IMPLEMENTATION OF SEEUY SCHEME BY COMMERCIAL BANKS
CHAPTER III

IMPLEMENTATION OF SEEUY SCHEME BY COMMERCIAL BANKS

The previous Chapter had dealt with the critical analysis of various centrally sponsored employment schemes, the terms and conditions involved in it and the working pattern of the schemes. It will now be appropriate to deal with the description and salient features of the SEEUY scheme and the Employment opportunities provided by commercial banks, and other connected problems in this chapter.

Genesis of the Scheme

With a view to reducing the extent of unemployment among educated youth in the country, Government of India has launched a scheme for providing Self-Employment to Educated Youth (SEEUY) in 1983-84.

The scheme for providing self-employment to Educated Unemployed Youth (SEEUY) was first announced by the then Prime Minister Smt. Indira Gandhi in her Independence day address on 15th August, 1983. Subsequently, the scheme has been formulated by the Government of India in consultation with the Reserve Bank of India in October, 1983. The scheme was deferred for implementation by the end of March, 1984.

1 Details of the scheme was communicated to the Banks by Reserve Bank of India vide their letter Ref.RPCD.P.S./Dc.5/665-83 dated September 9, 1983.
At the end of each year, the scheme was renewed for further one year and now it is also announced that the scheme would continue for the rest of the VII Plan i.e. 1987-88, 1988-89 and 1989-90. To implement the scheme effectively, Reserve Bank of India has assisted the Central Government to frame the rules and regulations to be followed which financing the educated unemployed youth by banks, including the follow-up actions thereof.

Objectives of the Scheme

The main object of the scheme was to encourage the educated unemployed youth to undertake self-employment ventures in industry, services and business through provision of a package of assistance including bank credit. Nevertheless it is necessary to ensure that there is no overlap between this scheme and the IRDP already in force. As the terms convey, this scheme known as 'scheme for providing self-employment to Educated unemployed Youth is expected to throw open ample employment opportunities for the teeming millions of educated unemployed youth scattered throughout the length and breadth of the country.
Target Group

The scheme will cover all educated unemployed youth who are matriculates (X Std. passed) and above and within the age group of 18 to 35 years. Due consideration/weightage will be given to women and technically trained personnel. From 1986-87 a minimum of 30% of the total sanctions has been reserved for scheduled castes/scheduled tribes candidates. ITI passed youths are also included in the eligibility list subsequently to set up industry/service ventures.

The scheme was meant for providing self-employment to educated youth who are not able to raise their own capital. As such, it will not open to educated youths who have alternative sources of finance. Accordingly w.e.f. 1986-87 a ceiling of Rs.10,000/- per annum per family has been fixed as a criterion for eligibility under this scheme, so as to prevent the relatively affluent sections of the society cornering the benefits of this scheme. A minimum of 50% ventures should be pertaining to industry and not more than 30% of the ventures relating to small business.

The scheme aims at providing self-employment to 2.50 lakh educated unemployed youth through indus-
try, service and business ventures in each year. The Table 4.3, shows the target of Government of India from the year 1983-84 to 1986-87.

Area to be covered

The scheme will extend to all areas of the country except cities with a population of more than one million as per 1981 census. All areas covered by separate Municipalities, not forming parts of the metropolitan cities, with more than one million population are also eligible for loans under this scheme. Examples are Thana in Delhi, Poonamallee in Madras etc..

Implementing Agencies

Nodal Agency

District Industries Centres (DICs) have been assigned operational responsibility of the scheme at the district level, besides their usual routine. DICs in consultation with the Lead Banks of the respective areas would function as the Nodal Agency for formulation of self-employment plans, their implementation and monitoring under the overall guidance of the State Governments. The DICs will formulate location-specific plans of action which would be based on reali-
stic demand assessment for various services and projects and the number of entrepreneurs which each particular line of production and services would be able to absorb. The concerned Small Industries Service Institutes will assist the DICs in carrying out surveys, assessment of potentials and preparation of projects.

Implementation

The overall supervision will be provided by Development Commissioner, Small Scale Industries with the assistance of the Banking Division of the Department of Economic Affairs and the Industry Department of the State/UT Governments. Implementation of the scheme by DICs would involve identification of beneficiaries, selection of specific avocations, identification of the support system required by the beneficiaries, escort services and close liaison with the banks and other local agencies concerned with Industry, Trade and service sector. Branches of commercial banks are to provide finance to the identified borrowers.

Task Force Committee

There will be a Task Force Committee at the DIC-level consisting of the General Manager of DIC
who will be its Chairman along with Credit Manager of the DIC, a representative from each of the Lead Bank and the concerned Small Industries Service Institute and the District Employment Officer as its members. Of late, representatives of the two important banks (other than the Lead Bank) were also included in the committee. The constitution of Task Force is as follows:

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TASK FORCE COMMITTEE

CHAIRMAN
GENERAL MANAGER DIC

MEMBERS
REPRESENTATION FROM

DIC (CREDIT MANAGER)
LEAD BANK
SISI
DISTRICT EMPLOYMENT OFFICE
TWO IMPORTANT BANKS (HAVING MORE NUMBER OF BRANCHES)
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The Task Force at the DIC level will be responsible for the following:-

1. Motivating and selecting the entrepreneurs,

2. Identifying and preparing the schemes in trade, service establishment and cottage and small industries.

3. Determining the avocation/activities for each of the entrepreneurs,

4. Recommending loans for the entrepreneurs,

5. Evaluating and recommending the industry, service and trade plans and

6. Getting speedy clearance, as required from the authorities concerned.

Adequate publicity will be given to the scheme by the DIC and applications are invited directly. The entrepreneurs will apply to the DIC on a plain paper.

Training Facilities

Many of the educated unemployed youth may have some basic knowledge about financial management, accounting, inventory, management etc., and training course
may not be necessary except in Industry sector. However, for providing training to those who need some basic training and advice about selection and use of equipment, the State Government would utilise the services of the Industrial Training Institutes, Polytechnics, etc., from their own budgets to provide training to them. District Industries centres and Small Industries Service Institutes will co-ordinate with the training courses, wherever needed.

Other Inputs

For trade and services, sites may have to be preferentially organised by State/Municipal authorities. The identified entrepreneurs opting for industrial route are to be given preference by State Governments in allotment of suitable sheds in Industrial Estates and land wherever needed. Where machinery and equipment are required, these are to be made available, as far as practicable, by the National Small Industries Corporation and State Agencies concerned on hire-purchase.

Loan instalments for land, sheds and machinery would be a component of the capital input. Similarly, a part of the loan would be available for pre-operative
expenses. If any beneficiary wants to change the nature of this venture he has to seek the permission of the "Task Force".

Modus Operandi

Selection of beneficiaries

The responsibility of publishing the scheme and inviting applications from the potential beneficiaries and inspection are to be initiated by the Development Officer, DIC. The Task Force was to scrutinise the applications and to recommend for giving loans and subsidy to the beneficiaries. These applications were allocated to the branches of different banks taking into consideration the area of operation of the Bank branches. The targets for different banks are decided at the District Level Consultative Committee (DCC) meeting.

The banks on their part were to appraise the applications and get satisfied with the viability of the projects, before sanctioning loans. The Banks were expected to dispose of the applications, within a period of 14 days. A separate register should be maintained wherein date of receipt of application
from DIC, date of disposal and date of disbursal of loan should be recorded. Branches will however obtain application forms duly filled by the applicants depending upon the purpose for which the loan is required. In case, banks were not satisfied with the applications, they could return the same to the DIC with reasons for rejection of applications (In anticipation of rejections due to justifiable reasons) DIC would recommend a number of applications 10 to 20% higher than the target fixed for each one of the banks.

Flow chart showing a co-ordinated and improved system for effective implementation of the SEEUY scheme is given in page 152. If the activities of the agencies/departments are well co-ordinated to realise the common objectives but also to utilise the manpower available at district level more effectively for achieving the national goals.

Ministry of Industry, Government of India has advised the Secretary, Industries Department of all State Governments/Union Territories that the recommendations of the Task Force on the applications for Self-employment ventures should be treated as "Confidential" and that the decisions are to be communicated
FLOW CHART FOR EFFECTIVE IMPLEMENTATION OF SEEDY SCHEME

GOVT OF INDIA

STOCK BANK

STATE GOVT

RBI

DIC

DCSSI

STATE LEVEL BANKER'S COMMITTEE

DIC

TASK

FORCE

G.M.

DIC

IMPLEMENTATION

APPLICATION

BY BENEFICIARY

BENEFICIARY

Credit Manager DIC

Lead Bank

SISI

DED

Two Important Banks with more branches

Implementation, Monitoring, Follow-up, Recovery

Sanction Disbursal

BENEFICIARY
only after the applications are finally selected and sanctioned under the scheme.

**Amount of Loan**

As per the latest guidelines issued by the RBI\(^2\), the maximum permissible amount was fixed at Rs.35,000/- (As against Rs.25,000 fixed earlier) for a borrower for Industrial ventures. In the case of service ventures, the limit would remain unchanged at Rs.25,000/-. In the case of business ventures, the ceiling was reduced to Rs.15,000/-. Initially the loan amount was considered as a composite loan consisting of the term loan and working capital components. Term Loan and working capital loan requirements were calculated separately.

**Rate of Interest**

The rate of Interest for the loan is similar to that of the composite loan scheme announced by Thambe Committee which is 10% per annum, in backward areas and 12% per annum, in other areas till the term loan component is repaid. The names of these districts are as indicated in Appendix II of the booklet entitled 'assistance for development of backward area' published by the IDBI as given in Appendix-5.

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| 2 RBI Letter No. RPCD No. SP (St) BC 23/6 665 (p) - 86-87 dated 16.10.86. |
When two or more educated unemployed youths want to join together and set up a unit, and the credit requirements are in excess of Rs.25,000/- they will not be eligible for composite loan upto Rs.25,000/- in the name of each of the persons. However, there will be no objection to composite loan not exceeding Rs.25,000/- being given jointly in the names of two or more persons.

Purpose of Loan

Loans may be granted for acquisition of fixed assets and meeting working capital required for funding ventures, relating to industry, service and business. It includes loans for purchasing equipments, repairing or renovating existing equipments or repairing business premises, etc.

Government Assistance and Control

The beneficiaries selected will be eligible for capital subsidy from the Government, computed at 25% of the total amount of loan (i.e term loans plus working capital) extended by the bank. The Government of India, in consultation with the Reserve Bank of India have decided that subsidy under the scheme
will be routed through the Reserve Bank of India. This subsidy is received by the H.O. of a Commercial Bank from Reserve Bank of India, and released through branches. It is being kept as term deposit in the name of the entrepreneur for a duration coinciding with the repayment of that portion of term loan component less subsidy. The interest so earned can be adjusted against the interest payable by the borrower. This deposit can be adjusted to the borrower's dues under the term loan component at the last stage. For example, if a borrower is sanctioned Rs.25,000/- composite loan comprising of investment portion of Rs.15,000/- and working capital portion of Rs.10,000/-, the subsidy for this loan works out to Rs.6,250/- (i.e.25% of the composite loan of Rs.25,000/-). The repayment schedule will be fixed for Rs.15,000/- only and when Rs.8,750/- is repaid by the borrower, subsidy of Rs.6,250/- should be adjusted to the term loan and once this is closed, the balance working capital portion of Rs.10,000/- shall be converted into a cash credit/overdraft facility and normal rate of interest will be applicable to this facility after this date.
Books of Account

All Banks are required to maintain in a separate register and other appropriate records in respect of subsidy. Entries in the Register and other records have to be verified and audited by a qualified auditor, and his report should be sent to the Reserve Bank before the end of September every year.

Reserve Bank of India shall have the right to inspect at any time, the books of banks claiming subsidy for verifying the claims of subsidy.

The Reserve Bank may also issue directions to the Auditor certifying the claim (Under para Audit as referred to above) regarding the manner and extent of Audit after consultation with the Comptroller and Auditor General of India.

The Reserve bank has issued clarification to all its constituent Banks on 14th June, 1985 that subsidy and the concessional rate of interest will not be available in case of misutilisation of loan, abandonment of the project by the beneficiary shifting of the unit to an area not covered under the scheme, ineligibility of the beneficiaries due to his non-complying with the criteria laid down under the scheme.
etc. Where subsidy has been claimed by banks in any of these cases, the same may be refunded.

Security

The security for the Bank will be the assets created out of its finance which will be mortgaged/pledged/hypothecated to the Bank till the repayment of the loan is completed. The banks are not to ask for owner's contribution in the form of margin money or seek collateral security or third party guarantee for the loan.

Margin

No margin will be required to be brought by the applicants. The bank will finance 100% of the requirements.

Repayment

Only the term loan component of the composite loan will be subject to a repayment programme. The repayment period stipulated can range from 3 to 7 years taking into consideration the repayment capacity of the borrower as assessed by the branch. The repayment will be in instalments beginning after an initial moratorium ranging from 6 to 18 months.
The subsidy lodged with the Bank in Term Deposit will be available to the borrower for adjustment against the last instalment(s) due under the term loan component. In other words the borrower will be actually repaying the term loan component less the amount of subsidy. The maturity period of the Term Deposit will have to be determined accordingly.

Recovery of the Loan

The responsibility for recovery of the loan fund will be that of the banks concerned. They should, therefore, ensure proper supervision of the loans. Recovery should be done in a manner that serves the interest of the borrower and the banks as well. However, in case of default due to genuine reasons, banks may extend the period of loan and/or reschedule the repayment.

The banks at present virtually have no teeth to their machinery for recovery so as to exert meaningful pressure on the defaulters. The banks go on issuing reminders for the repayment of loan but no effect on the loanees. The banks have to go to a court of law which is a cumbersome task and involves consid-
rable delay. A formal demand is followed by an attempt to persuade the borrower to repay the dues. The extreme step of filing the suit for recovery is taken as the last resort, after all other measures to recover the amount have failed and where there is risk if the documents getting time barred.

Going to a court of law involves considerable delay. Moreover, the bank's position becomes awkward in three ways:-

1. Bank is not able to recover the loan in time;
2. The defaulter has ample opportunity to dispose off the goods which has been treated as a security and
3. Most of the time the rate of interest allowed by the court after filing the suit/passing the decree is 6% p.a. only which is fixed as per Section 34 of C.P.C.

Even when the bank wins the case and a decree is obtained in its favour, the bank has to apply again to the court for execution of the decree. The court then approves a receiver, notice is to be issued to the parties concerned before the actual sale of security. But often there will not be any purchaser, and instances are not rare where some of the purchaser in collusion with the defaulters offer very low price.
Thus, the existing structure of recovery of SEEUY loans is not effective. The entire procedure drags on for years together, all the time banks funds being blocked and the defaulters enjoying at somebody's cost.

Monitoring

Monitoring of the progress of the scheme is vital for the successful implementation of the scheme. Monitoring can be effected through two channels viz. a) by the Development Commissioner, SSI through the DICs and b) by the banking system. The procedure evolved in this connection is indicated below:

The District Industries Centres will monitor the implementation of the scheme at district level for each sector of entrepreneurs namely Industry, Service and Business and monthly report in respect of applications sanctioned (Sector wise) by the Bank branches in the district are to be sent by the Bank to DICs by 5th of every month following the Month in which the loans were sanctioned. The monthly progress reports are to be sent by the DICs to Development Commissioner, Small Scale Industries include information on number of beneficiaries identified (sector
wise), number of cases sponsored (sector-wise), number of project Reports prepared (separately for industry, service and business), amount of credit recommended and sanctioned (sector-wise) by the bank as also the number of beneficiaries actually settled. The Proforma of the monthly return to be submitted by the branches to DICs is given in (Annexure-6). This will facilitate DICs in sending their periodical reports to the Development Commissioner SSI.

The monthly progress Reports are reviewed in the District Advisory Committee of DICs of which Collector/District Magistrate is the Chairman. The Committee which meets once in a month sorts out the problems of implementation, co-ordination and monitoring. The Progress Report of the District Industries Centre for each month is sent by the General Manager concerned so as to reach the Development Commissioner, small scale industries by 10th of the subsequent month, positively. The performance under the scheme is being reviewed at District level consultative Committee meeting (DCC) sponsored and State Level Bankers Committee (SLBC) meeting under Lead Bank Scheme. The proforma of the monthly return to be submitted by the branch is given in Appendix-3.
On the basis of the monthly returns from the branches, their Divisional/Regional Offices review the progress made by individual branches. The matter of disposal of pending applications shown receives the special attention of the Divisional/Regional Manager.

The controlling offices of banks at the State level consolidates the performance data for the bank, statewise from the districtwise data received from the Lead Bank Officers/District co-ordinators. The state level data are made available by each bank to the Convener of State Level Bankers' Committee for quarterly review at SLBC meetings and to the Regional Offices of RBI (RPCD).

The controlling officers provide statewise data to the Head office of the banks for quarterly review. Head Offices of banks provide to the Central Office of RPCD, RBI bankwise and Statewise data on quarterly basis as per the proforma given in Appendix-4. The return should reach within two months of the close of the quarter to which it relates.

Indian Overseas bank is the convenor of State Level Banker's Committee (SLBC) for Tamil Nadu State and co-ordinates with other banks and the State Govern-
ment officials concerned for successful implementation of the scheme in Tamil Nadu.

Exemption from Selective Credit Control

The loans given under this scheme will be exempted from the purview of 'Selective Credit Control Regulations'.

Banks to Finance

All nationalised banks, Scheduled Commercial Banks and State Co-operative Banks are eligible to extend finance under this finance scheme. Regional Rural Banks are not covered by this scheme.

Guarantee Cover

In order to encourage commercial banks to undertake financing of small enterprises, where the risk of failure of the business venture and of ultimate loss to the lender is relatively higher, the Reserve Bank of India and the Government thought it necessary to provide a mechanism for covering the additional risks to which commercial banks were exposed. For this purpose, initially two institutions were set up, Credit Guarantee Organisation (for small industries) by the Reserve Bank of India and Credit Guarantee Corporation by the Central Government (for other small loans).
Later, these institutions were merged with the Deposit Insurance Corporation to form the Deposit Insurance and Credit Guarantee Corporation (DICGC). It provides risk guarantee cover for all credit facilities granted to small borrowers.

The objectives of the Credit Guarantee scheme for small scale industries are (a) to grant a degree of protection to the lending institutions against possible losses in respect of their advances to the small units and (b) to assure the lending institutions that their liquidity would not be adversely affected subject to the ceiling on payment prescribed under the scheme. This scheme provides for sharing of the losses between the lending institutions and the Government in the prescribed manner.

Deposit Insurance and Credit Guarantee Corporation's (DICGC) guarantee cover would be available in respect of credit facilities granted under this scheme after excluding the subsidy amount provided by Government. In case their guarantee is invoked the "amount in default" would be computed after adjustment of the subsidy deposit available in the borrower's deposit amount with the bank. The corporation's liability would, thus, be limited to the extent of 75%
of the 'amount in default' after deducting the amount of the subsidy and subject to compliance with other terms and conditions of the relative credit Guarantee Scheme. Advance to "Industries" are to be covered under the small loans (SSI) Guarantee Scheme 1981 and those to 'service' 'Business' and others are to be covered under the small Loan Guarantee Scheme 1971. To avail this credit Guarantee the banks have to pay the Guarantee fee to the DICGC on the net loan amount outstanding, arrived at after deducting the subsidy amount kept in fixed deposit in the name of the borrower. The procedure for getting such claims is very simple.

Deviation from the norms of lending prescribed under the scheme would result in the non-availability of guarantee cover under the Small Loans Guarantee Scheme 1971.

DICGC's coverage is available, if misutilisation of credit facility has taken place despite the fact that credit institution has exercised diligence and due care in the observance of necessary safeguards and procedures in regard to appraisal, supervision and follow-up of credit facility and there was no dishonesty on the part of any of its employees.
The SEEUY Scheme is a consolatory scheme to the educated unemployed youth implemented by two official set-ups as per certain guideliness laid down by the RBI. One is District Industries Centre (DIC) of the concerned District and the other is the concerned Banker. The first type select and recommends the eligible persons to the concerned bank and the bankers, sanction and issue the loan amount to the recommended persons, and recover the loan from them. Thus, these two parties are two wheels of the cart of the scheme.

Role of District Industries Centre

The District Industries Centre Programme was launched on 1st May 1978 to provide an integrated administrative framework at the district level, which would take a total view of industrialisation in the district in a composite manner, by bringing all the concerned Government functionaries in a single institutional frame. The DIC is headed by a General Manager, who is supported by several Managers specialising in areas such as: Economic investigation, Machinery and Equipment, Raw materials, Credit, Marketing, Research expansion and Training, Village Industries and Administration.
According to the provision in the SEEDUJ scheme the DICs have to play significant role in the implementation of the scheme and to extend their co-operation in the achievement of its objectives. Generally, DICs are expected to help the beneficiaries at various stages of identification of beneficiaries, selection of specific avocation, formulation of project, identification of the support system required by the beneficiaries, expert services, providing training, skill and other inputs as well as providing raw materials (like iron and steel, coal, coke, cement etc.) and marketing of the products and close liaison with the Banks and other local agencies concerned with Industry, Trade and Service sectors.

The DICs are expected to prepare an Annual Plan for comprehensive growth of industries based on local resources and demand, including those in the decentralised sector. The Action Plan has high-lighted the industrial potential in each district, which can be taken up by the new entrepreneurs.

Out of 413 districts in India 408 districts are covered by 395 approved DIC till 1983-84, while four Metropolitan Cities viz. Bombay, Calcutta, Madras, and Delhi are not within the purview of the DIC acti-
vities. In Tamil Nadu 18 District Industries Centres are functioning for the present and there is no DIC centre for the Madras District. (Please refer Table 5.11 and Map-1 for details). There are eight project Managers for the whole state in various discipline like Leather, Sago, Matches, coir. etc.

The DICs also help the entrepreneurs in getting margin money under Rural Industries Project Loan, training under Rural Artisan Programme, sanction of interest-free sales loan and Rehabilitation of sick units. They also help the entrepreneurs in getting the subsidies given by the Centre and the State Government. They also recommend cases for financial assistance to the Banks and other State Financial Institutions. An Advisory Committee is functioning for each DIC with the District collector as its Chairman and other Department officials connected with industrial development as members along with non-officials like MLAs and MPs.

The monthly progress report regarding number of cases sponsored, number of project reports prepared, amount of credit recommended and sanctioned by banks and number of beneficiaries actually engaged in their ventures is sent to the Development Commissioner, Small Scale Industries.
The Government have constituted a District Level Committee in all Districts to hasten Industrial Clearance under Single Window concept in accordance with G.O.Ms.No.296 Industries dated 6th May 1984. These District Level committees are headed by the concerned District Collectors with representatives from the Departments and organisations connected with Industrial Clerances. The Committee meets twice in a month and difficulties faced by entrepreneurs for industrial clerances are disposed at the meeting itself. Before starting an industry, entrepreneurs have to go to many departments like Fire, Factories, Health, Town and country planning and Local Bodies and Pollution Control Board for getting clearances. They have to contact Electricity Board for power connection. Single window concept will be a convenient forum to redress their grievances quickly without any wastage of time. All legal formalities and procedures are completed in a single window concept easily and quickly. District-wise details of meetings held and cases cleared are given in Annexure-2. The progress may be reviewed.
Role of Banks

After receiving the recommended applications from the DIC, the concerned Bank on its part, scrutinises the applications and carefully assesses the following points before sanctioning the loan:

1. eligibility condition of the applicant, qualification and age limit.
2. nature of the proposed activity.
3. viability of the unit.
4. past experience in the same field, if any
5. marketing facilities for the product/service to be produced or rendered.
6. their demand and existing supply rates.
7. project report submitted by the applicant.
8. amount recommended by the DIC.
9. repaying capacity of the borrower etc.

After the interview, if the banker feels that the proposed trade by the applicant is technically viable and economically feasible, he grants the loan amount to the applicant. However, the proposals should be disposed of by the branches within 14 days from the date of their receipt. In case banks were not satisfied with the applications they could return the same to the respective DICs giving reasons therefor.
The role of the Manager of the Bank is crucial. The success of the scheme largely depends upon the attitude and efficiency of the officials at the branch and on the positive approach of the Branch Manager. In fact, the positive approaches of the Branch Managers are key functionaries and constitute the King-pins of the organisational set up since the DICs can only recommend to the Bank to sanction the loan and a Bank can never be compelled by it. If the Banker is not satisfied, the recommended application by DIC, can be rejected or returned. "Loans for Loan Sake" is not a sound and safe proposition as far as banks are concerned. If loans are disbursed indiscriminately and recklessly it will wreck the institution, sooner or later. Hence, banks have to exercise extreme care, caution, imagination, prudence and perseverance before granting loans to parties. The executives have to view the bankable proposal from several angles such as economic, technical, managerial, organisational, commercial, financial and legal in order to establish whether the proposal is bankable or not. Thus, liberal and sympathetic attitude towards the 'borrowers is required on the part of the Branch Manager.
The amount is sanctioned on the basis of estimation submitted by the applicant to start the business, and the sanctioned amount is divided into two parts viz., I. Term Loan and II. Working Capital. The working capital is paid in cash to meet the day-to-day activities and the term loan is provided in the form of equipments such as machineries, raw materials, furnitures etc.,

Repayment schedules are prepared by the Banker as laid down in the terms and conditions of the scheme.

Thus, the second part of the implementation of the scheme of sanctioning and issuing the loan as directed by the committee consisting of DIC and recovering the loan amount from the beneficiaries as per the rules are the responsibilities of the concerned banks. After the sanction and disbursement of loans, Banks are to supervise the activities and take follow-up action. Bank Managers have been allowed sufficient flexibility in dealing with the cases of defaults. However in the case of bonafide default, rescheduling is welcome.

The branches should also submit a monthly return to the Lead Bank officer or the District Co-ordinator
as also their controlling offices. The return may, inter-alia show the portion of receipt of applications, sanctions/disbursements etc., The proforma of the monthly return to be submitted by branches to DICs is given in Appendix-6.

The present data reporting system from the banks does not generate information in the manner required. However, information relating to state-wise targets and the number of applications received and sanctioned for the years 1983-84 to 1986-87 is given in Table 4.3.

The effective implementation of the SEEUY scheme depends, inter-alia, on

1. Creation of the asset financed.
2. Inspection by Bank's staff at the pre and post-sanction stages.
3. Follow-up of the unit's annual performance /progress.
4. Identifying operational problems to render additional assistance to make the units run without difficulty and arranging for a suitable marketing outlet for the products produced.
The Branch Manager will, therefore, ensure that the above support is provided and a record of the inspection, creation and follow up of the asset is maintained. The success of the scheme to a large extent depends upon the positive approach of the Branch Manager and monitoring effected by them. They should have sympathetic and helpful attitude towards the educated youth taking up self-employment.

Recent developments of the scheme

On 7th August, 1986, the Union Government has decided to extend the scheme for the financial year 1986-87 and for the remaining years of Seventh Plan ending in 1990. Simultaneously, major modifications of the scheme have been brought out by raising the loan limits and stipulating that 30% of the beneficiaries should be from Scheduled Castes/Tribes.

From 1986-87 to 1989-90, the limit of loan for industrial ventures was increased to Rs.35,000/- The loan limit for service ventures was maintained at Rs.25,000/- and in the case of business ventures, the loan limit was brought down to Rs.15,000/-. 
It is also decided to modify the scheme by making young persons trained by Industrial Training Institutes (ITIs) in addition to Matriculates eligible for avail-
ing loans under Industrial and Service ventures.

Income ceiling of Rs.10,000/- per family per annum was fixed as criterion for determining the eligi-
bility under this scheme. This declaration of annual family income must be supported by an affidavit. Family would mean husband/wife/children, dependent parents and other members of the household who are fully depen-
dent on the beneficiary and their income from all sources.

Members of Parliament and Legislative Assemblies would now be made members of the district advisory committee for reviewing and monitoring the scheme.

The Reserve Bank has issued a clarification to all scheduled commercial banks on April 7, 1986 that in case a beneficiary who has availed of loan facility under the scheme was subsequently unable to personally manage the activity, business due to accidents/serious illness, Banks may permit the transfer of liability to any other member of the borrower's family. Such transfers should be authorised in writing by the DIC concerned.
The Reserve Bank in consultation with the Government of India, issued a clarification to all scheduled commercial Banks on April 7, 1986 that the educated unemployed youth who are pursuing higher studies after their matriculation are also eligible for assistance under the above scheme.

Blind persons are like other young persons eligible for loans under the scheme provided they satisfy other eligibility criteria of the scheme.

RBI has advised the Banks that the borrowers will not be eligible for subsidy in case of mis-utilisation of loan, abandonment of the project, shifting of units to an area not covered under the scheme, ineligibility due to non-compliance with eligibility norms etc.,

The Reserve Bank also simultaneously issued instructions that the benefits cannot be passed on to the legal heirs or near relatives of the deceased borrowers, unless such legal heirs/near relatives/others are also eligible for being financed under the scheme and such transfer is authorised by the concerned District Industries Centre. When an arrangement of the above type is not feasible the banks will
have to take steps to recover the loan and adjust the subsidy amount towards the dues.

To enthuse the banks to take up the scheme more earnestly, the RBI has agreed to consider all the loans under the self-employment scheme to be considered as priority sector advances.

The target for the remaining four years of the Seventh Plan would be to create 2.5 lakhs of self-employment opportunities every year. A total amount of Rs.2,310 crores was earmarked as loans for disbursement by banks during this period out of which Rs.577.5 crores would come from the Government as subsidy.

Assisting Institutions

The various Central and State Government agencies which are involved in the case of promotion of self-employment ventures are broadly classified as follows:

a. Central Government Agencies:

Small Scale Industries Board.
Small Industries Development Organisation (SIDO).
Small Industries Service Institutes (SISI).
National Small Industries Corporation (NSIC).
Small Industries Extension Training Institute (SIETI)
Khadi and Village Industries Commission
b. State Government Agencies:

Directorate of Industries
District Industries Centres (DIC)
District Man power planning and Employment Generation Council
Employment Exchange Office (EEO)
District Rural Development Agency
Industrial and Technical Consultancy Organisation of Tamil Nadu (ITCOT)
Self Employment promotion council (SPC) (In selected districts)
Department of social welfare
Department of Backward Classes
Khadi and Village Industries Board
Adi Dravider Housing and Development Corporation
Industrial Investment Corporation Ltd
Small Industries Development Corporation Ltd

Since the SEEUY scheme assumes national importance in the context of employment of teeming millions of unemployed, effective participation in the National Scheme for any Nationalised Bank for successful implementation is a matter of concern. The above review throws up some problems which the present study would like to probe for ascertaining the reality as
also the magnitude of the situation. This in turn would enable the Banks to identify the bottlenecks and effectively participate and highlight the findings in the DCC/SLBC Meetings. It is with this end in view the present study has been undertaken.