INTRODUCTION
CHAPTER I

INTRODUCTION

The problem of chronic unemployment of educated youth has been one of the most persistent and unsolved problems baffling the Government ever since independence. It is a hydra-headed monster and the Government has no alternative but to fight it out on all fronts with a heterogeneous variety of weapons.

Unemployment constitutes a serious economic, social and political problem for the Indian economy. Regarding its economic aspects, the existence of large number of unemployed means a colossal waste of human resources and the resultant deprivation of society of the goods and services the unemployed could produce. If unemployment persists for long, the disillusioned unemployed will be a potential source of danger to the political stability of the society as they are prone to be attracted to subversive elements in society.  

It is apt to quote "while unemployment, short-term or long-term, is essentially an economic proposition

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threatening a loss of national income and imbalance in a country's economy, it is nevertheless true that it has some serious sociological repercussion.2

Under developmental schemes the Government is very keen on identifying and understanding the problem areas which need rather immediate attention of the administrators. A scientific understanding of its nature, its causes would pave the way for devising effective measures of amelioration.

The unemployment problem in India is such that more has been written on it than in any other country. Everyone including scientists and statisticians all over the world know about and can identify the unemployed; but it is too difficult a task for the quantification of unemployment, for formulating appropriate policies. In India, unemployment has become a complex phenomenon, which is relatively easy to notice but hard to define.3

The problem of unemployment is not peculiar to developing countries alone. Developed countries also


face this problem but the intensity of the problem is somewhat different in such countries. In developed countries it is the lack of effective demand which causes a part of the working population to remain idle whereas in developing countries it is the lack of complementary factor of production, namely capital, which restricts the number of people that can be gainfully employed.  

In the words of the Bhagwati Committee on unemployment, "unemployment and under-employment are the biggest challenges of the day and we are sitting on volcano".

Unemployment has been defined as involuntary idleness. Unemployment is a state of being without a gainful work.

In the words of Mark Gasson, unemployment is a situation where people require work, but work is not available, jobs are few and job seekers are many, a maladjustment in the economy.


A man is unemployed only when he is both not employed and also desires to be employed. 6

Mark Blaug and others define educated unemployment as the unemployment not only of graduates but of all those who have completed at least 11 years of schooling and are matriculates or above. 7

The term educated unemployed has generally been taken to signify the person who has completed the school stage or acquired higher education in the college or university but is without work, forced so either because no economic work, mental or manual, is provided to him or because the remuneration of a given work is deemed by the employee much too inadequate to ensure a decent standard of life and full enjoyment of leisure and social and cultural life.

Dr. Rajkrishna suggested a few criteria by which a person may be called unemployed or under-employed. These criteria are very useful in understanding the meaning of unemployed in India. The following are the four major criteria for measuring whether a person is unemployed or under-employed.

6 A.C.Pigou, Employment and Equilibrium.

The first is time criterion. According to the time criterion a person may be called unemployed or under-employed if he is gainfully occupied during the year for a number of hours or days less than some normal hours or days defined as full employment hours or days.

The second criterion is the income. It can be useful to policy planners in deciding on the employment priorities. A person is considered to be under-employed if he earns an income per year less than the desirable minimum. This can be termed as the poverty criterion of unemployed because the person has secured some work, but the income from the work is less than the acceptable minimum.

The third criterion is the willingness. It is possible that willingness criterion may be an aspect of poverty or income criterion. A person may find that the income from the work that he is currently doing is less than what he considers to be an adequate minimum income and therefore, he may be actively searching for that work. If a person is willing to do more work than what he does at present, he may be called as under-employed.
The fourth criterion is the productivity. According to this criterion a person may be called unemployed or under-employed if he could be removed from his present employment and his removal would not reduce the total output in any way. This is the case of disguised unemployment. Disguised unemployment is defined as a situation in which the marginal productivity of labour is zero. For the operational purpose of measuring unemployment, the productivity criterion of the disguised unemployment does not seem to be helpful.

From the point of view of economy as a whole, unemployment means inefficient utilisation of human resources, lower production and therefore, lower standard of living of people. Its effect on unemployed workers is very serious. Besides reducing the standard of living, it may also affect the morale of the worker, undermine his self-confidence and family. With prolonged unemployment, he may lose his innate skills and work habits and become wholly unemployable. The seriousness and dangers of educated unemployed youth are discussed in detail in the following pages.
GRAVITY OF THE UNEMPLOYMENT PROBLEM IN INDIA

Nearly four decades have elapsed since India became independent. Immediately after independence it got itself declared as a sovereign democratic republic and adopted constitution of its own. It opted for mixed economy where both the private and the public sectors were assigned definite roles in the process of economic development.

In April, 1951 India launched the First Five Year Plan. Ever since the beginning of the planning era (i) Increasing the national income (ii) Solving the problem of unemployment and (iii) Socio-political goals like development of rural areas, decentralisation, good working condition, equitable distribution of income and social and political equality have been in one form or other, remained as the main objectives of the nation's successive Five Year Plans. Since then India has successfully completed six Five Year Plans and three Annual Plans and have introduced its Seventh Five Year Plan in 1985.

In accordance with the Directive Principles of State Policy enshrined in the Indian Constitution, opportunities for gainful employment should be provided
to all citizens who seek them and within the limits of economic capacity and development of the state, effective provision has to be made for securing the right to work and to public assistance in cases of unemployment. There is unfortunately a vast gulf between this ideal and the employment situation prevailing in the country at present. Generation of employment is part of the process of growth of the economy and is linked with the programmes and projects for development. Financial intermediaries like banks, which mobilise the savings of the community and canalise them towards productive investment prove to be an effective instrument to assist economic growth and have therefore, an important role to play in stimulating employment. With a growing network of branches (about 11,000 at present) spread far and wide in the country, they could be utilised in an increasing measure to cater to the credit needs of a vast number of professional and self-employed categories. Banks can, no doubt, play an effective role only if a proper environment conducive to all-round development is created by the Government, particularly at the State level.
In the last few years the Central Government has implemented a number of centrally sponsored employment schemes to solve the educated unemployment problem. These schemes have already made some impact but would require considerable rationalisation in many cases to make them more purposeful. Besides credit, there are a few other factors which are also important to make these schemes a success. Credit is only one of the factors in organising production and generating employment. Procurement of place of work at reasonable cost and of raw-materials, getting over the cumbersome administrative formalities, organising the requisite marketing machinery, are some of the equally important problems confronting those who wish to become self-employed. Most of these persons also require assistance and guidance regarding the various factors of production, marketing and finance. Therefore, mere formulation of credit schemes meets the problem only halfway. In building up an appropriate environment for a self-employed enterprise to succeed and flourish the Government, big and medium scale industries and business, financial institutions as well as the self-employed have all an important role to play.
Statistics relating to magnitude of unemployment and of manpower resources in our country is not much reliable not only because information thereon is scanty but also because absence of a clear-cut demarcation of the areas of outright employment, seasonal unemployment, under-employment and so called employment at low or less-than-deserving wages presents a conceptual problem in the way of proper estimation of the magnitude.

Though there is no precise estimate of the dimensions of the problem, some estimates are available regarding the magnitude of unemployment. One has to take these figures with a pinch of salt. From Table 1.1 it is obvious that the Five Year Plans have failed to achieve the objective of full employment. On the contrary, with every successive plan the percentage of unemployment has been on the increase. This is evident from the fact that at the end of First Plan, unemployment was barely 2.9% and by the end of Sixth Plan it shot up to an astonishing figure of 5.8%

Despite a considerable achievement, the backlog of unemployment has tended to increase from plan to plan. Table 1.1 indicates that in the beginning of
## TABLE 1.1

**ESTIMATES OF EMPLOYMENT AND UNEMPLOYMENT IN ALL THE FIVE-YEAR PLANS**

*(IN MILLIONS PERSONS)*

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>LABOUR FORCE AT THE BEGINING OF THE PLAN</td>
<td>185.2</td>
<td>197.0</td>
<td>215.0</td>
<td>220.0</td>
<td>-</td>
<td>268.05</td>
<td>302.29</td>
<td>-</td>
</tr>
<tr>
<td>2.</td>
<td>NET ADDITIONS TO THE LABOUR FORCE DURING THE PLAN</td>
<td>9.0</td>
<td>11.8</td>
<td>17.0</td>
<td>14.0</td>
<td>32.0</td>
<td>44.0</td>
<td>36.24</td>
<td>39.38</td>
</tr>
<tr>
<td>3.</td>
<td>BACK-LOG OF UNEMPLOYMENT AT THE BEGINING OF THE PLAN</td>
<td>3.3</td>
<td>5.3</td>
<td>7.1</td>
<td>9.6</td>
<td>12.6</td>
<td>26.6</td>
<td>12.02</td>
<td>10.66</td>
</tr>
<tr>
<td>4.</td>
<td>TOTAL (2+3)</td>
<td>12.3</td>
<td>17.1</td>
<td>24.1</td>
<td>23.6</td>
<td>44.6</td>
<td>70.6</td>
<td>48.26</td>
<td>50.04</td>
</tr>
<tr>
<td>5.</td>
<td>ADDITIONAL JOB CREATED</td>
<td>7.0</td>
<td>10.0</td>
<td>14.5</td>
<td>11.0</td>
<td>18.0</td>
<td>22.2</td>
<td>35.60</td>
<td>40.46</td>
</tr>
<tr>
<td>6.</td>
<td>BACK-LOG OF UNEMPLOYED AT THE END OF THE PLAN 6=4+5</td>
<td>5.3</td>
<td>7.1</td>
<td>9.6</td>
<td>12.6</td>
<td>26.6</td>
<td>48.4</td>
<td>12.66</td>
<td>9.58</td>
</tr>
<tr>
<td>7.</td>
<td>UNEMPLOYED AS PERCENT OF THE TOTAL LABOUR FORCE (6/1 * 100)</td>
<td>2.9</td>
<td>3.6</td>
<td>4.5</td>
<td>9.6</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**SOURCE:** PERSPECTIVE FIVE YEAR PLANS.
the First Plan the backlog of unemployment was of the order of 3.3 million persons while the new entrants to the labour forces amounted to 9.0 million persons, needing additional employment for 12.3 million persons. But the plan could provide employment only to 7.0 million persons, as a result of which there were 5.3 million persons remained unemployed and this was the backlog for the Second Five Year Plan. Similarly, the Table 1.1 also shows, backlogs and gaps for all the successive plans.

Table 1.1 also reveals a number of striking features about the employment situation in the successive Five Year Plans. In the first place, the backlog of unemployment has tended to increase so much that at the end of the Fifth Plan it was more than seven times as much as at the end of the First Plan and it reduced all of a sudden to 12.2 million persons during VI plan and to 10.66 million persons during VII plan. Had the rate of growth been satisfactory, each plan would have taken the people nearer to the solution of the unemployment problem.

Secondly, the new entrants to the labour force has tended to increase so that at the end of sixth
plan this has increased four times the figure that stood at the end of the First Plan.

Thirdly, the employment generated has also increased so that in the Second Plan it stood at 45% higher than that in the First Plan. The Third Plan provided about twice the employment as in the First Plan and it was two and half times as much in the Fourth Plan and more than three times in the Fifth Plan and more than five times in the Sixth Plan as compared to the First Plan. But in view of the increasing number of new entrants to the labour force, the employment generated was not enough to absorb even the new entrants. As a result, the backlog of unemployment has tended to increase and at the end of the Fifth Plan it reached a striking figure of 48.4 million persons and it reduced all of a sudden to 9.58 million persons during VII plan.

The reasons for this state of unemployment situation are many and varied. The number of new entrants to the labour force has increased in each of the Five Year Plans partly as a result of growth of population which has been responsible for the creation of a larger and larger number of job seekers. It has been estimated
that of the total population of the country about 40% constitute the labour force seeking employment.\textsuperscript{8} Secondly, in the agricultural sector of the country, a larger surplus labour concealed in the form of disguised unemployment does exist. Thirdly, in the process of economic development there takes place more expansion of the non-agriculture sector of the economy and a larger difference emerges in the wage level between the agriculture and non-agricultural sectors. Therefore, the surplus labour in the agricultural sector has an incentive to seek jobs in the non-agricultural sector in response to the attraction of the higher wages. As a result, disguised unemployment tends to become open unemployment and this, strengthens the number of job seekers in the economy. Besides, the participation rate has also increased leading to a rise in the number of job seekers.

EXPLOSION IN THE NUMBER OF JOB-SEEKERS

From the Table 1.2 it is evident that the number on the live registers of 741 Employment Exchanges in the country scaled a new peak of 301 lakhs at the end of December, 1986. Over the last 35 years (i.e.

\textsuperscript{8} Census 1981, Government of India, New Delhi.
between 1951 and 1986) it recorded a growth rate of 14% per annum.

This implies that the magnitude of the problem is much higher than that indicated by the Table 1.2 and even this figure by itself is large enough to cause anxiety or a scare.

While analysing the data of Employment Exchanges as an indicator of unemployment position the following points are to be kept in view:

a) By and large Employment Exchanges are confined to urban areas only; and moreover, they are not employment generating centres.

b) Registration with the Employment Exchange being voluntary, not all the unemployed register their names in the Exchanges. According to Shri B.Bhagwati, the Chairman of the Committee on Unemployment, only 25% of the unemployed register themselves with Employment Exchanges.

c) Many of the persons who have already registered themselves with the Employment Exchanges continue their registration so as to get better jobs.
### TABLE 1.2

NUMBER OF EMPLOYMENT EXCHANGES AND APPLICATIONS ON THE LIVE REGISTERS

DURING 1951 - 1986

<table>
<thead>
<tr>
<th>AT THE END OF THE YEAR</th>
<th>NO. OF EMPLOYMENT EXCHANGES</th>
<th>NO. OF APPLICANTS ON THE LIVE REG. ('000')</th>
<th>% INCREASE OVER THE PREVIOUS YEAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>126</td>
<td>329</td>
<td>--</td>
</tr>
<tr>
<td>1956</td>
<td>143</td>
<td>759</td>
<td>130.7</td>
</tr>
<tr>
<td>1961</td>
<td>325</td>
<td>1,833</td>
<td>141.5</td>
</tr>
<tr>
<td>1966</td>
<td>396</td>
<td>2,622</td>
<td>43.0</td>
</tr>
<tr>
<td>1971</td>
<td>437</td>
<td>5,100</td>
<td>94.5</td>
</tr>
<tr>
<td>1976</td>
<td>517</td>
<td>9,772</td>
<td>91.6</td>
</tr>
<tr>
<td>1977</td>
<td>528</td>
<td>10,924</td>
<td>11.8</td>
</tr>
<tr>
<td>1978</td>
<td>535</td>
<td>12,678</td>
<td>16.1</td>
</tr>
<tr>
<td>1979</td>
<td>546</td>
<td>14,334</td>
<td>13.1</td>
</tr>
<tr>
<td>1980</td>
<td>526</td>
<td>16,200</td>
<td>13.0</td>
</tr>
<tr>
<td>1981</td>
<td>592</td>
<td>17,838</td>
<td>10.1</td>
</tr>
<tr>
<td>1982</td>
<td>619</td>
<td>19,753</td>
<td>10.7</td>
</tr>
<tr>
<td>1983</td>
<td>652</td>
<td>21,953</td>
<td>11.1</td>
</tr>
<tr>
<td>1984</td>
<td>666</td>
<td>23,547</td>
<td>7.3</td>
</tr>
<tr>
<td>1985</td>
<td>720</td>
<td>26,270</td>
<td>11.6</td>
</tr>
<tr>
<td>1986</td>
<td>741</td>
<td>30,131</td>
<td>14.7</td>
</tr>
</tbody>
</table>

**AVERAGE ANNUAL RATE OF GROWTH (%) BETWEEN**

- 1951 AND 1971: 14.7
- 1971 AND 1986: 12.6
- 1951 AND 1986: 13.8

**Source:** "THE ECONOMIC TIMES" STATISTICAL SURVEY OF THE INDIAN ECONOMY, 1986 P. 175.
d) Quite a large number of unemployed do not get themselves registered with the Employment Exchanges considering it as futile, since it is largely believed that these Exchanges hardly help the unemployed in securing jobs. They consider the Employment Exchanges as 'Get-Your-Name-registered-and-that is all the Department meant for'. Unemployed regard these data as useless since it has been estimated that the extent of exaggeration is as high as 25%. According to a sample survey conducted in 1972-73, about 27% of the registered job seekers were already employed and another 7.3% were students. Of late there is a decline in vacancies notified to Employment Exchanges as more agencies are set up for recruitment purpose. Staff Selection Commission and Banking Recruitment Boards are a few among them. Besides, the extension of the period of renewal of registration to three years from one year since January, 1984, has also contributed to the growth of live register.

The lamentable state of affairs of the educated unemployed can be reduced to a greater extent by making compulsory on the part of the employers to recruit
candidates only through these Exchanges. Net work of Employment Exchanges, both rural and urban, be established throughout the country to add to the mobility of labour and reduce unemployment due to social time-lag. A special branch for the educated unemployed must be opened and the unemployed and seekers of change in jobs should be clearly differentiated. The University Employment Bureaus should establish close coordination between the Employment Exchange centres and all educational institutions. This should include the provision of vocational guidance and the collection and dissemination of market information. The training institutions should limit the seats according to the information given by the Employment Bureaus regarding the vacancies in that profession. This may help in improving the condition of the educated unemployed in the country.

The Central and State Governments, should also provide more funds for the effective functioning of Employment Exchanges, so that they could expand their activities to a larger extent. Further the State Governments should pay added attention to their administrative functioning so that they could perform their duties more effectively and efficiently.
CAUSES FOR EDUCATED UNEMPLOYMENT

Unemployment is the dark side of the economic progress and it is almost a universal feature of capitalistic society. Only the extent and causes vary from country to country. Obviously, such a state of affair is not due to any single factor, but is due to the cumulative result of many causes. A scientific understanding of its causes would pave the way for devising effective measures of amelioration. The following are the main causes of the widespread unemployment among the educated persons in India.

1. Acceleration of population growth

Next to China, India has the largest population in the world. India has more population than USSR, U.S.A. and Indonesia put together. An obvious factor contributing to the problem of youth unemployment is the acceleration of population growth, particularly in the early fifties, as is evident from the Table 1.3. According to the census figures, the size of population in India was 548 million in 1971 and 685 million in 1981.
TABLE 1.3

DECENNIAL INCREASE IN POPULATION

(in millions of persons)

<table>
<thead>
<tr>
<th></th>
<th>1951 (82.7)</th>
<th>1961 (82.0)</th>
<th>1971 (80.1)</th>
<th>1981 (76.7)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>298</td>
<td>360</td>
<td>439</td>
<td>525</td>
</tr>
<tr>
<td>Population</td>
<td>(82.7)</td>
<td>(82.0)</td>
<td>(80.1)</td>
<td>(76.7)</td>
</tr>
<tr>
<td>Urban</td>
<td>63</td>
<td>79</td>
<td>109</td>
<td>160</td>
</tr>
<tr>
<td>Population</td>
<td>(17.3)</td>
<td>(18.0)</td>
<td>(19.9)</td>
<td>(23.3)</td>
</tr>
<tr>
<td>Total</td>
<td>361</td>
<td>439</td>
<td>548</td>
<td>685</td>
</tr>
<tr>
<td></td>
<td>(100)</td>
<td>(100)</td>
<td>(100)</td>
<td>(100)</td>
</tr>
</tbody>
</table>

Figures in brackets are percentages to total.

Source: Statistical Outline of India, Govt. of India, 1987.

The average annual growth rate of population during 1971 stood at 2.4%. The census of 1981 have made it clear that the previous estimates regarding the growth of population have gone wrong. The mid-term appraisal of the Sixth Five Year Plan has made it clear that the projections of the Expert Committee had been over optimistic about changes in the demographic parameters such as birth rate, death rate, etc., and as such the population in India in March, 1981 was higher by about 13.2 million, compared to the projected figures. This statement is true not only for the period 1971-81 but may also be true for
the period 1981-91. According to the approach paper of the Seventh Plan, the population in India would be 805 million by 1990 with an assumption of 1.8% growth rate per annum. But this assumption also seems to be an optimistic one, however much desirable it may be. The average annual growth rate of population was more or less same, around 2.5% throughout the period 1961-81. According to recent research studies made by Samuel E.Preston and P.N.Mari Bhat, India has been experiencing in recent years a decline not only in fertility rates but also in mortality rates. Even if roughly 2% growth rate of population per year is assumed to exist during 1980-90, the total population will be 817.4 million in 1990. Therefore, the total size of population will be more by 12.4 million than anticipated size of population at the end of the Seventh Five Year Plan. This implies 4.96 million more labourers in general and nearly 3.92 million more labourers in the rural areas by the end of 1990, when compared to the estimated size of labourers in general in rural areas.

In addition to the present galloping rate of population growth, decline in mortality rates, early marriage, better health of retired people are the obvi-
ous factors contributing to the problem of youth unemployment. Emphasis should be on population control through family planning programme. Every village should have a family planning centre and easy availability of contraceptives for birth control should be ensured to young persons.

2. Poverty

The population below poverty line in the country for 1977-78, 1984-85 and 1989-90 are given in the Table 1.4. It can be observed that the percentage of people below poverty line has declined from 48.3% in 1977-78 to 36.9% in 1983-84 and it is estimated to be 35.8% in 1989-90. This gradual decline is partly due to poverty alleviation programmes such as the Integrated Rural Development Programme (IRDP), National Rural Employment Programme (NREP), Rural Landless Employment Guarantee Programme (RLECP) and the like.
TABLE 1.4
POPULATION BELOW POVERTY LINE
(in millions of persons)

<table>
<thead>
<tr>
<th>CATEGORY OF POPULATION</th>
<th>1977-78</th>
<th>1984-85</th>
<th>1989-90 ESTIMATED</th>
</tr>
</thead>
<tbody>
<tr>
<td>RURAL</td>
<td>253.1 (51.2)</td>
<td>222.2 (39.9)</td>
<td>168.6 (28.2)</td>
</tr>
<tr>
<td>URBAN</td>
<td>53.7 (38.2)</td>
<td>50.5 (27.7)</td>
<td>42.2 (19.3)</td>
</tr>
<tr>
<td>TOTAL</td>
<td>306.8 (48.3)</td>
<td>272.7 (36.9)</td>
<td>210.8 (35.8)</td>
</tr>
</tbody>
</table>

Figures in brackets are percentages to total.


3. Increasing output of the Indian Universities

Education explosion is one of the causes for educated unemployment. Individual idiosyncracies also play a part and thus enhance the problem of educated unemployment. The rapid rate at which mass production of matriculates, under-graduates and graduates is going on in the Indian Universities without much concern for the quality of education imparted is another prime cause of the increasing gap between employment opportunities and employment seekers in the category
of educated classes. Besides, the system of education in the country being too literary does not make the educated fit for employment in industry or trade.

Unfortunately our education system was intended mainly to produce clerks and low level administrative personnel required for administering the Government and business. Acquiring a college degree is considered to be a status symbol. Everyone hankers after "white-collar jobs" which are limited both in number and scope.

Most of the young educated persons prefer salaried jobs, especially in the public sector enterprises since they attach much importance to fixed monthly income, social prestige, job security, retirement or superannuation benefits etc. At the same time it is obvious that the state will not be able to provide such employment to every job-seeker, however much it would like to do so. Moreover, even a comparatively larger increase in the public sector employment in itself will not produce any significant impact on the unemployment situation. There should be closest co-ordination between our educational and industrial programmes. The Government must indicate from time
to time the types of courses for which there is likely to be growing demand in the successive Five Year Plans.

An extremely disquieting feature of this disturbing phenomenon is that unlike many other countries, in India a large proportion of the unemployed belong to the educated class.

As is evident from the Table 1.5, the number of educated unemployed increased from 81.64 lakhs in 1980 to 150.88 lakhs in June 1986. A close study of the Table 1.5 reveals that absolute increase among the unemployed took place in all the categories, but the compound rate of increase among graduates and post-graduates was faster than that among matriculates. As a consequence, among the educated unemployed the proportion of matriculates has risen from 56% in 1980 to 58% in June, 1986, while that of graduates and post graduates has gone down from 19% in 1980 to 17% in June, 1986.

On the one hand, a large number of educated people are unable to get jobs to earn livelihood for their families. On the other, repeated complaints are heard from the employers that they do not get qualified hands to execute responsible tasks. For example, experi-
enced electrical and mechanical engineers, electricians, fitters, moulders, turners, physicians, surgeons, pharmaceutical personnel, stenographers and accountants have been reported to be in short supply. It is widely accepted that a large number of graduates and Post-graduates turned out year after year, become unemployable. India is still adhering to the Macaulays' educational system, which is only useful for the creation of obedient servants. Hence, the content of education should be modified so that a student knows more about his environment and agriculture, and acquires basic knowledge in languages, science, hygiene and mathematics. With this he must be able to engage in self-employment activities. They are no match for the practical requirements of the actual users (employers). It is here that the existing training programmes call for a drastic change in order to reorient them to the needs for manpower in different categories and link to the target groups. Instead of relying on general economic growth for raising employment opportunities devoid of any special efforts to give employment orientation to this growth, employment should be treated as a direct focal point of policy. However, employment can be sustained only if it is
productive and adds to output and income on a continuing basis.

A key dimension of the higher unemployment among the educated is their inexperience and the preference of the employers for experienced workers. There is a problem of entry into the labour force due to the absence of a particular skill or experience. Keeping in view all these difficulties, the Government has introduced an apprenticeship scheme to provide some training to the new entrants.

A paradox of higher education in our country is that even though the extent of unemployment among the educated is more among those coming out of the institutions of higher education, the demand for establishing more and more of such institutions is increasing year after year. And the Government both at the Centre and in the State succumb to these demands and establish more and more of such institutions knowing fully well that they will aggravate the problem.

Instead of providing higher education to all and sundry, it must be provided to those who have the ability to pursue studies in the proper perspective. Selection should not be based on examination
marks alone but should be based on past performances, personal talents, principles of social justice and aptitude.

In professional courses as far as possible accurate manpower requirements for every 5 years are to be estimated and accordingly the number of seats are to be determined.

Here too selection should not depend on marks in the qualifying examination alone. Other relevant factors mentioned above should be given due consideration while selecting candidates.

At this juncture carefully designed Human Resources Development Programmes are of vital importance to develop, organise and utilise the manpower in general and rural areas in particular, for achieving the minimum standards of nutrition, health and education relevant to the needs of the society and to make the development programme more effective in generating more income and creating additional employment to all sections of our country.
**TABLE 1.5**

NUMBER OF EDUCATED JOB-SEEKERS ON THE LIVE REGISTERS OF EMPLOYMENT EXCHANGES DURING 1980-86 (in lakhs)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Maturiculates</td>
<td></td>
<td>4568</td>
<td>5008</td>
<td>5560</td>
<td>6374</td>
<td>7126</td>
<td>8045</td>
<td>8683</td>
</tr>
<tr>
<td>Higher Secondary</td>
<td></td>
<td>2071</td>
<td>2325</td>
<td>2440</td>
<td>2814</td>
<td>3082</td>
<td>3531</td>
<td>3806</td>
</tr>
<tr>
<td>(including intermediates and Under-Graduates)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Graduates and Post-Graduates</td>
<td></td>
<td>1525</td>
<td>1685</td>
<td>1769</td>
<td>1968</td>
<td>2123</td>
<td>2400</td>
<td>2599</td>
</tr>
<tr>
<td>A. Educated (Unemployed)</td>
<td></td>
<td>8164</td>
<td>9018</td>
<td>9769</td>
<td>11156</td>
<td>12331</td>
<td>13976</td>
<td>15088</td>
</tr>
<tr>
<td>B. Total Unemployed (including below Matriculates)</td>
<td></td>
<td>16200</td>
<td>17838</td>
<td>19753</td>
<td>21953</td>
<td>23547</td>
<td>26270</td>
<td>27812</td>
</tr>
<tr>
<td>C. A as % of B</td>
<td></td>
<td>(50.4)</td>
<td>(50.5)</td>
<td>(49.4)</td>
<td>(50.8)</td>
<td>(52.3)</td>
<td>(53.2)</td>
<td>(54.2)</td>
</tr>
</tbody>
</table>

Figures in brackets indicate percentage of educated unemployed to the total.

**Source**: Seventh Five Year Plan Planning Commission, New Delhi.
4. Lack of Vocational and professional guidance

In India there is no adequate organisation for giving vocational and professional guidance. There is acute shortage of such type of information for those seeking jobs. Ignorance on the part of educated people about the possibilities and avenues of employment is also responsible for their remaining unemployed.

Vocational guidance is an assistance given to individual in solving problems related to occupational choice and progress with due regard for the individual's characteristics and their relation to occupational opportunity. Vocational guidance provides expert advice to a young person in respect of proper choice of an occupation. Parents and teachers are the two traditional sources of vocational guidance.

In spite of all the advantages, the guidance programme has not yet been introduced in the educational set up of our country. "Right job for right man" is not followed and hence, there is no clear-cut matching of individuals to jobs and educational careers. It is more like a slow and painful process of trial and

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error by which suitability of individuals for certain type of life and work is discovered, and an adjustment is brought about between the individual and an occupation.

The only way to improve the situation is to develop a methodology in creating entrepreneur culture among the students by setting guidance cells in the academic institutions at the pre-degree level.

5. Exaggerated expectations

Educated youth in India possess very high expectations. They are not prepared to take up a job which does not come up to their expectations. Rather they prefer to remain unemployed. They do not realise the dignity of labour. They are not willing to take up a job involving manual labour. They prefer only white-collar jobs. But the number of white-collar jobs is too limited to absorb the ever-swelling number of educated persons.

6. Slow growth of investment and Employment

From the Table 1.6 it is evident that the investment from plan to plan is increased massively but the generation of employment has not kept pace with
it. As a result, unemployment and underemployment have become the permanent features in the life of a vast majority of people in this country. It is evident from the growing index of investment employment ratio (I/E) in Table 1.7 which is not merely increasing, but increasing at an increasing rate.

Table 1.7 clearly shows that whereas the investment over the different plans has increased rapidly, the employment potential created has not moved up proportionately. Thus, against an investment of Rs.11,361 crores during the first two plans, 17 million jobs were created. The Third plan, on the other hand entailed an investment of Rs.10,400 crores, but generated only 14.5 million new jobs. Similarly Rs.22,635 crores and Rs.47,561 crores were invested in Fourth and Fifth Plan respectively, but the employment generation could not record the rate at that pace.

7. Inappropriate structure of investment

In the early years of planning the planners accepted the hypothesis that a high rate of growth would bring about a high rate of absorption of labour. But it was found that the backlog of unemployment in each succeeding Five Year Plan tended to increase inspite
of massive investment injected in Industrial development as is evident from the Table 1.6.

Although the investment and output have grown at a high rate the production mix and technology mix have been so capital intensive that the employment did not grow paripassu.\(^{10}\)

\[\text{TABLE 1.6}\
\text{PATTERN OF INVESTMENTS IN ALL THE FIVE YEAR PLANS}\]

<table>
<thead>
<tr>
<th>Plans</th>
<th>Investment (Rs.Crores) Sector</th>
<th>PERCENTAGE DISTRIBUTION SECTOR WISE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Primary Sector</td>
<td>Secondary Sector</td>
</tr>
<tr>
<td>First Plan</td>
<td>4611</td>
<td>31.0</td>
</tr>
<tr>
<td>Second Plan</td>
<td>6750</td>
<td>19.1</td>
</tr>
<tr>
<td>Third Plan</td>
<td>10400</td>
<td>20.3</td>
</tr>
<tr>
<td>Fourth Plan</td>
<td>22635</td>
<td>21.1</td>
</tr>
<tr>
<td>Fifth Plan</td>
<td>47561</td>
<td>18.6</td>
</tr>
<tr>
<td>Sixth Plan</td>
<td>--</td>
<td>15.0</td>
</tr>
</tbody>
</table>

\text{Source: Five Year Plans Planning Commission, Government of India.}\]

In view of the failure of highly capital-intensive technique of industrialisation in reducing intensity of the unemployment problem, many economic thinkers strongly recommended the adoption of labour intensive technique of production through the development of small scale industries. The case for small scale industries is advocated on the basis of the following:

1. that the technology used in it is highly labour intensive and thereby has got high employment potentiality

2. that it has got low incremental capital-output ratio which is most suitable in a capital scarce economy.

3. that is more efficient as in as much as it requires simple skill and management which are other scarce factors besides the capital in developing country and

4. that it involves a short gestation period and also for many other reasons.

From the Table 1.7 it is quite obvious that so far as the Secondary Sector is concerned, the changes
in the structure of investment in the successive Five Year Plans are quite significant. It is seen that during the First Five Year Plan period, only 20% was allocated to this sector. But in the next plan this percentage share of investment allocation was considerably increased to 33.6% which again was increased

TABLE 1.7

PATTERN OF INVESTMENT EMPLOYMENT RATIO IN ALL THE FIVE YEAR PLANS

<table>
<thead>
<tr>
<th>Plans</th>
<th>Investment (Rs.Crores) Sector</th>
<th>Employment Generation (In Million Persons)</th>
<th>Investment Per Unit of Employment I/E (In Rs.)</th>
<th>Ratio Index I/E</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Plan (1951-56)</td>
<td>4611</td>
<td>7.0</td>
<td>6630</td>
<td>100</td>
</tr>
<tr>
<td>Second Plan (1956-61)</td>
<td>6750</td>
<td>10.0</td>
<td>6750</td>
<td>107</td>
</tr>
<tr>
<td>Third Plan (1961-66)</td>
<td>10400</td>
<td>14.5</td>
<td>7173</td>
<td>108</td>
</tr>
<tr>
<td>Fourth Plan (1969-74)</td>
<td>22635</td>
<td>18.0</td>
<td>12575</td>
<td>189</td>
</tr>
<tr>
<td>Fifth Plan (1974-79)</td>
<td>47561</td>
<td>22.2</td>
<td>21424</td>
<td>323</td>
</tr>
</tbody>
</table>

Source: Five Year Plans, Planning Commission, Government of India.
to 39.0% in the Third Plan Period. Although there was some reduction in the percentage share of investment allocation during the period of Fourth and Fifth Plans, the share has increased massively as compared to the First Five Year Plan. From the Table 1.7 it is also evident that as a long term strategy one may rely upon the secondary and tertiary sectors for sustaining a greater labour absorption, appropriate short term measures are essential in order to mitigate distress resulting from conditions from unemployment and underemployment.

8. Slow growth of the Indian Economy

Despite three decades of planning, the Indian economy recorded a growth at a slow rate of 3.31% during 1961-74 and 4.01% during 1974-84. The transformation of agriculture has been very slow. The vast and varied natural resources of the country still remain underdeveloped and unutilised. The tertiary sector has failed to develop. Even the development of the industrial sector has been sluggish. Further, the investors have preferred a capital-intensive technology partly to minimise the stress involved in having to deal with or handle labourers with their invitable unioni-
zation etc. Each of the plan left a larger backlog of unemployment. Had the rate of growth been satisfactory, each plan would have taken nearer to the solution of the unemployment problem.

9. Rationalisation

Some industries have been trying in recent years to reduce costs by introducing a measure of rationalisation and modernisation. Technological changes in the recent years have led to increase in production without having a direct impact on the volume of employment. The rapid technological change is widely regarded as a primary cause of unemployment.11 This obviously results in retrenchment and unemployment. According to a witness before the Bhagwati Committee on Unemployment, the unnumber of industrial workers had gone down by 33% on account of modernisation and rationalisation. "Mechanisation is good when hands are too few for the work intended to be accomplished. It is an evil when there are more hands than required for the work, as in the case of India...."12


10. **Slowing down of the increase in Industrial Production**

The foreign exchange difficulties experienced in the recent years have led to stringent import restrictions which have by and large extended not only to non-essential consumer goods, but also to machinery and raw-materials for industry, especially to the latter. As a result, the rate of increase of industrial production has not been adequate to absorb the growing labour force.

11. **Lack of adequate number of high quality entrepreneurs of entrepreneurial and managerial talents**

The crux of India's unemployment problem, especially of the educated class, lies largely in the lack of entrepreneurial initiative in the educated class. Wherever such initiative is forthcoming, there is the problem of acute unemployment among the educated which is much less than in other parts of the country. eg., Gujarat.
12. Migration of rural youth to urban areas

The percentage of urban population to total population went up from 17.3% in 1957 to 18% in 1961; 19.9% in 1971 and 23.71% in 1981 and is further projected to go up to 32% by 2000 A.D. This increase is attributed to the migration of rural population to cities.

Rural youths move to cities lured by the facilities offered in the urban areas. Since cities are unable to provide the necessary infrastructure and employment opportunities for population pouring in from villages, there is proliferation of slums. However, the immigrant rural youth are better off in urban slums because they enjoy better access to medical care, education, entertainment, more opportunities for work, avenues for self-employment etc., than what they could have in their villages. Economic opportunities are far better and greater in cities than in villages because of the urban based planning adopted by the Government.

Poverty, economic recession, rapid growth of population, faulty planning, pursuit of wrong educational policy, backwardness of agriculture, rationalisation and modernisation, slowing down of production
rate in some industries, migration of rural youth to urban areas, poor man-power planning in addition to other causes have all contributed to the growth of educated unemployment to monstrous proportions. A direct strike on this chronic problem is indispensible at this stage of development to tackle the problem.

Some of the concrete steps taken by the Government of India to effectively tackle this multidimensional and complex problem, are dealt with in the second chapter.

CLASSIFICATION OF UNEMPLOYMENT

For academic interest, an attempt is made to scan the profile of unemployment in the Indian context, before looking into the Government programmes intended to generate employment opportunities involving bank finance.

Different types of unemployment can be seen in underdeveloped countries which mainly arise from shortage of capital formation, but in developed countries it arises largely from the deficiency in aggregate demand which is of a cyclical nature.¹³

If one looks closely into the unemployment profile in India, unemployment could be, by and large classified as follows:

The above categories of unemployment are self-explanatory. Besides these categories, a mention may be made here of 'under-employment' and 'disguised unemployment' since both the concepts possess an element of unemployment. Under employment connotes that although labour is employed, he is not fully employed. Disguised unemployment exists because the resources of the family, particularly land and agricultural equipment are too small to keep all working members of the family fully employed throughout the year and because there exists no alternative opportunities for redirecting a portion of the excess labour supply available into other occupations at appropriate time.
"The phenomenon of 'apparent' employment without any addition to total output is usually referred to as disguised or concealed unemployment." 14

The seasonal nature of work, rapid population growth and lack of sufficient capital investment in agriculture and rural industries have resulted in widespread underemployment and disguised unemployment.

TYPES OF UNEMPLOYMENT

Poverty and unemployment are cruel but curable in one sense. Unemployment may be classified under the following heads:

1. Frictional Unemployment
2. Seasonal Unemployment
3. Structural Unemployment
4. Technological Unemployment
5. Cyclical Unemployment

1. Frictional Unemployment

It is that type of unemployment which is caused by industrial friction, such as immobility of labour,

14 Alak Ghosh, "Indian Economy" Its Nature and Problems, 1975, p. 120.
ignorance of job opportunities, shortage of raw materials and breakdown of machinery etc. Jobs may exist, yet the workers may not be able to fill them either because they do not possess the necessary skill or because they are not aware of the existence of such jobs, or they may remain unemployed on account of the shortage of raw materials or mechanical defects in the working plants.

2. Seasonal Unemployment

It is that type of unemployment due to seasonal variation in the activities of particular industries caused by climatic changes or changes in fashion or by the inherent nature of such industries, eg. sugar industry and ice factory.

3. Structural Unemployment

It is that type of unemployment which is due to structural changes in the economy of the country. For example, when there is a long-term decline in the export trade of a country, it may be considered as a structural change in the economy of that country.
4. Technological Unemployment

It is that type of unemployment which is caused by changes in the production technologies. Technological changes and mechanisation result in displacement of labour and the consequent unemployment.

5. Cyclical Unemployment

It refers to that unemployment which is associated with the downswing of the trade or business cycle. Cyclical unemployment affects nearly all forms of production and results in "mass unemployment" in the economy.

Unemployment in India is structural in nature because the productive capacity is inadequate to create a sufficient number of jobs for all those who are able and willing to work. Unemployment in India is so conspicuous and the problems arising therefrom are so vexing, that no statistical proof of its existence is needed. The census statistics alone will serve the situation. A peculiarity of unemployment in India is the large scale under-employment particularly in agricultural sector. The growing educated unemployment is another dimension of the problem of
the country as revealed by the increasing number of unemployed over the plan period.

The concept of self-employment arises in the context of finding solution to the grave problem of meeting unemployment in less developed countries.15

DANGERS POSED BY EDUCATED UNEMPLOYED YOUTH

The Educated Unemployed Youths form an important dynamic segment of the population and play a key role in decision-making processes relating to all the activities and developmental programmes of the nation. Youth represents a young man in heart, vibrating with zeal, zest, drive, and innovation at all times. But, by and large, it is defined in terms of age. They are the hope of the nation and they form the backbone of future India. All the aspirations of the people inhabiting the country rest on the latent potentialities of the youth. They are easily adaptable to change, a will to do greatest good for the largest number and a will to sacrifice. They are very receptive to programmes which suit their age group. If this important segment of the population is not tackled

properly and their aspirations are not fulfilled, the development and progress of the country will be at peril.

The youthful energy and drive can easily be mis-directed into resentment or revolt if parents and adults, in general do not find ways and means of communicating with teenagers and building up a constructive partnership.

They have to remain without work after emanating from the universities and colleges, and thus, are subject to physical and mental stress and strain.

An unemployed person, even if he does not seek employment because of economic affluence, becomes a liability to the society, as idleness and indolence are the root causes of social evils and miseries.

The unemployment of the educated gets its seriousness from the fact that every educated person represents heavy investment by the state and the community. Moreover, increase in unemployment leading as it does to poverty and destitution, affects the society as a whole bringing about social degeneration. The Government on an average spends about Rs.2,000 on each graduate. Added to this is the expenditure which the
parents incur and the earnings which the students forego during the period of study. Unemployment is the major source of waste in our present economic system. Idle hands are the symptoms of economic waste\textsuperscript{16}.

Unemployment has both economic and social implications that are universally recognised as harmful both to society at large and to the individual who is without work. It is not merely a social problem, it is a human problem also.

Dangers of educated unemployed youth can be seen from the following statement.

"Job or Jail" - This slogan written by the All India Students Federation (AISF) on the walls of schools and colleges epitomises the deep anguish and frustration of the unemployed youth.

No doubt, one of the burning economic problems of the country is unemployment among the educated youth which in the present contest ranks high with its widespread repercussions and explosive possibilities. Some views of writers on these possibilities

\textsuperscript{16} Singer, H.W, "Unemployment and the Unemployed, P.S.King and Sons Ltd., London, 1940, p. 140.
are summarised below:

i) The educated unemployed is a dangerous person.

ii) The unemployed persons belonging to this category (educated unemployed) are not 'dumb driven cattle but intelligent people", and will not accept an unenviable position lying down.

iii) The educated unemployed may become an easy prey and provide the mainspring from which the extremist political parties may draw their recruits.

iv) An intellectual proletariat is the seed bed of revolutionary movements.

v) Educated jobless young men often embark on illegal activities in the economic field, and sometimes indulge in violent crimes 17.

"A creeping frustration has set in among the educated unemployed youth of today, a frustration which threatens to disrupt the very social fabric

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of our country. Our education system and, indeed, society in itself, has to take note of their danger and change its course 18.

It is quite apt to quote Naval H. Tata who stated that "it is an undisputed fact that in utter frustration these educated unemployed have turned rebels and have developed revolutionary instinct in order to bring about transformation of existing order ......... ........." 19.

Violence, drugs and alcohol addiction, crime, prostitution and suicides trap more young and educated people than ever before. A recent study revealed that the key words in the experience of young people in the present decade are probably, 'Scarcity', 'unemployment', 'underemployed', 'ill-employed', 'anxiety', 'prognatism', 'defensiveness', 'subsistence', and even 'survival' itself.

Of all the evils of a modern society, unemployment is the worst. It demoralises the people who lose self-respect, breeds contempt for the society, compels

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the unemployed to resort to evil practices like dacoity, robbery, murders, pickpocketing etc. Mass unemployment may even endanger political stability. Prolonged unemployment causes psychological damage. Longer the period of unemployment of an individual the less employable he becomes. So, unemployment represents a steady deterioration in the capacity of human beings.

The attempt to get preferential treatment in the matter of recruitment also leads to corruption, nepotism, casteism and other evils.

Therefore highest priority is to be given by the Government to solve the unemployment among the educated youth.

Instead of satisfying the educated unemployed youth temporarily, by way of giving unemployment relief, opportunities in temporary projects etc., it is worthwhile to make them self-reliant and self-employed, so as to make the nation more strong. Temporary unemployment dole would only create a class of parasites living on public charity. There is a proverb worth quoting here: "Teach a man how to fish instead of giving him a fish every day". If you teach a man how
to fish, he can satisfy himself, his family and the society. Most of the self-employed would not merely be self-employed individuals, but they themselves would be in a position to generate additional employment. For example, a doctor appoints a compounder or a nurse, or a small entrepreneur, a few workers who help him. Job creating is easier than job getting. Moreover a job creator enjoys better life and gets bigger rewards. Hence, self-employment holds key to greater prosperity.

One's own initiative, strong will, courage, enthusiasm, zeal and interest to work hard, conviction, sincere efforts, self-confidence, capacity to put in hardwork, comprehension, friendly disposition, patience, leadership qualities and persistent efforts can take one to the wonderland of achievements and success in life. All the big industrialists started their career in a small way all these qualities created industrial empires for themselves but have also helped millions to earn their bread and enriched the national exchequer. For example Henry Ford-I organised the Ford Motor Company at Detroit in 1893 without putting in even one cent of his own and 25 years later he
became a man worth a billion dollars. Every millionaire is invariably a heavy borrower. The business was started through borrowing. Self-employment generally provides work for the entire family, fosters ambitions and willingness to hard-work and develops initiative and enterprise.\textsuperscript{20} The self-employed man is his own master and therefore free from any frustration. Above all, self-employment serves as a 'safety valve' for the economy for easing out the pressure of increasing labour force on the market which organised sector cannot accommodate.\textsuperscript{21}

Employment determines one's chances for living a full rich and meaningful life. It influences and shapes the individual's thoughts, feeling and actions. Employment enables one to meet and satisfy the different demands in one's life. A person's status in the family and the community directly or indirectly is a reflection of the employment, he holds.

With such a view, the researcher planned to study the role of commercial banks, in providing the loans


under self-employment to educated unemployed youth and the practical problems involved therein.

Characteristics of self-employed

Self-employed should be action-oriented, highly motivated individuals with technical competence, initiative, goal judgement, intelligence, leadership qualities, self-confidence, creativeness, firmness, fairness, honest, tactfulness and emotional stability. A true "self-employed" is one who germinates the concept, takes initiative, seizes the opportunity, bears the risk promotes the organisation and manages it inspite of odds to achieve the set goals. In fact he has to act as a "spark plug" to transform the economic scene and bring a new dynamism into it.

The characteristics of a self-employed that contribute to a success are illustrated below.

<table>
<thead>
<tr>
<th>CHARACTERISTICS</th>
<th>SUCCESS IN BUSINESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self confidence</td>
<td></td>
</tr>
<tr>
<td>Creativeness</td>
<td></td>
</tr>
<tr>
<td>Action-oriented</td>
<td></td>
</tr>
<tr>
<td>Future-oriented</td>
<td></td>
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<tr>
<td>Risk-taker</td>
<td></td>
</tr>
<tr>
<td>Technical competence</td>
<td></td>
</tr>
<tr>
<td>Leadership</td>
<td></td>
</tr>
</tbody>
</table>
Qualities of Self-Employed

The personal qualities that contribute to the success of a self-employed are as follows:

1. Administrative ability

A successful self-employed should be a good administrator. He should know the art of getting things done by other people, without hurting their feeling or self respect. He should have strong motivation towards achievement of a task and must be able to exert considerable efforts in getting things done through others.

2. Mental ability

Mental ability consists of intelligence, an analytical approach and creative thinking. A self-employed must be reasonably intelligent, and should have creative thinking and must be able to engage in analysis of various problems and situations in order to deal with them subsequently. The self-employed should anticipate changes and must be able to study various situations in which decisions may have to be made. He must not have inferiority complex. Proper encouragement by friends and relatives will help to overcome thereof.
3. Clear objectives

A self-employed should have clear objectives as to the exact nature of the business; the nature of the goods to be produced and the subsidiary activities to be undertaken. A successful self-employed must have the objective to establish the product, to make profit or to render social service.

4. Business Secrecy

A self-employed must be able to guard business secrets effectively. Leakage of business secrets to trade competitors will be self-defeating. Hence, he should be very careful in this regard. A self-employed should select his assistants properly and carefully.

5. Human Relations Ability

The most important personality factors contributing to the success of a self-employed are emotional stability, personal relations, consideration and tactfulness. A self-employed must maintain good relations with customers if he wishes to enjoy their continued patronage of his business. He must also maintain good relations with his employees whom he shall motivate
to perform their jobs at high levels of efficiency. A self-employed who maintains good human relations with customers, employees, suppliers, creditors and the community is much more likely to succeed in his business than one who does not give any consideration to good human relations.

6. Communication Ability

Communication ability is the ability to communicate efficiently. Good communication means that both the sender and the receiver understand each other perfectly and totally. Hence, it goes without saying that a self-employed who can effectively communicate with customers, employees, suppliers and creditors are more likely to succeed than the self-employed who does not.

7. Technical Knowledge

A self-employed must have a reasonable level of technical knowledge. Technical knowledge is easy to acquire if he tries hard enough.

A self-employed who has high levels of administrative capability, flair and ability of decision making,
computational skill, delegation skill, organisational skill, good at communication and has sound technical knowledge stands a much better chance of success than his counterpart who possesses less levels of these basic qualities. It is the possession of these rare qualities which confer advantages on some people in becoming self-employed. No doubt self-employment requires hard work, but considering the financial rewards, independence and satisfaction that it offers all efforts are worth-while.

CONCEPT OF SELF-EMPLOYED

Reserve Bank of India while issuing guidelines to commercial banks regarding "Special credit schemes with particular reference to employment potential" under the chairmanship of Shri. V. D. Thakkar has given the following list of items to be included under categories of self-employed.

i. Farmers including dairy and poultry farmers, owners of farm animals, such as bullocks and pigs and fishermen etc.

ii. Small-scale industries.
iii. Household and cottage industries, such as Khadi making, processing of cereals, pulses etc. crushing of oilseeds, cottage match manufacturing, palm gur industry, hand-made paper making etc.

iv. Professional groups, such as doctors, lawyers, teachers, instructors, engineers, architects, interior decorators, designers, chartered accountants, tax consultants, carpenters, blacksmiths, cobblers, tailors, launderers, plumbers, electricians, electric repairers, servicing and repairing of various equipments, building and road construction small contractors etc.

v). Small traders including retailers and small wholesalers and distributors of all categories including vegetable, fruits and flower vendors, confectioners, restaurants and other small catering establishment.

vi). Other small business, such as, transport operators including operators of taxis, auto-rickshaws, carriages drawn by animals, barges etc.

The above list is by no means exhaustive but only illustrative.
Many of the self-employed would not merely be self-employed individuals, but they themselves would be in a position to generate additional employment. They work very hard and for long hours and make no demands for jobs. In fact, they create their own little niche of income generation in the economy and strive to earn a living. For example, a doctor appoints a compounder or a nurse or small entrepreneur, a few workers who help him.

A self-employed person is the master of his own show, his own employer and boss. He can regulate the sequence of his activities and plan his work in a profitable manner as he deems fit. He can introduce zero defects movement in his venture and can have a high demand for his goods all over the world.

Till Fifth Plan, specific attempts have not been made to facilitate self-employment. But only in the Sixth Plan (1980-85) the need for self-employment was felt much, as the employment situation has considerably worsened. Effects are taken during the Sixth Plan period in all possible ways to mobilise local talents and for deployment in labour intensive industries. Following guidelines are laid down under the Sixth Plan to promote self-employment.22

i. Local institutions have to identify the basic minimum needs of the self-employment in their respective areas.

ii. Special attention should be paid to the provision of work sheds for the small self-employed, especially women and handicapped persons.

iii. Advisory Boards for the self-employed have to be constituted to formulate suitable policies and ensure minimum facilities for them.

iv. The problem of the self-employed in urban areas will be continuously monitored to make available timely assistance.

SIGNIFICANCE OF THE STUDY

The problem of chronic unemployment is a hydro-headed monster and the modern state has no alternative but to fight it out on all fronts with a plethora of weapons.

The number of educated unemployed also increases at a rapid stride due to prolific explosion in population and unprecedented expansion of technical and non-technical education. The primary sector is over
crowded. Tertiary sector has come to the saturated level. Therefore, employment creation is possible only in secondary sector. Starting of large scale industries is not an easy task.

With a view to reduce the seriousness of unemployment problem and by considering the socio-economic importance of employment of Government, the Government of India has introduced several self employment opportunities in the small, village and cottage and tiny sectors. To solve the unemployment problem among the educated urban poor, the SEEUY scheme and SEPUP scheme have been launched. SEEUY scheme has become popular among the various employment schemes implemented by the Government. It is worthwhile to make the educated unemployed youth more self-reliant bubbling with courage and confidence so as to make the nation more strong. Most of the self-employed would not merely be self-reliant but they would be in a position to offer employment opportunities to others too.

The success of this SEEUY scheme depends on the evolution of an integrated approach in finding solution to their problems. This would no doubt allow better appreciation of the scheme and its related problems in a proper perspective so that meaningful follow-up action with effective involvement taken by the autho-
rities concerned at various levels.

Extension of credit will meet the problem only half way. In building up an appropriate environment, the large and medium scale industries and business, financial institutions as well as the self-employed, have all an important role to play.

In the above context and from the view-point of development priorities of our nation as a whole, the present study of SEEUY scheme assumes greater significance all the more.

REASONS FOR THE SELECTION OF TAMILNADU

Besides, being a home State for the researcher, it is in Tamilnadu where nearly 50% of our total performance under the scheme is observed, which resulted in its selection. Hence, among the States, Tamilnadu has been selected for a detailed study for the following reasons.

1. Tamilnadu has been a front-line state in initiating and implementing various socio-economic programmes since the launching of the economic planning in India.
2. The performance under the said scheme was comparatively better in Tamilnadu than other states. From the Tables 4.4 to 4.8 which reveal states' performances against their target, Tamilnadu ranked Third for the year 1983-84 (0.27%), Fifth for the year 1984-85 (3.69%) and Fourth for the year 1985-86 (3.44%).

3. Tamilnadu is the home of nearly 7.06% of country's population. It secured 11th rank in size with 1.3 lakhs sq. kms, 7th rank in respect of population and 3rd rank in respect of literacy. (after Kerala and Maharashtra). According to 1981 census, of the 4,82,97,456 population of Tamilnadu 2,21,11,593 were literates with an overall literacy of 45.78%. Of the 2,44,20,228 of male population 1,39,65,132 (57.19%) were literates. Among the female population of the state i.e. 2,38,77,228 literacy rate was 34.12%

It is the fourth industrially advanced state in the country. No district in Tamilnadu could qualify for the subsidy or for location of union investment under the zero industry District project of the Union Government. The State identified only twenty four taluks to be qualified for such aid which is given in Appendix-5.
All these predominant characteristics of the State make the study of the scheme in the State highly useful and purpose-oriented.

REVIEW OF LITERATURE

The SEEUY scheme was formulated in Oct., 1983. A review of the scheme in early 1984 was made by the Reserve Bank of India within a year of the introduction of the scheme, though it was too early to draw any meaningful conclusions. A short note on evaluation study on SEEUY scheme was published by Indian Overseas Bank, Central Office, Madras. The study is a critical evaluation on the SEEUY scheme. Quite a few number of critical articles have appeared in leading magazines and journals published in India. These articles cover among other things, the followings: Impact of SEEUY scheme on Educated Unemployed youth; Financing self-employment of Educated Unemployed Youth, Recovery of SEEUY Loans, SEEUY Scheme and the role of banks.

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The literature referred to above contains only broad references to the scheme as such. But an attempt is made in this thesis to make an indepth survey with particular reference to Tamilnadu.

THE OBJECTIVES OF THE STUDY

The study has been carried out with the following objectives in view.

GENERAL

The main objective of the study is to gain a clear insight into the functioning of SEEUY scheme and to critically assess its performance.

SPECIFIC

1. To assess the performance of the scheme since its inception in October, 1983.
2. To examine the effectiveness of the norms fixed for identifying the beneficiaries;
3. To study the end use of loans granted under the scheme and to examine whether there is any diversion of funds from the stipulated ones;
4. To study the problems and difficulties faced by the Banks in the implementation of the programme;
5. To highlight the role of SEEUY scheme in the National Economy and
6. To make suggestions for improving the working of the Scheme.
Hypotheses

The study is based upon the formulation of the following hypotheses. The validity of some of them have been tested with available data through appropriate analysis in the Indian Economy.

1. Though the SEEUY scheme as administered by the Commercial Banks in India, has made marginal progress, the growth has been meagre.

2. The SEEUY Scheme has greatly helped in the furtherance of employment opportunities to educated unemployed youth to undertake ventures in industry.

3. There is no proper co-ordination between the DIC's, the Commercial Banks and different departments and authorities of the Tamilnadu State Government which result in inordinate delay in reprocessing of applications and sanctioning of the loans and create many problems for the Banks and the beneficiaries alike.

4. The commercial Banks have been confronted with a number of socio-economic, political and legal hindrances which have prevented the scheme from becoming popular one.
Period of Study

This study is confined to relatively a shorter period of five years from 1983-84 to 1987-88, since the scheme itself is launched by the Government only on October, 1983.

Methodology

Methodology adopted for data collection:

Basic data required for the study were compiled from a sample group of beneficiaries (borrowers), non-borrowers, Commercial Banks, Development Institutions including District Industrial Centres (DIC's), voluntary Agencies including Youth Clubs, Government Agencies, Task Force Committee, Educational Authorities and Educational Institutions through questionnaires and schedules specially prepared for the purpose within the time and money made available to the researcher.

Primary data were collected from a sample beneficiaries of 300 Educated unemployed, classified according to their involvement as Industrial segment, service segment and Business segment covered under this programme in different districts of Tamilnadu, which have received financial assistance under the scheme.
for first two years; i.e. 1983-84 and 1984-85 in the selected districts. For the purpose of this survey, beneficiaries were selected from the lists of the beneficiaries who had taken loan during 1983-84 and 1984-85. This was done because, it was expected that the beneficiaries who had taken loan during these years must have started their ventures and they would be continuing the production process, when the study is made. However, the quantitative and qualitative standards in this study have been secured through the combination of purposive sampling and stratified random sampling. Purposive sampling was adopted in the selection of districts and stratified Random sampling in the selection of beneficiaries.

A five page questionnaire comprising 45 questions was designed for the purpose of administering to the beneficiaries for collection of data, as given in Appendix-1.

The study was undertaken in eight districts of Tamilnadu out of a total number of 20 districts thereof under the purview of lead banks as detailed below.
The above selection is made primarily with a view to giving representation to the three lead banks, the differing shares of sector-wise disbursement of loan among the districts, the demand potential for availing of the loan facility and the industrial backwardness of districts.

Wherever necessary open-ended questions were given with a view to provide the beneficiaries a choice and freedom to express his thoughts without any fear or hindrance. In a way this enables to know much about the way the beneficiaries thought about the problem. A pilot study was also made covering twenty beneficiaries of Salem District to test the questionnaire. Salem District was chosen for convenience as it is the dwelling place of the researcher. In the light of the experience gained through the pilot study, the questionnaire was modified accordingly.
In all 300 questionnaires were filled and collected, of which 36 were incomplete and hence, rejected. Finally there were 264 questionnaires for a proper analysis and interpretation. The data was tabulated and statistically interpreted wherever needed.

The attitude of the beneficiaries contacted for the personal interview was by and large, quite helpful and co-operative and most of them showed their willingness and desire to talk, to say something. They were highly courteous, hospitable and friendly. Some of the beneficiaries welcomed the investigator thinking that their report would provide more financial assistance to them. Many of them are successful entrepreneurs and are doing their business profitably and are happy with it. On the other hand, a large number of them are facing great difficulties and problems and are unable to run their units smoothly and regularly. The feeling of frustration and disappointment is writ large on their sad and morose faces.

50 Non-borrowers from the select eight districts of Tamilnadu were selected through the combination of purposive sampling and stratified random sampling from the application Registers maintained by District
Industrial centres, for this scheme for personal interview. A separate two page questionnaire comprising 14 questions were used to collect factual information from non-borrowers as given in Appendix-2.

Apart from the data collected from the published sources, various officers concerned with the scheme have been interviewed to elicit information from them and to know their individual opinions on different matters. A separate, three page brief questionnaire comprising 21 questions was used to elicit information from the authorities of DIC's and to know their individual opinions on different issues which is given in Appendix-3.

The secondary data adequately drawn from almost all the published informations were collected from literatures, Reserve Bank of India Bulletins, Reoprt on currency and finance and Basic Statistical Returns were supplemented by the personal interviews, involving deep discussions with different Branch managers Regional managers of Commercial Banks which have yielded considerable data useful for the study. Another five page questionnaire comprising 38 questions was used to collect information from the Lending Banks which is given in Appendix-4.
To ascertain at the grass roots level the opinion of School, College and University students on the subject, their reactions to the problem a detailed discussion was used because they constitute the bulk of the potential educated unemployed youth.

In addition to the above, informal discussions with the officials of the Lead Bank, District Collectors, Voluntary Agencies including Youth Clubs, Government Agencies, Task Force Committee, Educational Authorities and Educational Institutions have also been good supplementary sources of useful information for the study. They proved to be quite rewarding and enlightening on various aspects of SEEUY scheme. The collection of secondary data from the DICS, banks, Distinct Offices was often a very time consuming process. No official in the first instant provided requisite information unless he was repeatedly persuaded and coaxed to do so.

For the data relating to SEEUY scheme, beneficiaries and targets and the total volume of finance provided by the Commercial Banks in different years during the period of study, the publications of the Development Commissioner, SSI, New Delhi from time to time, in the form of annual reports, brochures
pamphlets, booklets, etc., and the publications of the Reserve Bank of India have been relied upon.

The source of secondary data are noted at appropriate pages. The bibliography at the end of the thesis presents a comprehensive list of books and periodicals from which the secondary data were collected for the purpose of this study.

**Sampling Design**

The sampling design was a combination of purposive sampling and stratified Random Sampling; Purposive sampling was adopted for selection of districts and stratified sampling for selection of beneficiaries.

With a view to select eight districts from among the districts wherein the SEEUY scheme is being implemented, purposive sampling technique was resorted to based on the following criteria:

i. The three lead banks involved in the implementation of the scheme, viz. Indian Bank, Canara Bank, Indian Overseas Bank should get representation.

ii. The proportionate share of the sector-wise sanction/disbursal of loan, Viz. Industry, service
and business was found to vary significantly among the districts.

iii. The industrially backward districts were reported to lag in achievement as regards initial targets fixed.

Keeping in view the above factors, the following districts were purposively selected for the survey.

<table>
<thead>
<tr>
<th>DISTRICT</th>
<th>LEAD BANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>01 Dharmapuri</td>
<td>Indian Bank</td>
</tr>
<tr>
<td>02 Periyar</td>
<td>Canara Bank</td>
</tr>
<tr>
<td>03 Pudukottai</td>
<td>Indian Overseas Bank</td>
</tr>
<tr>
<td>04 Thanjavur</td>
<td>Indian Overseas Bank</td>
</tr>
<tr>
<td>05 Salem</td>
<td>Indian Bank</td>
</tr>
<tr>
<td>06 South Arcot</td>
<td>Indian Bank</td>
</tr>
<tr>
<td>07 Madurai</td>
<td>Canara Bank</td>
</tr>
<tr>
<td>08 Trichirapalli</td>
<td>Indian Overseas Bank</td>
</tr>
</tbody>
</table>

The total sample size of 300 beneficiaries was distributed among the eight districts on the basis of probability proportion to size. While selecting
the beneficiaries from individual districts stratification was resorted to according to:

i. Geographical spread between urban and rural areas.

ii. The purpose for which loan was disbursed.

iii. Temporal distribution of beneficiaries.

The requisite number of sample beneficiaries were randomly selected. However, while conducting the survey, it was not possible to contact 36 beneficiaries due to the reasons discussed in the Chapter V. The coverage for individual districts was as follows:

<table>
<thead>
<tr>
<th>District</th>
<th>Sample Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Madurai</td>
<td>43</td>
</tr>
<tr>
<td>2 Periyar</td>
<td>32</td>
</tr>
<tr>
<td>3 Salem</td>
<td>43</td>
</tr>
<tr>
<td>4 South Arcot</td>
<td>30</td>
</tr>
<tr>
<td>5 Dharmapuri</td>
<td>31</td>
</tr>
<tr>
<td>6 Pudukottai</td>
<td>31</td>
</tr>
<tr>
<td>7 Tiruchirapalli</td>
<td>25</td>
</tr>
<tr>
<td>8 Thanjavur</td>
<td>29</td>
</tr>
</tbody>
</table>

**TOTAL** 264
Techniques of Analysis

The statistical and economical tools are used for the analysis of the study and to arrive at conclusions which will have practical application.

Percentage, Means, Ranking, Correlation, Regression Analysis, Analysis of variance were used.

Presentation and Interpretation of Data

The collected data have been classified and tabulated. Simple and cross tables showing frequencies and percentages have been prepared. The data have been analysed descriptively.

Limitations of the study

While launching the SEEUY scheme, tall claims were made by the authorities. As referred to above, it is attempted to find out how far the scheme has succeeded in meeting the above objectives. It should be remembered that the scheme is only of a recent origin and it may be too early to subject it, to a critical analysis. But still 5 years period is adequate enough for an intensive analysis. Further, the beneficiaries are new to this experiment and it should be admitted that the analysis has this limitation.
A very serious limitation of the study is that it has to be conducted in the absence of complete statistical data to determine volume of unemployed in the country.

The main difficulty is the collection of information from the beneficiaries of the SEEUY scheme. Most of the beneficiaries do not maintain proper registers and statements of accounts. Tracing each and every beneficiary's address in the vast area is really a hardnut to crack. There is no specific literature or previous study available on this SEEUY scheme for review purpose. The problem of unemployment, level of income, productivity or compatibility with skills or aspirations is difficult to assess and the remedial policies for it are coterminous with economic development with little scope for any short-run action. Hence the study has to be conducted with available information and data. Only piecemeal information is available through various sources such as Employment Exhchange, Statistical Census reports and special investigations undertaken in certain areas, from time to time. Those studies have been made to secure certain reliable information on the subject, but this pales into insignificance before the vast undone. The data collected yet are very few and also insignificant for any defi-
nite conclusions. This is one area of twilight—with neither light nor shade. One has to wait for the decen-
nial census on the quaderenmical National Sample Surveys
to get at hand data and by the time the data are pro-
cessed and made available, they are out of date. In
the absence of hand data, there are guess estimations.
There is a very big backlog of unemployment in the
country. There is a sizable number of educated unem-
ployed, including technically qualified group, who
are mainly concentrated in the metropolitan area and
large cities. Though there are various centrally spon-
sored Employment Schemes, this study is confined to
analyse the impact of loans provided under SEEUY scheme
alone.

During the period of collection of data and ana-
lysis of them, few problems were encountered by the
researcher. All these were overcome by means of crea-
ting grand rapport with the help of Bank Officials,
Additional Director of District Industries Centre,
Government Officials while analysing the national
performance, the data collected from Development Commissi-
sioner, Ministry of Industries and Company affairs,
New Delhi, was used as it is the reliable source than
others. Similarly figures supplied by respective Dis-
trict Industrial Centres were taken into account.
The recordes maintained by the DIC regarding SEEUY scheme is meant for the district as a whole. There is no break-up details of the areas. That is why, the details on target and other details were not studied. The passage of time and the possible gaining of experience in the implementation of the scheme might necessitate modifications which may change the direction and scope of this scheme. It implies that the findings of the study may not have permanent value. However, the general approach to the problem remains to be unchanged.

Scope of the Study

In order to know the impact of the scheme, the study was conducted with special reference to Tamilnadu which is industrially advanced State in the country. No district in Tamilnadu could qualify for the subsidy or for location of union investment under the Zero Industry District project of the Union Government. The state identified only thirty three taluks to be qualified for such aid. (as given in Appendix-5).

Undoubtedly the results and findings of the study cannot be applied directly to any other State, but they can be applied only with some additional amendments and modifications.
Arrangement of Chapters

The study is divided into seven chapters. The first chapter is introductory and starts with a brief review of unemployment position in the country as a whole and particularly in the State of Tamilnadu. It also mentions in brief the problems of unemployment and measures taken by the Government to solve their problems through different schemes of assistance. Subsequently, the significance of the study has been presented, which is followed by objectives of the study. The scope of the study, methodology adopted for it and the principal hypothesis tested in the study are also explained. The chapter closes with the limitations of the study which is preceded by a short review of the literature on the subject of the study.

The second chapter deals with the significance of various centrally sponsored employment schemes, the terms and conditions involved in it and the working pattern of the schemes.

In the third chapter, a brief description and salient features of the SEEUY scheme and the role
of Commercial Banks in the implementation of the scheme are explained.

Chapter Four highlights the progress and working of the SEEUY scheme in its entirety.

Chapter Five has been devoted for an analysis of sample survey of beneficiaries of the SEEUY scheme, drawn from eight districts of Tamilnadu.

Chapter Six presents a suggestive framework for reforming the SEEUY scheme and the measures to be adopted therefor.

The Seventh and concluding chapter contains a very brief summary of the previous six chapters. Finally the justifications and suggestions for the effective and efficient implementation of the scheme are listed in the concluding part of the last chapter.