enterprise survival and growth (Audretsch, 2012). More educated beneficiaries may manage finances and market the product more effectively, while prior experience reduces learning curves.

## 6.2 Gender and Social Inclusion

Women beneficiaries under PMEGP can face both opportunities and constraints. While subsidies and targeted outreach increase women's participation, social norms, caregiving responsibilities, and limited mobility may restrict market access (Brush et al., 2006; Singh & Belwal, 2019). Where women receive tailored training and support, their enterprises show better sustainability indicators.

## 6.3 Social Capital and Networks

Access to community networks, cooperatives, and SHGs plays a mediating role in enterprise performance. Social capital can facilitate market access, labour pooling, and mutual support during demand fluctuations (Rao & Suresh, 2020).

## 7. Market and Demand-Side Factors

### 7.1 Market Access and Value Chains

Enterprises with clear market linkages whether local, regional, or via value chain integration are more likely to be sustainable. Many PMEGP-supported enterprises produce goods for local consumption (e.g., handicrafts, agro-processing), but lack of linkages to larger markets restricts scaling (Sharma & Meena, 2018).

### 7.2 Competition and Product Differentiation

Market saturation in traditional product lines and lack of product differentiation weaken profitability. Training that includes market research and product development enhances competitiveness (NITI Aayog, 2018).

### 7.3 Pricing, Demand Seasonality, and Diversification

Seasonal demand (especially for agro-related or festival-based products) requires enterprises to diversify products or markets to smooth incomes. Those that successfully diversify demonstrate better survival rates (Kumar & Kumar, 2017).

## 8. Regional and Infrastructure Factors

### 8.1 Connectivity and Transport

Poor road connectivity increases transaction costs and reduces market reach, adversely affecting sustainability (Government of Rajasthan, 2019). Proximity to urban markets tends to correlate with better enterprise outcomes.

### 8.2 Power Supply and Technology Access

Unreliable electricity and lack of mechanisation can limit production capacity and quality. Investments in local infrastructure and access to appropriate technologies improve firm-level productivity (World Bank, 2018).

### 8.3 Cluster Development and Local Resource Endowments

Regions with existing craft clusters, raw material availability, or tourism linkages can create enabling environments for PMEGP units. Cluster-based approaches often improve access to inputs, common services, and collective marketing (MSME, 2019).



## 9. Social and Cultural Factors

### 9.1 Community Norms and Acceptance

Community attitudes toward entrepreneurship especially women entrepreneurs affect labour availability, mobility, and social support. Positive community backing can translate into local demand and informal mentoring.

### 9.2 Caste and Minority Status

Social marginalisation or minority status can both hinder access to networks and, in some policy contexts, trigger affirmative targeting. The efficacy of targeting depends on outreach quality and local inclusion practices (MSME, 2020).

## 10. Environmental and Resource Factors

### 10.1 Resource Availability and Environmental Risk

For agro-based and resource-dependent micro-enterprises, availability and variability of natural resources (water, raw materials) are critical. Drought-prone areas of Rajasthan face additional risks that must be accounted for in enterprise selection and project design (Government of Rajasthan, 2019).

### 10.2 Green Practices and Long-Term Viability

Adoption of energy-efficient processes, waste minimisation, and sustainable sourcing can reduce costs and open niche markets. However, uptake of green practices among PMEGP beneficiaries appears limited and requires targeted incentives and training (Schaltegger & Wagner, 2011).

## 11. Synthesis of Empirical Findings

Across studies, a few consistent patterns emerge:

- **Financial access and timely credit** are necessary but not sufficient for sustainability. Working capital and ease of bank interaction remain persistent obstacles (Singh & Belwal, 2019; Rao & Suresh, 2020).
- **Quality and relevance of training** significantly influence entrepreneurial competencies and firm survival; training that includes market orientation, bookkeeping, and digital skills has stronger effects (Sharma & Meena, 2018).
- **Post-establishment support** (mentoring, market linkages, monitoring) correlates strongly with enterprise continuity (Rao & Suresh, 2020).
- **Regional infrastructure and market proximity** materially affect profitability and scaling potential; enterprises in better-connected districts fare better (Government of Rajasthan, 2019).
- **Individual traits and social capital** moderate the impact of programme inputs; more motivated, experienced, and networked beneficiaries tend to reach sustainable thresholds sooner (Audretsch, 2012).

While these findings are broadly supportive of PMEGP's potential, they also point to uneven outcomes and significant heterogeneity across locations, sectors, and beneficiary groups.

## 12. Policy Implications

Based on the review, the following policy implications emerge:

1. **Design financial packages that account for working capital and seasonality**, not just fixed capital subsidies. Consider micro-credit complements and revolving funds for PMEGP units (MSME, 2020).
2. **Strengthen training programs** to be sector-specific, market-oriented, and sufficiently long to impart practical managerial and technical skills (NITI Aayog, 2018).
3. **Institutionalise post-establishment support** with clear roles for KVIC/KVIBs, DICs, and local NGOs to provide mentoring, quality certification, and market linkage services (KVIC, 2021).
4. **Promote cluster-based approaches** in regions with thematic strengths (handicrafts, agro-processing) to leverage shared services and collective marketing (MSME, 2019).
5. **Improve bank–programme coordination** and simplify documentation to ease credit access for first-time entrepreneurs; conduct bank capacity-building for rural lending (Rao & Suresh, 2020).
6. **Integrate environmental sustainability incentives** encouraging resource-efficient technologies and green product lines potentially opening niche markets and lowering long-term costs (Schaltegger & Wagner, 2011).

## 13. Research Gaps and Future Directions

While the literature provides a useful starting point, several gaps remain:

- **Longitudinal studies** tracking enterprise survival and growth over 3–5 years are limited; such studies would illuminate causality and longevity.
- **District- or block-level comparative analyses** could help isolate the contribution of regional infrastructure and institutional capacity.
- **Rigorous impact evaluations** (using quasi-experimental methods) comparing PMEGP beneficiaries to matched non-beneficiaries are needed to measure causal effects.
- **Studies on environmental sustainability** of PMEGP enterprises are sparse; research could examine adoption of green practices and cost–benefit dynamics.
- **Gender-focused longitudinal work** that examines intra-household dynamics and the dual burden on women entrepreneurs would help design better support mechanisms (Brush et al., 2006).

Addressing these gaps in research would strengthen both theoretical understanding and practical policy design.

## 14. Conclusion

This review organises and synthesises literature on the multiple factors that influence sustainable entrepreneurship under PMEGP. Financial, institutional, individual, market, regional, social, and environmental determinants jointly shape enterprise sustainability. While PMEGP provides critical initial support through subsidies and credit linkages, long-term success depends on quality training, post-establishment support, market access, infrastructure, and responsive banking practices. Policy action that addresses these determinants in an integrated manner alongside targeted research to fill empirical gaps can significantly improve the programme's contribution to sustainable rural entrepreneurship.

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