CHAPTER II

REVIEW OF LITERATURE

The past studies related to the present study are reviewed in this chapter. The chapter is divided into three parts. The first part reviews the studies on the factors generating employment in general, and the studies on self employment and entrepreneurship development are reviewed in the second part. The final part reviews the PMRY scheme and its evaluation.

2.1. FACTORS GENERATING EMPLOYMENT

K. Sundaram stated that the release of the provision population total based on population census 2001 necessitates revisions in the estimates of population and of workforce for 1993-94 and 1999-2000 and hence also in the estimates of labour productivity. Besides carrying out the necessary revisions in the size of the workforce (and in labour productivity), this paper offers a detailed industrial distribution of the workforce as well as an occupation distribution of the workforce based on the additional tables now available from the NSS 55th round Employment - Unemployment Survey.

GS Balia, Peter Hazell⁴, in his paper discusses the likely scenarios regarding employment an income growth in agriculture and non-agriculture in rural and urban areas under various assumptions about sectoral growth enough employment elasticities. It is evident that India faces a problem in generating enough employment in the years ahead to keep pace with the growth in the labour force-as also in raising wages and productivity of workers. Against this backdrop the authors consider possible strategies for increasing employment significantly reducing rural and urban poverty by 2020.

Peter Lanjouw, Abusaleh Shariff, in his paper an attempt is made to assess the contribution of the non-farm sector have also been examined. The study is based on rural data from 32,000 households in 1,765 villages across India, collected by the NCAER in 1993-94. Analysis shows that non-farm incomes account for a significant proportion of household income in rural India, with considerable variation across quintiles and across India’s major states--Education, wealth, caste, village level agricultural conditions, population densities and other regional effects influence access to non-farm occupations.

The direct contribution of the non-farm sector to poverty reduction is possibly quite muted as the poor lack assets, but it has been found that the growth of certain non-farm sub-sectors is strongly associated with higher agricultural wage rates.

India’s labour force is growing at a rate of 2.5 percent annually, but employment is growing at only 2.3 per cent. Thus, the country is faced with the challenge of not only absorbing new entrants to the job market (estimated at seven million people every year), but also clearing the backlog\(^6\).

According to Prosip to Roy, Bakshi D. Sinha, Arun K. Ghosh\(^7\), one of the avowed goals of Indian planning has been to improve the living conditions of the rural people by providing employment opportunities and generating income through the process of rural development programmes. For over thirty-five years of rural planning, the planners have considered employment and income generation as effective instruments for poverty alleviation and improvement of the physical quality of life of the rural people. But there is still a long way to go in achieving the goal of full employment in rural areas.


L Satya Sundaram\textsuperscript{8} revealed that employment is the bedrock of both development and social upliftment, particularly in the rural sector. As such, each country must concentrate on evolving an effective employment policy. The International labour Organisation (ILG) has therefore argued that employment should become the target and overall growth, the by-product, of rural development, rather than the other way round.

Dwarakanath\textsuperscript{9} noted that unemployment and poverty continue to plague the Indian economy. Despite almost half a century of planned development, the magnitude as well as the percentage of unemployment and underemployment has been on the rise. A national programme of rural development should include a combination of activities including projects to raise agricultural output and employment opportunities, to improve medical facilities, health, education and rural housing and to expand communication facilities.

Navin Chandra Joshi\textsuperscript{10} points out that if rural development has to gains strength. The economic and social life of the rural poor, consisting of small and marginal farmers, landless labourers, tenants

\textsuperscript{8} Satya Sundaram, “Rural Development”, Himalaya Publishing House.
\textsuperscript{10} Navin Chandra Joshi, “Rural Development Alleviating rural unemployment is the solutions” 	extit{Civil Services Chronicle}, August 1999, PP.20-25.
and other weaker section, must be improved by providing them subsidiary occupation. The immense benefits derived from the Jawahar Rozgar Yajana may be assessed and its functioning may be analysed thoroughly afresh with a view to optimizing its potential for employment.

Choudhary\textsuperscript{11} conducted a study in Madhya Pradesh to find out the role of crop and dairy enterprises in income generation. Sustainable rural employment and labour utilization. The study found that dairy enterprises generates better economic returns in farming situations of agriculture combined with dairy enterprises, particularly with large size dairy due to minimum cost of milk production, using surplus farm family human labour and byproducts. The study further indicates that male labour power is mainly responsible for the viability of the dairy enterprise. The percentage of female labour engaged in both the categories is more than that of the male labour.

The study by Hina Sidhu\textsuperscript{12} shows that in Mehsana small scale industries are playing an important role in employment generation. The employment per small scale industry unit has increased over the years, which is contrary to the national trend.


Rural industry was the principal source of employment for all categories of workers, irrespective of the size of landholdings and sex. Even during the peak agricultural season, rural industry provided as much as 54 percent of the household employment for the workers’ families. However, the magnitude of seasonal variation in rural industry employment has been less among male workers that among female workers. Rural industry provided 84 percent of the family income in cottage industries and 96 percent in rural small industries. Rural industry incomes have had a positive effect on reducing the magnitude of income inequality among entrepreneurs as well as worker households.\(^\text{13}\)

In the case of household industries in Madhya Pradesh conflict between employment and technology did not arise as much as it did in the case of non-household industries. In fact the practice of adopting increasingly capital intensive production functions either consciously for prestige reasons or unconsciously as a consequence of direct Government controls proved detrimental to the growth process under conditions of an unlimited supply of labour.\(^\text{14}\)


Subhrendu Bhattacharya observed that while there is no need to panic in the sphere of mounting unemployment in future emanating from, privatization of public enterprises, the micro economic and macro economic efficiency gains are likely-to be substantial, only if privatization is pursued along with policies of deregulation and liberalization. Steps will have to be taken to make the economy market-oriented, and to focus on maximization of competition besides keeping regulatory system in place to regulate private ownership of the enterprise.15

Another study16 in Orissa found that the effect of the number of units is more significant that of the other factors. The increasing capital investment in the industrial sector is found to be a reductive factor in determining the employment. However, a small scale industries unit is found to create more employment opportunities when compared to a large or a medium scale units. In this situation if the government intends to increase -the employment- opportunities through the industries sector, it must give priority to developing small scale industry units in its policy perspective.


* The household industries sector has accounted for about 4.6 million enterprises or 77.5 percent of the total industries sector, employing 8.1 million persons or 39.9 percent of the total employment in the sector vis-a-vis 6.8 million persons or 33.8 percent of the total employed in organized manufacturing sector. During the period between 1961 and 1991 there was a decline of 31.6 percent in employment provided by this sector and such a decline became drastic in female employment, which came down almost by 55 percent form 3.3 million in 1961 to 1.5 million in 1991. Increasing labour inputs, indicating a positive relationship between value added per worker and output of the units, can increase the output. There is a large scope for providing more effective employment in terms of income to those engaged in rural industries.\(^{17}\)

A study conducted by the Giri Institute of Development Studies, Lucknow, on rural industries showed that the increase in employment is not associated with the increase in value added per workers in most of the industries. In fact a large number of workers entering these industries will mean an increase in the underemployment and a decline in income generation per worker in the given technological market and organizational situation.

\(^{11}\) Bandyopadhyay, M. and Thiagarajan, R., ‘Science and Technology in rural employment Generation - An Experiment in West Bengal”, *Journal of Rural Development*, vol. 12, No.4, July 1993, pp.361-371,
A study was conducted in Pollachi Taluk of Coimbatore District. It reveals that the labour share to the total cost accounted for 10.36 per cent in coir industry. Further from the gross income and net income, it can be seen that the curline units enjoy more profit than the fiber units, which implies the vertical integration is more profitable than the single operation units. The result indicates the potential for increasing the turnover by using more and more of the raw materials, namely, coconut husk. There also exists and potential for increasing the labour and wage rate. The units also provide employment for both men and women.

Jaiswal\(^{10}\), in a study, observed that the cost of employment in small industries is very low as compared to the cost of employment in large industries. While Rs. 11 lakhs to Rs.15 lakhs is required for employing 1 per cent in a large scale industry and about Rs. 15,000 to Rs.50,000 in a small scale industry, only Rs.500 to Rs.5000 is required for a Village Industry.


A case study of employment potential in brick kilns reveals that, about 90 per cent are employed for a period of 120 to 150 man days during a year. The study demonstrates that the rural industry has a great promise in alleviating the rural unemployment problem.\textsuperscript{20}

In Madhya Pradesh the employment growth in rural industries has increased and there has been a marginal shift of working force from agriculture to rural industries and other occupations.\textsuperscript{21}

Employment generation in India by Khadi and Village Industries (KYI) is significant and the majority of the labour force is employment in this sector. The employment in Khadi and Village Industries rose from 9.65 lakh persons in 1956 to 37.89 lakh persons in 1985. The employment composition of Khadi and Village Industries changed significantly in favour of village industries.

Chikara\textsuperscript{22} found that a considerable level of employment was generated and the highest increase was observed in the processing of cereals and pulses followed by furniture, lime stone, khadi industry, carpentry, blacksmith and cottage match box. This reflects that the Khadi and Village Industries Board has great potential for generating employment through financing rural cottage industries.

\textsuperscript{22} Chikara, C.P. “Impact of credit on Income and employment through Cottage industries” \textit{Kurushethra}, Vol.XXXVII, No.4 June 1989, pp.40.
Another study conducted by Spundarapandian concludes that, for improving the economic conditions of the rural poor on a lasting basis, in addition to effective planning with the cooperation of various developmental departments, educating the poor to resort to the schemes, organizing them to effectively utilize the assistance given, providing the follow-up service etc. are some of the steps to be taken. If finds that the concept of village communities and state forest departments jointly managing the forest lands is rapidly gaining popularity in India and it involves a major policy shift in the forestry sector towards a decentralized people oriented forestry. One possible means to satisfy the substances needs of the forest users and guard against excessive exploitation of forest resources will be to provide them alternative employment and viable income generating activities through cottage industries.

Suni George\textsuperscript{24} in his article says that the policy of production with, privileges, for small scale industries-has induced "this--sector -to remain small and to become more inefficient with poor product quality. It is not protection but competition that should be the rule of the day. Only efficient management, strong marketing strategy to


\textsuperscript{24} Suni George, Small Scale Industries and Economic Liberalisation - A Microview, Southern Economist, June 15, pp.13-14.
cope with international marketing standards and production of world class products with top quality can infuse a high degree of competition in the small scale sector. Small scale industries, contributing 40 percent of industries production and employment 15 million workers have in fact become a major thrust area in the industrial policies adopted. The government should provide infrastructure at reasonable cost.

2.2 SELF EMPLOYMENT AND ENTREPRENEURSHIP

According to Dr. A.N. Sarkar, Micro finance, by definition, refers to the entire range of financial and non-financial services, including skill upgradation and entrepreneurship development, rendered to the poor for enabling them to overcome poverty. In the context of designing programmes for the poor, micro-finance is recognized and accepted as one of the new development paradigms for alleviating poverty through social and economic empowerment of the poor, with special emphasis on empowering women. The operational framework of micro-finance, therefore, essentially rests on the premises that; (a) formation of a self employment enterprise is a viable alternate means of alleviating poverty (b) lack of access to capital assets/credit acts as a constraint on the existing and potential micro-

enterprises; and (c) the poor are capable of saving despite their poor income level In essence, therefore, micro-finance could be referred to as an institutional mechanism of providing credit support in small amount and usually linked with small groups along with other complementary support such as training and other related services to the people with poor resources and skills for enabling them to take up economic activities.

Laxmi R. Kulshrestha revealed that Lack of capital is a serious constraint to the development of rural women. Often, the barriers like legal [provisions, loan policies and procedures make credit inaccessible to women. Studies have shown that credit can help women to take up farm, allied activities and the income generated from credit given to women can be expected to be spent on well being of the household. The novel innovative approach of Micro Finance emphasized financial intermediation with self sustainability of institutions.

Sabyasachi Das focused that the inability of the credit institutions to deal with the credit requirements of the poor effectively has led to the emergence of micro-finance or micro-credit system as

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an alternative credit system for the poor. Usually, credit institutions provide finance for productive purposes but sometimes poor people need money for consumption or for emergency purposes, high many a time cannot be catered by the formal credit system or government sponsor and poverty alleviation schemes. In rural India, it can be seen that the poorer sections of the sections of the society and destitute cannot avail of the credit from banks and other formal institutions due to their inability to deposit collateral security and mortgage property. At this point of view, micro financing or group lending is being looked upon as the instrument that can be considered as the golden stick for poverty alleviation vis-a-vis rural development.

According to P.V. Narasaiah and et.al., In India, Women constitute 48.2 per cent of the total population. The role of women is most intimately related to the goal of comprehensive socio-economic development. Any development strategy which neglects the need for enhancing the role of women cannot lead to national prosperity. Women are the vital human infrastructure and their empowerment would accelerate the pace of development. Investing, in women’s capabilities and empowering them in all respects, is the surest way to contribute to sustainable economic growth. The development of

entrepreneurship among women has become an important aspect of the overall economic development. Hence, the need for designing exclusive self-employment and other developmental programmes for promotion of women entrepreneurship was greatly stressed.

James J. Berna S.J. pointed out that the considerations focus attention on the importance of entrepreneurship in economic development. The entrepreneur is by definition, the change-producing force in economic life, and the organizer of society’s productive resources. To some economists the problem of entrepreneurship appears as the most acute problem faced by present-day underdeveloped countries, and the shortage of entrepreneurs as possibly the most potent limiting factor on their economic development. Scarcity of entrepreneurship has important political significance as well. For unless capable entrepreneurs come forward in sufficient numbers in these countries, the State must necessarily play an increasingly active role in the field of economic development, whether it wants to or not. The need for rapid progress is too urgent, and the people’s demand for it too vocal for Governments to stand aside.

K.K.Sen\textsuperscript{30} Under this scheme educated youths are assisted in opening self-employment units in industry, service or business. Financial assistance is provided through the banks. Necessary guidance and training are also provided for smooth management of units. During 1993-94 the scheme was to apply only to urban areas, but subsequently it was extended to cover both the urban as well as rural areas. From 1994-95 onwards the earlier scheme of self-employment scheme for the Educated Unemployed youth (SEEUY) was integrated with PMRY.

E.N. Murthy\textsuperscript{31} reveals that Entrepreneurship education in Ethiopia should focus on the development of man/woman as that will change his/her generation through social, political, and economic activities and transform the society with the creation of viable and feasible micro and small enterprise. Today knowledge’s are the foundation and measurement of economic potential and economic power. Education is therefore, the current “nuclear reactor” that can propel any nation to greater heights. The new order demands renewed dynamism of approach. Entrepreneurship Education is the new name of the game.

\textsuperscript{30} K.K. Sen, “Rural Industrialisation in India”, Sultan Chand and Sons, New Delhi - 110002.
Odeyar D, Heggade\textsuperscript{32} stressed that efforts are made to promote self-employment among women labour in many developing Countries including India during the last decade (1980-90). This indicates new awareness on the part of the governments and policy makers to recognize the role of women in economic growth and their capacity to alleviate poverty at household level. Thus, in developing women entrepreneurship, the public sector banks are assigned with financing and promotional roles in India.

P. Subbaroa, M. Sundaram\textsuperscript{33} Analysing classical location theory and revealed that it is an approach to entrepreneurial decision-making that would lead one to deal primarily with the location of single plant firms and that it assumed that those running such firms were rational economic men whose concern was the optimization of profits at the best possible location. As the unit progressed, however, we saw that whilst weberian theory and its classical variants was helpful in identifying some of the most significant determinants of industrial location, other considerations were important too. In quoting from R.B. McNee for instance, it became apparent that many decisions in


\textsuperscript{33} P. Subbaroa, M. Sundaram, "Entrepreneur enterprise and Growth Options" Entrepreneurial Development programme series, Kanishka Publishers Distributors, 2000, New Delhi.
manufacturing are taken by multi-plant firms whose aims, as J.K. Galbraith has suggested, may be considerably different from those of a company operating a single factory.

K.K. Sharma, G.R. Basotia 34 found that an entrepreneur must determine the size of his business unit, i.e., the scale of its organization and operations at the time of promotion of his business enterprise, because the size determines efficiency and profitability of his business unit. The problem of size is closely linked with the laws of returns as well as with the principle of division of labour. Hence, economists are directly involved with the concept of optimum firm. Of course, finance and managerial capacity or caliber will determine the actual size of the business-small or big. Even if initial size is small, adequate provision should be made for potential expansion.

Mishra in his study deals with the main objectives of assets based employment creation for the rural poor who do not find enough opportunities to earn wage/income for their subsistence. Even if they get some opportunities there earnings are not enough to sustain their subsistence living. Hence, the rural poor, like landless labourers and artisans, who depend on their traditional activities, need some

35 Mishra G.P. “Approaches to Planning for employment creation in rural areas”, Economic Policy and Planning in India, Sterling publishers pvt., Ltd., New Delhi, 1984, pp. 53-64.
minimum, productive assets like tools and raw materials to carry out their activities for self-employment and income generation. He concludes that they need some special productive efforts to be provided for generation of self-employment and income on a sustained basis.

A study of the impact of self-employment generation programmes on entrepreneurship development among the scheduled castes and scheduled tribes people of rural areas reveals that the entrepreneurs from Pradhan Mantri Rozgar Yojana (PMRY) and Training of Rural Youth for Self-Employment (TRYSEM) categories continued their self-employment. The entrepreneurs from the Khadi and Village Industries Board category also showed significant growth in their business enterprises. However, the majority of the entrepreneurs from the Development of Women and Children in Rural Areas (DWCRA) category have reverted to their unemployed position as few of them took upon new occupations. This scenario suggests that entrepreneurship development has a direct correlation with occupation mobility among the scheduled castes and scheduled tribes.

It is very difficult to make a self-employment unit viable if supportive actions are not taken simultaneously with the launching of the scheme. These supportive actions are very much lacking in the

36 M. Soundarapandian,“Role of TRYSEM Kamarajar District”,Kuriishetra, Voi.X,No.3,April,1997
present delivery mechanism of rural development programmes. Every
effort ends just with the training of the rural youth. Nobody wants to
go be beyond this so as to ensure employment and make it viable,
which is essential for making TRYSEM an effective instrument to
compact rural unemployment primarily and poverty secondarily.3;

A study conducted by M. Soundarapandian38 in Kamarajar
District of Tamil Nadu revealed that the majority of unemployed
trained hand opted for village and small industries and consequently
they crossed the poverty line. Setting up of training centers under
administrative departments and easy availability of bank finance will
undoubtedly bring about desired success to the satisfaction of both the
Government and the beneficiaries.

A study by Thapliyal Om Prakash39 found that though there are
various deficiencies in all management models, this can be ignored in
view of the fact that all of these have definitely enlarged the scope for
self-employment as visible in Varanasi District. It is difficult to
believe that an unskilled labourer passes through intermediate stages

38 Soundarapandian, M. Impact of TRYSEM and VSI on Poverty Eradication in Kamarajar District of Tamil Nadu, Khadi Gramodyog, vol.XXXVII No.7, April, pp.266-271.
of **part-employment**, skill building can gain experience in marketing produce. Entrepreneurs have established themselves after passing through these stages and now enjoy gainful self-employment.

Ramana\(^{40}\) points out that entrepreneurship in the true sense is a function of multiple factors. It is generated in a society by individuals who initiate, establish, maintain and expand new activities and enterprise. Entrepreneurs grow in the tradition of their families and internalize certain values and norms. It should also be observed that the socio-political and economic policies of the government and the opportunities available in a society also influence entrepreneurship significantly. In addition, an effective function of the support systems like government and non-government agencies, including financial, commercial and consultancy services etc., should play a crucial role in the development of entrepreneurship.

Mishra\(^{41}\) in this study of self-employment among rural youth has explained how commercial banks are playing a major role in providing financial assistance to the unemployed rural youth. **In** this study he has observed the non-availability of infrastructural facilities

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in marketing their products at a fair price. Hence, the identification of
a wide range of activities of self-employment should be done in
accordance with the suitability' of local needs.

Purushotam and Sankara Reddy\(^{42}\) have observed that the
selection of candidates is carried out by announcing very few trade
opportunities. The present measures adopted for publicize the scheme
seem to be quite inadequate in taking the message to prospective
beneficiaries. They conclude that the bankers and DIG to not seem to
have a preliminary knowledge of the preparedness of ex-servicemen
for self-employment. The bankers are not aware of the ceiling on
finance prescribed for such schemes, which amply demonstrates the
less than satisfactory working of the scheme in certain places.

Raghavan\(^{43}\) observes that the self-employment by individuals or
groups of individuals is possible only if there is demand for some
goods and services. Identification of these goods and services and the
demand for them at various levels can alone determine the scope for
self-employment youth due to various reasons like wider coverage,
high risk, inadequate staff and poor recovery. He suggests that the
district manpower and employment generation council should take up
financing of self-employment ventures.

\(^{42}\) Purushotham, P., and Sudhakar Reddy, E., “Preparing Ex-service men for self Employment”,
NIRD Research high Lights, June 1985, pp.29-32.

pp. 15-16.
Satya Sundaram\textsuperscript{44} in his study has pointed out that getting loans for self-employment involves undue delay and heavy cost. Very often the benefits are appropriated by middlemen. He has also suggested that the scheme cannot be successful without the support of bank services, training, credit, marketing and general guidance. He points out that the major difficulties in the scheme are lack of co-ordinated approach and absence of official support.

Subrayalu Chowdhary\textsuperscript{45} makes an assessment of self-employment schemes. He refers to the fact that the government has not been able to provide employment for a large number of unemployed people and it has become incumbent upon some persons to create self-employment for themselves. The advantages under the self-employment scheme are that the persons who starts self-employment ventures becomes the owner of his unit and at the same time is able to provide employment to others. He also clearly explains that the monthly earnings the self-employed persons---are higher than those of a persons in the public or the private sector.


Bogaert and Dass\textsuperscript{46} in their study on education and self-employment among tribals have observed that the education affect both the choice and the type of self-employment and the quality of performance. They stress that the tribal entrepreneurial pattern will be of considerable importance in any strategy for the promotion of self-employment among tribal populations.

Malyadri\textsuperscript{47} explains the bottlenecks in implementing the SEEUY scheme. He points out that the loan proposals are appraised by the task force of the District Industries Centre (DIC) before they are forwarded to banks for sanctioning of loans. The task force does not undertake the appraisal work properly. On the one hand they cause inordinate delay and on the other, they recommend applicants who do not qualify for assistance under the scheme. For the eligible borrowers it is difficult to get their loan proposals recommended. Post-sanction follow up was found to be as weak as the pre-sanction appraisal. He also reports that the DIC officials-never interview the applicants not do they visit the place of business before recommending the loan applications to the bank. This also results in wrong identification of a few beneficiaries. The educational background of


the borrowers does not always match their selection of, activities, indicating a social waste. The study, concludes that the present state of co-ordination between the DIC and banks on the one hand and the DIG and banks with the beneficiaries on the other was observed to be a weak link in the smooth implementation of the scheme in Karimnagar, Hyderabad. The study also observes that the SEEUY scheme is a double benefit scheme. A young person by setting up his own unit solves not only his own problem of unemployment but was also able to generate work for others.

Maheswari’s\textsuperscript{48} study “Whither self-employment scheme?” enumerates some points to develop the scheme of self-employment for the educated unemployed youth. The cumbersome procedure, political interference and non-cooperative attitude of the banks have not allowed the benefits of the scheme to percolate to the poorer sections of the society for whom the scheme was meant. Further the technically qualified hands should certainly get preference in getting loans over the technically not qualified hands. The study concludes that technically qualified persons do not seek loan under the scheme and it will be better if the scheme is divided into two categories, namely self-employment scheme for technically qualified persons do

not seek loan under the scheme and it will be better if the scheme is divided into two categories, namely self-employment scheme for technically qualified persons and self-employment scheme for technically not qualified persons and the loan limit for technically qualified persons is increased.

A study on evaluation of the scheme for providing self-employment to the educated unemployed in Nasik District, Maharashtra, was carried out by the Economic Research Department at the State Bank Central Office. The study observed that a large number of borrowers had taken loans for service and business activities. Response to industrial activities was much less. The reason was inadequacy of the maximum loan given under the scheme. The study also indicated that the scheme helped a number of unemployed youth to start some activities and earn sufficient income. However, considering the types of activities financed under this scheme, the future of the scheme’s success does not look very bright. 

Kulandisamy and Ubendhiran assessed the impact of the Integrated Rural Development Programme on income and found that it was more pronounced in the case of ISB sector schemes (an

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incremental income of Rs.3,406 -per beneficiary) than in the case of agriculture with Rs.2,130. The small and marginal farmers were the notable beneficiaries under the agricultural scheme. The agricultural labourers received significant incremental income under the animal husbandry and milch animal schemes. The mandays of additional employment generated were the largest in respect of animal husbandry scheme (118) followed by that for agriculture and ISB schemes. Among the different categories -of beneficiaries the man days of additional employment generated was larger among the agricultural labourers. On the other hand the additional employment generated was the lowest among the small farmers, as this category had greater employment opportunity even prior to the implementation of the Integrated Rural Development Programme.

2.3 PRIME MINISTER’S ROZGAR YOJANA

D.S Vaidya found that after China, India is the second largest country, bestowed with enormous human resources. Although in our country there is no shortage of natural and human resources, the country there is still lagging behind in many respects compared to other developed countries. India’s inclusion in the list of developed country is still a distant dream. There are many reasons for its, one of

them being unemployment-large number of young population prefer jobs in service sector and reluctant to start their own self employment ventures. As we all know that it is not possible to provide service to large number of human force of India and it is also one of the factors that young minds without employment always suffered frustration and attracted destruction. As a result, country is unable to take the advantage of inherited abilities and creativity of young people. Hence, it is very important that our young people involve themselves in self employment so that development of the country and their own development can be made possible.

Rashmi Agrawal revealed that the issue of unemployment is one of the major concerns of the planners in many developing countries and India is no exception. One of the core objectives of development planning in India has always been to eradicate the scourge of unemployment and the poverty associated with it by creating opportunities for adequate productive and sustainable employment. It has been experience that the problem cannot be tackled in terms of generation of wage-employment alone, but has to be supplemented by encouraging the unemployed manufacturing units in different production lines or launching activities in service sector

such as in health, education, business services, etc. The employment strategy adopted has, therefore, included self-employment promotion as a component, by providing various facilities like financial assistance, access to raw materials and markets, technical advice and guidance entrepreneurial and relevant skill training.

Rashmi Agrawal The PMRY scheme provides for partnerships and two or more persons could join together and submit a proposal and avail of higher amounts of loans. From the results of evaluation, less than 2 per cent of the cases sanctioned involved partnerships. Here again, women groups can be mobilized as is being done under SGRY. As the loan amounts are larger under PMRY, smaller groups of 2 to 3 persons would be useful. Possibilities can be explored to encourage rural and urban women to take up loans after forming self-help groups and eligibility conditions may be applied to the group leader only. This would facilitate the entry of a large number of women into the scheme than at present.  

The review of Ministry disclosed that the implementation of the PMRY programme was affected adversely due to shortcomings in critical areas. No system to identify genuine beneficiaries was


54 www. Ministry of urban development and poverty Alleviation and ministry of industry.
instituted in most States. Crucial documents such as muster rolls were not maintained. Family cards were not issued, nor were there a system of registration for jobseekers. The engagement of contractors in violation of the guidelines of the schemes resulted in resources being diverted to middlemen. The reported figures of employment generation were fake as the figures of employment in most States/UTs were arrived at mechanically by dividing the age component of total expenditure by minimum wages rather than on the basis of actual count of beneficiaries on muster rolls. This is further corroborated by the fact that several instances of non-adherence to the stipulated minimum employment generation was detected in audit. Even at these exaggerated employment generation estimates, the programme could provide employment to less than 1 per cent of the urban unemployed/under-employed. Delayed and excess/short payment of wages and differential rate of wages paid to men and women indicated improper execution at the ground level. Absence of inventory of assets, abandoned schemes due to shortage of funds and irregular and unauthorized expenditure on repairs and maintenance works, raised doubts about the creation, existence, quality, cost effectiveness and sustainability of the assets as also accrual of the benefits to the BPL community.
The union planning commission\textsuperscript{55} stated that the need to ensure adequate growth in employment opportunities to provide productive employment for the continuing increase in the labour force is widely regarded as one of the most important problems facing the country. There is widespread concern that the acceleration in GDP growth in the post reforms period has not been accompanied by a commensurate expansion in employment. Public sector employment is expected to fall as the public sector withdraws from many areas. There are fears that the process of internal liberalization and globalisation, inevitable though they may be, are creating an environment which is not job creating an environment which is not conductive to expanding employment in the organized private sector. Existing industrial units are shedding excess labour in order to remain competitive and new technology, which is essential to ensure competitiveness, is typically more automated and new technology, which is essential to ensure competitiveness, is feared, could be a very slow expansion in employment opportunities in the organized sector, with a rise in unemployment rates and growing frustration among the youth. The problem is perceived to be especially severe for educated youth, who have high expectations about the quality of employment opportunities that should come their way.

\textsuperscript{55} Report of the task Force on employment opportunities Government of India, planning commission, www.growth in employment
The Government of India\textsuperscript{56} found that it is evident from our review of special employment programmes that although the resources devoted to these programmes is relatively small and has not been increasing. If allowance is made for the fact that the official figures of employment creation almost certainly exaggerate the numbers the real contribution of these programmes would be even smaller. This does not mean that these programmes are not important. In our view, wage employment programmes can play a very useful role in providing supplementary employment to vulnerable sections of the population especially in seasonal lean periods, which are common in agriculture. They are also a potentially useful from of social safety net to deal with situations of exceptional distress e.g. droughts. In the absence of extensive system of social security the use of employment programmes as a form of social security to deal with a targeted population has a great deal of merit.

Srinivasan suggests that the self-employment schemes to alleviate poverty, which started with IRDP, have to be continued to bring down unemployment. It is no doubt that the higher economic growth rates of 5.4 per cent in the 1980s and 5.7 per cent during the VIII Plan period (1992-1997) facilitated these comfortable situations.

The Prime Minister’s Rozgar Yojana (PMRY) has enabled a number of youth to get self-employed through loan assistance and this is an ongoing scheme. The Planning Commission is preparing a document, “Vision 2020”, which also stresses the need for employment augmentation. A labour-oriented employment policy will help in removing the suffering of unemployment.

A review of the implementation of the PMRY scheme in the State of Andhra Pradesh revealed that while the sanctions averaged 83.39 per cent against the target, the performance barely touched an average of 38 per cent for this period, as against 46.80 per cent in 2000-01 and 49.40 per cent in 1999-2000. With the basic objectives of assisting educated unemployed youth in setting up self-employment ventures, 1.47 lakh units were set up, involving an investment of Rs.881.44 crores and providing employment to 2,95 lakh youth. Authoritative sources told Business Line that the prime reasons for the tardy progress of the PMRY in the State include flagging attention from banks towards the scheme, poor participation of bankers in the task force committee for selection of beneficiaries, lack of active involvement of District Industries Centres (DICs) in the grounding of the schemes, inadequate participation from the police department in

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filing FIRs for recovering outstanding dues for “Sick accounts” and lack of effective recovery mechanism, such as the Debt Recovery Tribunals,

Andhra Pradesh has been producing good results, with the recovery rate touching 38.80 percent, as against the all-India average of 28.80 per cent, during the first half of the last fiscal. The measures that have been suggested for providing a leg up to the PMRY implementation in the State include preparation of a list of eligible beneficiaries and viable schemes well before the start of the interviews by DICs streamlining of motivation camps, bankers attending all interviewing committees for selection of candidates, DICs sending details of the applications well in advance for verification of the antecedents of the candidates and bankers adhering to the time schedule given by the Reserve Bank of India for sanction and disbursements.

The fifth field study conducted by the RBI58 on the implementation of the PMRY reveals that the following shortcomings still persist in bank branches.

• In 8.2% of the cases examined, bank branches took collateral security from the PMRY borrowers.

• In several cases, banks delay disbursement of loan on unjustified/flimsy grounds,

• In 10.5% of the case examined, asset creation out of the loan was not verified by the bank branches.

• Nearly 1/3 of the applications received are pending with the bank branches for disposal

• Branches returned applications on the ground that the allotted target had been achieved.

A study conducted by the Ministry of Finance reveals short utilization of the subsidy under the PMRY. Security of the records of the Central Bank of India, Mumbai and the Union Bank of India, Mumbai, relating to the PMRY revealed that of the subsidy received for disbursement by the banks, Rs.1.91 crores and Rs.2.45 crores pertaining to the period 1993-94 to 1995-96 were lying undisbursed with the banks as on 31 March 1997 respectively.

The amounts of loan disbursed by the banks were much below the amounts of loan, sanctioned, which led to retention of excess subsidy by the banks. The banks stated that they were informing the balances of subsidy through quarterly statements of utilization to RBI and as an when any instruction regarding remittance/adjustment of subsidy was received, the same was being carried out.

An evaluation of the PMRY was conducted by the Institute of Applied Manpower Research for the year 1994-1995.60 The major findings of the study are:

• 67% of the beneficiaries belong to the general category, 21% to OBC’s. 8% to SCs and 5% to STs. The proportion of women and minorities are 11% each.

• Sanction was granted for 80% of the target and 83% of sanctioned cases were disbursed.

"• The average amount of loan sanctioned was Rs.68,638/- per beneficiary.

• The employment generated was 2.39/2.47 per unit.

• Around 65% of the beneficiaries were making regular repayment.

• The share of backward areas in total investment in units setup and in employment generated is around 1/3 of the total.

• Around 53% of the beneficiaries faced problems due to insistence on collateral security by banks.

• 15,002 units were set up out of 15,098 loans disbursed (99.3% success rate).

The main findings of the field study conducted by the Reserve Bank of India on the performance of the PMRY in September 1997 are as follows:

• The study covered more than 3000 borrowers financed by 294 bank branches spread over 59 districts throughout the country.

« During the programme year 1996-97 applications to the extent of 150% of the target were sponsored to bank branches. The sanction to target ratio was more than 90% and the sanction to disbursement ratio was nearly 70%.

52% of the sanctioned cases were in the business sector against 18% for the industry sector. The average size of the loan was Rs.55,890. The recovery rate was nearly 53%.

Assets were created and performing in 76.5% of the cases and in 8.6% of the cases surveyed, the loan amount was misutilised. In more than 51% of the cases the average monthly income was more than Rs.2000. In another 35% of the cases it was between Rs.2000 and Rs.1000 per month.

Non-viability of the project and non-eligibility of the applicants were the main reasons for the rejection of sponsored cases by bank branches and the major reasons for pending of applications in the banks was found to be non-compliance with the requirements by the borrowers.

A state level PMRY committee has been constituted in all the states. In 15 states the committee has been meeting regularly while in 12 states it met at irregular intervals.

Banks have obtained collateral/third party guarantee in respect of some of the cases.
The reasons for delay in disbursement of loan are non-completion of training by borrowers and inability to complete post-sanction formalities. It was also found that banks delayed disbursement of loan on unjustified flimsy grounds.

The foregoing review brings to focus the significance of unemployment, self-employment schemes and the PMRY scheme in operation in the context of huge unemployment prevalent among the educated youth. All these studies provide the background material for formulating the objectives of the present study.