CHAPTER -1
INTRODUCTION

Unemployment is considered as a bane of India's development particularly the, educated unemployed youth who become unproductive and frustrated are to be paid special attention. The small-scale sector includes village and cottage sectors are found out to be the best means to solve the growing unemployment problem. Self-employment is the only solution to the unemployment. Policy makers and economists studied and drew conclusion that setting up a small scale unit with a moderate investment has got the potential to provide employment to about 4 to 5 people directly and indirectly. The satisfaction of self-employment and the contentment of contributing to the National Income and proving livelihood to few unemployed can have positive multiplier effect adding to it the SSI sector has got the inherent advantage of utilizing the local resources, technologies for productive-purposes and at the same time could......satisfy the needs of the local people and exploit the local market at micro level

Taking all these into consideration the Central Government initially launched Self Employment Scheme for Educated unemployed Youth (SEEUY) popularly known as. Gramodaya Scheme introduced by Government of India in 1985 wherein financial assistance of not
more than Rs 35000 was provided for industries. Rs 25000 for service units and Rs, 15000 for business ventures by way of composite loans to eligible educated unemployed youth to start their small enterprises. District Industries Centre (DICs) operated this central scheme at the district level, where 25 per cent of the sanctioned Joan amount was granted as subsidy by Central Government to be deposited as fixed deposit in the name of the candidate. This scheme could not, be continued successfully, it was estimated that more than 70 per cent of the units became sick and subsequently closed down.

Hon’ble Prime Minister of India, announced a new scheme the Prime Minister’s Rozgar Yojana (PMRY) on 15th August, 1993. The scheme was launched on the auspicious day of 2nd October, 1993, the birth Anniversary of Mahatma Gandhi all over the country the main objective of the PMRY scheme was to provide easy subsidized financial assistance to educated unemployed youth for starting their own enterprises in manufacturing, business and service ami trade sectors, initially the scheme was aimed at providing self - employment to one million educated unemployed youth in the country by setting up 7 lakh micro enterprises through inducting service and business ventures over a period of 2 $V_2$ years. The scheme was a stupendous success and caught the imagination of the youth.
Overwhelmed with the response and ever-increasing need the Government has decided to make it a permanent scheme and teamed modalities & guidelines for its successful implementation and to fulfil the purpose for which it is designed.\(^1\)

Initially, the PMRY was implemented only in the urban areas of the country. Since 1994-95, it has been implemented in both urban and rural areas. The Yojana has been continued in the X Five Year Plan with an initial target of setting up 11 lakh units, generating 16.5 lakh employment opportunities.

The National Common Minimum Programme (NCMP) of the Government envisages creation of additional employment opportunities in the rural non-farm sector. Accordingly, the targets for the years 2004-05, 2005-06 and 2006-07 under the Yojana have been enhanced from 2.20 lakh beneficiaries respectively for generating 11.325 lakh self-employment opportunities during the three years periods of X plan. This would take the total targeted number of units to be set up as 11.95 lakh which would correspond to generation of 17.925 lakh additional employment opportunities, across the X Plan.

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\(^1\) MSME, about PMRY - Genesis of PMRY, Ministry of Micro. Small mul Medium Enterprises, New Delhi, 2005.
1.1. STATEMENT OF THE PROBLEM

Mass poverty and widespread unemployment are the two most pervasive phenomena in the third world countries. India is no exception, India is a land of villages with 76.7 percent of her population living in villages and that carries the bulk of the poor. Poverty in India is mainly rural poverty. The causes of poverty are many and well known. However, some of important reasons can be identified as uneven: distribution of production resources, high rate of population growth, low productivity in agriculture and allied sectors, high dependence on agriculture and high rate of illiteracy. The culmination of all these factors is reflected through low income and large unemployment. The employment generation programmes have focused on creating more opportunities for generation of income and employment through self employment, with the aim of alleviating rural poverty.

.........The vast majority of the rural poor are small cultivators, tenants, share croppers, artisans and landless workers, who have very limited or no access to natural resources, modem technology and inputs. They lack support, from institutions which can provide technology and inputs which will facilitates higher levels of production. The agriculture sector, which is already saturated with labour, cannot
generate employment for the ever increasing number of job seekers. Rural development no longer means agricultural development alone. It is also not a social welfare measure of pumping money into rural areas to provide basic human needs. It encompasses a spectrum of activities and human mobilization to make people stand on their own legs and break away from all the structural constraints which chain them to the conditions in which they live. The approach to rural development in India has therefore been multi-dimensional with the major focus on poverty alleviation through self-employment.

The unemployed can be divided into four categories (i) Educated skilled, (ii) Educated unskilled, (iii) Illiterate skilled, and (iv) Illiterate unskilled. Most of the rural poor come under the third and fourth category and these people are competing for jobs in the Government and the organized sector with those in the first and the second categories is beyond questions. Even in the unorganized non-farm sector, the illiterate unskilled, rural, poor cannot, compete with illiterate skilled ones.

Another question is whether so many jobs can be created to absorb such a huge number of unemployed and underemployed both in the organized and the unorganized sector, particularly those who are illiterate and unskilled. To a great extent, however employment can
be provided by the strategy for creation of wage and self-employment on a large scale, while wage employment is a temporary and short-term phenomenon. It should ultimately lead to self-employment, which is gainful and sustainable. There are controversies over wage employment as opposed to self-employment.

According to Rath (1985) wage employment should be given maximum priority. He observes that the strategy of helping the poor in rural society to get over poverty with the help of assets and/or skills has yielded little and is largely misconceived. Hence it should be replaced by a strategy whose most important, indeed the central, aspect has to be the creation of massive wage employment opportunities in rural areas on both public and private account. However, Dantwala (1985) favours self-employment by providing productive assets or skills to the rural poor. He argues that if a massive employment programme becomes the central piece of the strategy for the alleviation of poverty. The dependence of the poor on the employers, private and public, will be so total that in the course of a few years there will hardly be any able enterprising persons left among the poor.

Wage employment and self-employment, in fact, should be treated as complementary to each other as the former is most suitable for a short-term solution and the latter is- to be regarded as the ultimate
goal. Self-employment can itself generate wage employment at various stages and thus a chain reaction for employment generation could be started in rural areas to achieve that goal of full employment.

The concept of self-employment took a concrete shape during the last two decades, specifically during the eighties. In earlier approaches to self-employment, though not explicitly laid down, small and cottage industries were regarded as the main activities and therefore emphasized as the most 'appropriate path towards rural industrialization. But the scope of self-employment activities has now expanded to all sectors of the economy.

In the early seventies poverty alleviation became the focus of rural development in India and a number of special programmes to assist poor people as well as to develop backward areas were introduced. The Small Farmers Development Agency (SFDA) created during the Fourth Five Year Plan (1969-74) was a major programme aimed at helping small and marginal farmers, agricultural labourers and rural artisans to upgrade their income generating capacity and improve their living standards. The emphasis was on encouraging self-employment. The self-employment approach to poverty alleviation sharpened when the SFDA and other beneficiary oriented elements of other programmes such as the Drought Prone Area Programme (DPAP), the Hill Area Development Agency (HAiA)
Programme and the Command Area Development Agency (CADA) Programme were brought together and introduced in about 2000 blocks as the Integrated Rural Development Programme (IRDP) in 1978. Later, in 1980, the Integrated Rural Development Programme coverage was extended to all blocks of the country and became a driving force in poverty alleviation.

While the IRDP programme covers all sectors of income and employment generating activities, one of its important objectives is to create more employment in the non-farm sector known as the Industries, Services and Business (ISB) component and a minimum target of 30 percent coverage has been fixed. To supplement it, two more components of the Integrated Rural Development Programme known as Training for Rural Youth and Self-employment (TRYSEM) and Development of Women and children in Rural Areas (DWCRA), were introduced simultaneously for the development of skills among the rural youth and women to undertake income generating activities in small-and-household industries and promote self-employment. In addition to the IRDP, the Khadi and Village Industries Commission (KVIC) and the Handloom Development Corporation, both at the Central and the State levels, are engaged in promoting self-employment through training, financial assistance and infrastructure development for small and cottage industries.
The above-said various self-employment schemes could not succeed in removing rural unemployment and underemployment because efforts were not made to organize the army of the rural unemployment into appropriate supply camps to be shifted to places of demand at the desired minimum wage.

Educated unemployment in India, which is contributing significant portion of unemployment, has been increasing at a very rapid rate. The educated constitute nearly 40 percent of the unemployed. Incidence of unemployment among the educated labour force is 11.8 percent as against 3.8 percent for the educated and the uneducated taken together. Further, the incidence is much higher viz., 26.7 percent among educated women than among educated men. 9.8 percent women constitute 27 percent of the educated unemployed. The unemployment rates rise with every successive higher level of education. Projections made using alternative techniques put the estimate of the educated unemployed at 6-7 million in 1992. This is out of an estimated educated labour force of 52 million. Of the new employment opportunities that are being generated in the economy in recent years, about 45 per cent are estimated to be going to the educated.
But, though relatively high, the employment growth of the educated still falls short of the growth of the labour force by about 7 lakhs in a year. The trend of a higher growth of their employment is likely to continue with the introduction of modern technologies in the economy. There may, in fact, be a shift towards employment of the educated in the activities which hitherto were the preserve of the uneducated. Hence the problem of the educated needs a special focus within the overall strategy for tackling unemployment. The Prime Minister’s Rozgar Yojana (PMRY) seeks to address this problem.

Under the PMRY, preference is given to weaker section including women. The scheme envisages 22.5 percent reservation for SC/STs and 27 percent reservation for Other Backward Classes (OBCs). In view of the extra-ordinary circumstances prevailing in the North-Eastern Region, the scheme has been (1998-99) revised by raising the age limit to 40 years and the income limit upto Rs.40,000 per annum and by covering all viable activities such as horticulture, piggery, fishing and small tea garden.

The Government of India provides a subsidy @15 percent of the project cost subject to a ceiling of Rs.7,500/- per entrepreneur. The scheme envisages compulsory stipendiary training for
entrepreneurs for a period of 15 (o 20 working days for the industry sector and 7 to 10 working days for the service/business sector after the loan is sanctioned.

The PMRY has helped in mitigating the problem of unemployment among the educated unemployed youth by generating opportunities for gainful self-employment. The Government has recently revised/relaxed certain parameters of the PMRY scheme for expanding its coverage and also for facilitating increased financial assistance to the beneficiaries from banks\(^2\). The PMRY scheme in the revised form addresses the needs of beneficiaries belonging to the disadvantaged groups such as SC/STs and those from, the North-Eastern States.

Dindigul District is mainly inhabited by agricultural labour, industrial labour and educated unemployed youth, who really deserve the benefits of the self-employment programme of the government. The present study attempts to analyse the performance of the PMRY scheme in Dindigul district of Tamil Nadu.

\(^2\) See chapter III for details.
1.2 OBJECTIVES OF THE STUDY

The general objective of the study is to evaluate the performance and impact of the Prime Minister’s Rozgar Yojana (PMRY) Scheme in Dindigul District of Tamil Nadu. The specific objectives are:

i. To study the performance and growth of the PMRY scheme in Dindigul District;

ii. To find out the changes in the socio-economic status of the beneficiaries, of the PMRY after receiving benefits under the PMRY;

iii. To compare the impact of the PMRY scheme on the beneficiaries of each of the three sectors, namely, Industries, Business and Service (ISB) sectors:

iv. To review the problems faced by the beneficiaries of the PMRY scheme in this district; and

v. To suggest concrete measures for the effective implementation of the PMRY scheme.
1.3 OPERATIONAL DEFINITIONS

The operational definitions used in this study are given below

1.3.1 Unemployment

According to the conventional and most commonly usage, unemployment measures involuntary idleness, that is, the time during which individuals are available for work and willing to work, but are not able to find work. It indicates a situation where in the total number of job vacancies is much less than the total number of job seekers in the country. It is a kind of situation where in the unemployed persons do not find any meaningful or gainful job in spite of having willingness and capacity to work. Thus unemployment leads to a huge wastage of manpower resources.

1.3.2 Educated unemployed

Due to the growth and rapid expansion of general education in the country the number of educated people turned out is increasing day by day. But due to slow growth of technical and vocational education facilities, a huge chunk of manpower is unnecessarily diverted towards general education leading to a peculiar educated unemployment problem in the country.
The educated work force represents the most precious manpower of the society. It was Adam Smith who said that “a good education confers great indirect benefits even on the ordinary workman. It stimulates his mental activity, it fosters in him a habit of wise inquisitiveness; it makes him more ready, more intelligent, more trustworthy in ordinary work, it raises the tone of his life in working hour, wealth and at the same time regarded as an end itself.

1.3.3 Self-employment

Self-employment refers to any gainful activity other than wage employment. Which gives full time or substantially full time employment and enables a person to sustain a normal family above the poverty line.

In our country governmental jobs and positions in firms are attractive because of relative security of employment. Neither the government nor the manufacturing sector can absorb all the educated persons. Those who can support themselves by individual entrepreneurship should be provided with capital, inputs, overall guidance and assistance.
1.3.4, **Entrepreneurship**

The word Entrepreneurship typically means ‘to undertake’. It owes its origin to the western societies. But even in the west, it has undergone changes from time to time. In the early sixteenth century the term was used to denote army leaders. The Frenchmen who organized and led military expanded the scope and applied the “Entrepreneurs”, Around 1700, AD, Cochran expanded the scope and applied the term to civil engineering activities such as construction, architecture and public works.

Adam. Smith, the foremost economist, didn’t assign any significance to entrepreneurial role in economic development. According to him, the ability to save is governed by improvement in the productive power of labour. David Ricardo and Adam Smith in his Wealth of Nations (1776) ignored the role of entrepreneurs in economic development. The very concept of entrepreneurship was shady during the period of the English classical economists.

According to J.B. SAY, “entrepreneur is an economic agent who unites all means of production, the labour force of one, the capital or land of others and who finds in the value of products which result
from their employment, the reconstitution of the entire capital that he utilizes and value of the wages, the interest and the rent which he pays as well as profit belonging to himself.”

International Labour Organisation (ILO) said entrepreneurs “are people who have the ability to see and evaluate business opportunities, together the necessary resources to take advantage of them and to initiate appropriate action to ensure success”

The New Encyclopedia Britannica says, “An entrepreneur is an individual who bears the risk of operating a business in the face of uncertainty about future conditions.” Therefore it is obvious that one does not become an entrepreneur by the mere act of starting or owning an enterprise; more important is the nature, degree and extent of innovation that the entrepreneur introduces and that on a continuous basis.

However, confusion still prevails as to what exactly we mean by the term “Entrepreneur” there has been no consensus on the definition of an entrepreneur.
1.3.5 Activities covered

All economically viable activities including agriculture and allied activities are covered but excluding direct agricultural operations like raising crops, purchase of manure etc. The activities taken up under this scheme are grouped into three sectors, namely, Industry, Service and Business.

Industry: ‘Industry’ refers to production of goods, mainly by manufacturing or processing. Goods produced by an industry may be what consumers with to have e.g., foodstuff, cloth, radio, television set etc.

Service: Service, also called invisible or intangible goods, may be of various kinds, such as water, electricity, gas, transport, warehousing, banking, insurance, etc. An important feature of services is that the consumers cannot store them.

Business: All activities, i.e., trading," mining, farming, manufacturing, banking, insurance, transport, warehousing, etc., which are regularly or nearly regularly undertaken by an individual or group with a view to earning profits, constitute business.
1.3.6. Non-Performing Assets

NPAs in business may be stated to be one, which does not have any utility value in contributing to business in tangible or intangible form. From banking viewpoint this wide connotation narrow down to indicate manly that portion of loans and advances of the bank which do not yield any revenue.

1.4. METHODOLOGY

The purpose of the study is to assess the impact of the PMRY scheme on the economic conditions of the beneficiaries and to relate the planning mechanics of the PMRY scheme. This enquiry, therefore, seeks (a) to assess changes in the economic condition of the beneficiaries following the implementation of the PMRY scheme, and (b) to evaluate the PMRY scheme planning process. For the purpose of the detailed study, Dindigul District was purposively selected. The list of the PMRY beneficiaries was collected from the office of the District Industries Centre, Dindigul.

The present study covers a period of ten years from 1998-1999 to 2007-2008, during which period the ultimate benefits were derived by the beneficiaries from the PMRY scheme were evident. Based on the performance and a detailed discussions with the officials, one taluks were selected in Dindigul District, namely Dindigul taluk for the study.
This is an empirical research mainly based on the survey method. The primary data were collected from the beneficiaries of the PMRY scheme in Dindigul District with the help of an interview schedule. The researcher himself structured the interview schedule used in this study. The variables to be studied had been identified in the preliminary interview with the DIC officers and the managers of various banks in Dindigul District.

The variables thus identified were converted into appropriate questions. The schedule so drafted was circulated among a few researchers for a critical review. The schedule was redrafted in the light of their comments. Then the interview schedule was pre-tested and revised.

During the years 1998-99 to 2007-2008, 5819 PMRY scheme beneficiaries availed of the assistance in Dindigul District (an average of 582 beneficiaries per year). Out of 582 average beneficiaries 240 sample beneficiaries were selected, at random (50 percent). The selection of respondents was purely on the basis of the judgement of the researcher.

Since the benefits of the PMRY scheme could be realized only after two years of providing loan to the beneficiaries, the years 2007-2008 and 2008 - 2009 were chosen for primary data collection.
The secondary data used in this study were gathered from books, journals and reports of the District Industries Centre of Dindigul District, the Directorate of Industries and Commerce, Chennai and the Directorate of Applied Research' and Evaluation, Chennai. Further, the researcher gathered data from the various commercial banks operating in Dindigul District.

The Government of India’s publications on the PMRY and the various reports on the evaluation of the PMRY scheme published by the State and Central Government and various private institutions and individuals were also consulted. Newspapers, magazines and books on this programme were also gone through.

For analyzing the primary and secondary data and measuring the impact of the Prime Minister’s Rozgar Yojana (PMRY) scheme in the study area, appropriated and suitable financial and statistical tools were used.

1.5. IMPORTANCE OF THE STUDY

In India, there has always been a serious degree of unemployment as well underemployment and it has constituted one of the most serious problems. Unemployment refers to the excess supply of labour over the demand for labour. This has been one of the most persistent and unmanageable problems confronting India.
The number of educated unemployed also increases at a rapid stride due to prolific explosion of population and unprecedented expansion of technical and non-technical education.

The problem of unemployment can be solved primarily by two ways, viz.,

i) Providing Employment opportunities, and

ii) Providing Self-Employment

Of these two the first solution alone is practically impossible because jobs cannot be provided for all. Therefore the second solution comes to the stage for operation.

With a view to reducing the seriousness of the unemployment problem and considering the socio-economic importance of employment, the Government of India has introduced several self-employment schemes. These schemes have already made some impact but will require considerable rationalisation in many cases to make them more purposeful. It is to solve the unemployment problem among the educated, the PMRY scheme has been launched. The PMRY is a significant scheme among the employment schemes introduced by the government. It is worthwhile to make the educated unemployed youth more self-reliant and bubbling with courage and confidence so as to make the nation stronger. Most of the self-
employed will not only be self-reliant but also be in a position of offer employment opportunities to others too.

Therefore, the government is creating more self-employment opportunities through the PMRY scheme by setting up micro enterprises. In this context the present study of the Prime Minister’s Rozgar Yojana assumes great importance.

1.6 LIMITATIONS

The secondary data used in the study were collected from the District Industries Centre at Dindigul and bank offices in the selected taluk, which have their own limitations. As a matter of fact, in a developing country, like India, collection of statistics is not only difficult but also defective at times.

The researcher dedicated one full year to the collection of primary data by using questionnaires and by interviewing the beneficiaries in person. Since it is a study related to a particular period, it cannot have relevance to the period immediately preceding or succeeding it.

It would not be impossible for an individual researcher to undertake a study at the state level in view of the volume of work and the time involved. Hence, only a district, viz., Dindigul District was chosen for the present study.
Most of the beneficiaries of the PMRY did not maintain any accounts regarding income, cost, savings and investment. Since they gave information from their memory, there may be some deficiencies in the accuracy of calculating the income, cost, savings and investment, which could not be avoided.

1.6 CHAPTERISATION

This study is organized into seven chapters.

Chapter I presents the “Introduction”, which comprises the Statement of the Problem, Objectives of the Study, Period of the Study, Methodology, Limitations of the Study and Arrangement of Chapters. Chapter II Reviews the past studies and the literature on the PMRY. Chapter III presents the Profile of the study area and salient features of PMRY. Chapter IV explains the Performance of the PMRY in India, Tamil Nadu state and Dindigul District. Chapter V analyses the socio-economic status of the beneficiaries, employment and income generation in Industry, Service and Business sectors, other impacts of the PMRY, and problems of implementation of the scheme. Chapter V presents the findings of the study, Suggestions and the Conclusions derived there from.