INTRODUCTION

“Poverty anywhere constitutes a danger to prosperity everywhere” – is one of the basic principles embodied in the Declaration of Philadelphia and based on which various social security measures have been formulated by the International Labour Organisation, followed by different countries of the world. The basic reason for such attempts can be seen in the words of Jawaharlal Nehru, “there can be no security or real peace, if vast numbers of people in various parts of the world live in poverty and misery”.1

Poverty is a universal phenomenon. More than one third of the world population lives under extreme conditions of poverty.2 The paradox of “poverty amidst plenty” is the characteristic of many countries, especially of developing and undeveloped ones. They are “rich in resources but equally rich in poverty” due to the improper utilisation of resources, mainly the human resources.

India, having a landscape of just 3287263 sq. kms which is 2.4 per cent of the world’s total surface area of 135.79 million sq. kms., is the seventh largest country in the world; but population-wise it ranks second in the world, next only to China, supporting 16.7 per cent of world’s population. During 1991 to 2001 India’s population grew at the rate of 1.93 per cent from 238396327 to 1027015247,3 and at that rate of growth, India will overtake China by 2050. But, unfortunately, India has never made full utilisation of her manpower resources, and consequently unemployment and poverty have remained as the most pervasive problems of our country, despite fifty eight years of planning.

1 Jawaharlal Nehru, in his address to the Canadian Parliament, 1949
3 Government of India (GOI), Census of India, 1991 and 2001
The Human Development Report 2006 has computed Human Poverty Index (HPI) for the world countries and India’s rank in this respect is still low at 126 as against the 127th rank in 2003, the HPI being 31.3 per cent. As per the UNDP’s Global Human Development Report 2007, in spite of the absolute value of the HD Index for India improving from 0.577 in 2000 to 0.611 in 2004 and further to 0.619 in 2005, the relative ranking of India has not changed much. India ranked at 128 among countries with medium human development out of 177 countries of the world as against 126 in the previous year.

According to the Planning Commission, poverty ratio in India has declined from 54.9 per cent in 1973-74 to 26.10 per cent in 1999-2000. But the 61st round of National Sample Survey conducted in 2004-05 estimated that all India poverty in 2004-05 was 27.9 per cent. The absolute number of poor in India in 2004-05 was estimated at 302 million as against 263 million in 1999-2000.

While approving the approach paper for the Eleventh Five Year Plan (2007-12), Indian Prime Minister Dr. Manmohan Singh admitted failure of the 10th Plan to meet the poverty eradication targets, and he cautioned, “poverty is falling but not fast enough”. Poverty did reduce between 1993-94 and 2004-05, but the pace of poverty reduction between 93-94 and 2004-05 was 0.7 per cent which was lower than that in the previous two decades.

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5 Ibid, 2007
6 GOI, Planning Commission, Tenth Five Year Plan, Vol. 1, New Delhi, 2002
The magnitude of poverty is essentially linked to unemployment. Poverty expands with rising number of unemployed. The approach paper to the 11th Five Year Plan says, “if growth remains ‘jobless’, then no amount of acceleration in it would ever reduce poverty”. In India the relatively higher growth of population and labour force has led to increase in the volume of unemployment and underemployment from one plan period to another.

Economic survey of 2005-06 admitted that unemployment had doubled in the last few years. Twenty nine million people are added every year into the job market, which means that we add seven Singapore’s per year. At any given time, nearly forty eight million people are registered with the employment exchanges in India, and including them nearly 300 million are unemployed and waiting for employment.10 When labour force growth is at a high level but employment intensity of the growth processes is on a declining rate, the result will be increased number of unemployed. During 1996-2000 the annual growth rate of employment generation was 1.6 per cent as against 2.1 per cent during 10 years ending in 1993-’94,11 and according to NSS 61st round for 2004-05, unemployment rate on the current daily status was over eight per cent12 as given in Table 1.1

10 Ibid
Table 1.1

Employment and Unemployment in India (CDS Basis)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>718.10</td>
<td>893.68</td>
<td>1005.05</td>
<td>1092.83</td>
</tr>
<tr>
<td>Labour force</td>
<td>263.82</td>
<td>334.20</td>
<td>364.88</td>
<td>419.65</td>
</tr>
<tr>
<td>Work force</td>
<td>239.49</td>
<td>313.93</td>
<td>338.19</td>
<td>384.91</td>
</tr>
<tr>
<td>No. of unemployed</td>
<td>24.34</td>
<td>20.27</td>
<td>26.68</td>
<td>34.74</td>
</tr>
<tr>
<td>Unemployment rate (%)</td>
<td>9.22</td>
<td>6.06</td>
<td>7.31</td>
<td>8.28</td>
</tr>
</tbody>
</table>

Source: Various rounds of NSSO survey on employment and unemployment

Unemployment among the productive population i.e., youth unemployment, is exceedingly high, and the alarming situation in India is the presence of educated unemployment. The literacy policy and educational policies of the government, numerous programmes of other socio-cultural organisations, etc. imparting compulsory minimum education and the existence of very large number of institutions offering higher education even in the remote and interior villages of the country have resulted in the generation of educated labour force.

The Planning Commission estimated that at the beginning of 1980 nearly 34.72 lakh educated persons were unemployed, and that figure crossed forty seven lakhs in 1985 and reached sixty eight lakhs in 1992. In March 1994, the total number of applicants on the live register of Employment Exchanges was over 3.6 crores and sixty per cent among them were educated work-seekers. As on Dec. 2004, the number of employment seekers in India was 405 lakhs, which decreased to 394 lakhs in Dec. 2005 but reached 400 lakhs in April 2006.\(^\text{13}\)

\(^{13}\) GOK, Directorate of Employment and Training, Thiruvananthapuram, 2007.
Studies of the Centre for Monitoring Indian Economy (CMIE) revealed that absolute increase in unemployment has taken place among all educational categories of labour force but the compound rate of increase among graduates and post graduates was faster than that among matriculates. This reveals that rate of unemployment among higher levels of education is estimated to be more than that among lower levels of education. The 50th round of the National Sample Survey substantiated this fact by showing that unemployment was five per cent of the illiterates, eleven per cent of those with primary education, twenty per cent among middle level educated and sixty four per cent of those with secondary and above level of education.

Unemployment is the single largest and acute problem that persistently haunts the Kerala economy, and is worsening over time. The current daily status unemployment rate in the state was around twenty one per cent in 1999-00 as against 15.5 per cent in 1993-94, which was the highest unemployment rate among all the states in the country, and was almost three times the rate for India, which was 7.3 per cent.\(^14\) According to the NSS 61st round, the rate of unemployment in Kerala is way above the all India average.

The degree of literacy and the extent of schooling in Kerala are fairly very high and therefore a substantial portion of the unemployed youth in the state is literate and educated. According to the live registers of employment exchanges in Kerala, the total number of work seekers in 2004 was 37.56 lakhs against 44.31 lakhs in 2001. This number came down to 36.7 lakhs in 2005 but rose back to 39.87 lakhs in September 2006, which constituted 46 per cent of the population in the age group of 19-29 years in Kerala. Illiterates among the registrants constitute a minuscule proportion

and the largest proportion is accounted for by those with education upto the Matric level (nearly 60 per cent in 2005) and if we add those with an intermediate level of education, this percentage goes above 75\(^{15}\). Similarly, the percentage of work seekers below SSLC to the total work seekers is showing a decreasing trend and the percentage of work seekers who possess SSLC and above is increasing.\(^ {16}\)

Work seekers increased to 39.89 lakhs in 2007 and further to 42.6 lakhs including illiterates and professional and technical work seekers numbering 139550, and excluding them the number of work seekers in June 2008 was 41.2 lakhs\(^ {17}\) as given in table 1.2.

### Table 1.2

Registered Job Seekers in Kerala (June 2008)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Category</th>
<th>Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Illiterates</td>
<td>197</td>
</tr>
<tr>
<td>2</td>
<td>Below Matric</td>
<td>624225</td>
</tr>
<tr>
<td>3</td>
<td>Matric</td>
<td>2537326</td>
</tr>
<tr>
<td>4</td>
<td>Pre Degree/Plus two</td>
<td>673282</td>
</tr>
<tr>
<td>5</td>
<td>Degree</td>
<td>232949</td>
</tr>
<tr>
<td>6</td>
<td>Post Graduates</td>
<td>52889</td>
</tr>
<tr>
<td>7</td>
<td>Professional &amp; Technical</td>
<td>139353</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>4260221</strong></td>
</tr>
</tbody>
</table>

Source: Economic Review 2008, p. 470

Assault on poverty and unemployment has been the prime concern of the development policy in India and social security programmes play a very important role in it. Social security is one of the basic human rights enshrined in the Universal Declaration of


\(^{17}\) Ibid, p 470
Human Rights, which says “society owes subsistence to unfortunate citizens either by procuring work or by ensuring those who are unable to work, the means of existence”.

Until recently, International Labour Organisation’s understanding of the term social security formed the dominant discourse. It refers to protection given by the society to its members through a series of public measures from economic and social distress, that otherwise would be caused by the stoppage or substantial reduction of earnings resulting form sickness, maternity, employment injury, invalidity, unemployment and underemployment, destitution, social disability and backwardness, old age and death, provision of medical care and provision of subsidies for families with children.18

The above conventional definition of social security lays stress on income maintenance aspect and hence is more applicable to developed counties where the unemployment levels are very low. This concept is not appropriate for developing and underdeveloped nations due to their high levels of unemployment. The recent literature on social security attempts to widen the definition in order to suit to the needs of developing countries. Consequently social security has come to mean a wide variety of schemes and programmes usually undertaken by the state for the benefit of the public at large and the poorer sections in particular, whose entitlements would not otherwise be satisfied, due to reasons like unemployment, illness, old age, death etc. In other words, social security, in its broader sense, should include not only programmes aimed at income maintenance i.e. poverty prevention, but also those measures targeted on poverty alleviation.

Dreze and Sen (1991) and Burgess and Stern (1991) distinguished two aspects of social security when they defined the term as the use of social means to prevent deprivation i.e. promote living standard, and vulnerability to deprivation i.e. protect against falling living standards. Protection and promotion are thus the two aspects. The former refers to preventing a decline in living standards and the latter means enhancement of general living standards and expansion of basic capabilities of the population.

In India also social security programmes consist of protective programmes meant mainly for the organised sector and promotional programmes for the unorganised sector. It is the latter which looks after the poverty alleviation aspects by providing wage-employment, self-employment and also the basic needs like food, health and education.

1.1 The problem

Central and state governments of India have initiated various measures including introduction of self-employment and wage-employment programmes for eradicating poverty by increasing employment opportunities. Consequently a number of employment programmes have been operational in India, especially since the beginning of 1980’s. After the introduction of economic reforms and structural adjustment scheme in 1991, some new programmes also have been introduced, in addition to restructuring of old programmes.

Prime Minister’s Rozgar Yojana (PMRY) is one such self-employment scheme introduced by the Central Government of India.

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to counter the problem of rural as well as urban unemployment. The scheme was launched on 2nd October 1993 by the then Prime Minister Sri. P.V. Narasimha Rao in order to provide self-employment to more than one million educated unemployed youth by setting up seven lakh micro enterprises under the Eighth Five Year Plan. The scheme continued during the ninth and tenth Plans and is being continued in the current five year plan with appropriate modifications.

In spite of several modifications and amendments made to the original scheme during the past fifteen years of its operation, the following important problems are still persisting.

1. The efforts of various agencies in disseminating information and awareness about the scheme among the public seem to be ineffective and insufficient.

2. Loans for setting up micro enterprises under PMRY are not disbursed as per target.

3. Identification and selection of beneficiaries under the scheme are not fool-proof and cent per cent genuine.

4. There is undue delay in recommending, sanctioning and disbursing loans to beneficiaries, and the amounts of loans are insufficient to commence and carry on the project.

5. The household income and standard of living of many beneficiaries have not increased significantly.

6. Many beneficiaries find it difficult to repay the PMRY loan promptly with the PMRY income.

7. The PMRY micro enterprises are not generating the expected number of employment opportunities.
8. PMRY beneficiaries confront with many procedural and other problems in setting up and carrying on their projects, whereby a considerable number of units are closed down soon after their commencement.

1.2 Scope of the Study

An in-depth examination of the characteristics and conditions of PMRY gives an impression that this scheme is a corrected and modified version of an earlier scheme called SEEUY i.e., Self Employment for Educated Unemployed Youth, which was in operation while and even after the PMRY was launched. There is a need to revisit PMRY and assess its operations. The present study is an evaluation of PMRY as implemented in the state of Kerala and it covers variables relating to-

- Awareness of the scheme parameters
- Identification of beneficiaries and loan disbursal
- Leakage of scheme funds to ineligible persons
- Impact of lending on the family income and standard of living
- Utilisation pattern and fund deployment
- Employment generation under the scheme
- Repayment of loan in instalments
- Satisfaction level of beneficiaries
- Attitude of the scheme operators

1.3 Relevance of the Study

PMRY was launched in 1993 as a highly relevant social security measure. The scheme envisaged enhanced standard of living for the masses. PMRY was to get operationalised through the setting up of micro enterprises that were financed on a priority basis. The scheme, however, needs to be reviewed in terms of the extent of objectives achieved and benefits that have percolated to the end users.
Hitherto, no formal studies have been conducted by the Kerala Government or the Industries Department to evaluate the effective performance of PMRY in the state, except the performance evaluation by Reserve Bank of India done at the all India level. The present study is an attempt to examine the extent to which the scheme has delivered. The improvement in the standard of living of the beneficiaries and the impediments to the same is the subject matter of the study and that makes it relevant.

1.4 Objectives

The study attempts to evaluate the effectiveness of PMRY as a measure to reduce unemployment and poverty among the educated youth of Kerala. The specific objectives of the study are categorised into two as follows.

1.4.1 Main Objectives

1. To examine whether there is any increase in the family income and standard of living of PMRY beneficiaries.

2. To assess the extent of employment opportunities generated by PMRY micro enterprises.

3. To ascertain whether PMRY beneficiaries are able to repay their loans promptly with the income generated from their PMRY projects.

4. To know whether the PMRY beneficiaries are satisfied with the attitude and assistance of banks and Industries Department.

1.4.2 Other Objectives

1. To assess whether the efforts of various agencies in disseminating information and awareness about the scheme and in attaining the target stipulated for Kerala, are effective.

2. To examine whether identification and selection of beneficiaries under the scheme are foolproof.
3. To find out whether there is undue delay in granting loans to potential beneficiaries and whether the loan amounts are sufficient for the proposed project.

4. To arrive at measures for improving performance of the scheme in future

1.5 Hypotheses

The following hypotheses have been put forward for analysis and verification.

1. There is leakage of PMRY assistance to wealthy and well off persons.

2. Success or failure of an individual PMRY project is greatly influenced by prior experience of the beneficiary.

3. Levels of education of beneficiaries have significant influence upon their ability to earn expected income from PMRY projects.

4. There is increase in the family income of beneficiaries after starting PMRY projects.

5. Earning expected income by beneficiaries does not ensure prompt repayment of PMRY loans; and there is difference in the repayment pattern of beneficiaries with sufficient income to repay PMRY loans and without sufficient income.

6. PMRY loans are greatly given to established projects and not for starting new projects.

1.6 Methodology

The study is analytical as well as descriptive in nature. Both primary data as well as secondary data were collected from a universe under the methodology described below.
1.7 Universe

The study aims at evaluating performance of PMRY in Kerala on the basis of performance of PMRY beneficiaries who have availed loans to start business units and who have completed at least three years in business. Thus persons benefited in Kerala under PMRY during the year 2002-03 are taken as the universe, and there were 12249 persons in Kerala assisted with PMRY loans in that year, against that year's target of 19250 and sanctioned applications of 16297 persons.

1.8 Sample

Out of fourteen districts in Kerala, based on geographical consideration as well as the number of PMRY beneficiaries, three districts were decided upon for data collection, namely Thiruvananthapuram, the state capital, Kottayam, the 100 per cent literate district and Palakkad, the biggest district. During 2002-03 loans disbursed in these three districts numbered above 1000 each and Palakkad stood at the top with 1732 disbursals. Moreover Thiruvananthapuram represents the south, Kottayam the centre and Palakkad the north.

The reasons for fixing the year 2002-03 for the study are the following:

1. Projects started by availing PMRY loans during 2002-03 have completed minimum three years of functioning by July 2006, after which the field-survey for the study was conducted.

2. It was for the first time since inception of the scheme that the number of loans disbursed crossed 12,000 (12249) and the percentage of disbursement against sanction crossed 75 (75.16 %).
The records maintained at the offices of District Industries Centres (DICs) of these three districts were referred as the first step towards data collection. It revealed the targets fixed for three districts, the extent of loans sanctioned against the targets and the number of loans disbursed. Total number of loans targeted for Kerala for 2002-03 was 19,250, of which the target for Thiruvananthapuram was 1,900, that for Kottayam 1,750 and it was 2,100 for Palakkad. Loans sanctioned numbered 1,281, 1,495 and 2,119 in Thiruvananthapuram, Kottayam and Palakkad respectively, of which loans disbursed were 1,046, 1,006 and 1,732 respectively totaling 3,784 for the three districts as against 12,249 for Kerala as a whole. Three per cent of the total disbursements, amounting to 367 beneficiaries were fixed as sample for the study, and they were divided among the three districts in proportion of loans distributed in the respective districts i.e. 101 from Thiruvananthapuram, 98 from Kottayam and 168 from Palakkad, in the ratio of 1046:1006:1732.

For the purpose of sampling, three blocks/municipalities were selected from each district on a random basis and from those blocks/municipalities, names of banks which had given five or more loans during 2002-03 were determined and enlisted by verifying the PMRY registers maintained in the DICs. Attingal, Kilimanoor and Thiruvananthapuram Rural were the blocks/municipalities selected from Thiruvananthapuram district; Pampady, Ettumanoor and Kottayam were selected from Kottayam District; and Alathur, Kuzhalmantham and Ottappalam were selected from Palakkad district. The names and addresses of beneficiaries in these blocks as found in the registers of PMRY loans kept in the banks that had disbursed five or more loans during 2002-03 were collected and serially numbered.
To provide representation for banks which had given lesser number of loans in the sample, twelve banks were randomly selected; four from each district which had disbursed four or less loans during 2002-03 and the names of those banks as well as of the beneficiaries from those banks also were added to the concerned lists. Then 367 beneficiaries were selected from it as sample on a random basis by taking lots from the names of banks, and including all beneficiaries who availed PMRY loans from those banks into the sample.

Data were also to be collected from other agencies connected with the scheme, especially from banks and District Industries Centres. Hence thirty three bank managers/field officers and three PMRY Managers of the DICs of the three districts also were decided for data collection. Including 367 beneficiaries, thirty three bank officials and three PMRY Managers of DICs, the total sample size was four hundred and three.

1.9 Data Collection

Data for study were collected mainly from the sample beneficiaries with the help of structured interview schedules through direct interview, discussions as well as non-participant observation. Verification of data collected from some of the respondents were done while visiting the officials of the banks from which those beneficiaries got assistance.

Out of 367 sample beneficiaries six beneficiaries could not be located or contacted at the given addresses or addresses of their relatives after repeated efforts and enquiry. Therefore they were excluded from the sample and six others were selected for collection of data.
Similarly, on scrutiny of the collected data it was realised that eight sample beneficiaries were members of two self help groups and they were conducting two joint ventures, one in Kilimanoor of Thiruvananthapuram District and the other in Alathoor of Palakkad district. For the sake of uniformity in analysis and interpretation of data those eight beneficiaries in the two joint venture units were excluded from study and in their place another set of eight persons were selected. Thus analysis and interpretation were made on the basis of data collected from 367 beneficiaries. Direct interviews with PMRY Managers of three DICs and with the officers of thirty three banks, eleven from each district also were sources of primary data.

In addition, secondary data were collected by the researcher by visiting the Directorate of Industries Thiruvananthapuram, Department of Economics & Statistics Thiruvananthapuram, DICs of Thiruvananthapuram, Kottayam and Palakkad, lead banks of the three districts, State Planning Board Thiruvananthapuram, Directorate of Employment Thiruvananthapuram, Department of Social Welfare Thiruvananthapuram and from a number of elderly and experienced persons retired from banks and the Department of Industries. Statistical surveys, census studies etc. by various agencies also were referred to.

1.10 Analysis – Tools and Methods

The collected data were systematically arranged and significant information was exhibited in tables and charts. Analysis and interpretation of data were done with the help of averages, percentages, weighted means and ratios. Likert scale, Correlation, and Chi-square tests were applied to test the level of satisfaction and hypotheses, and wherever necessary. Based on analysis and
interpretations conclusions were derived and recommendations were suggested for improved performance of the scheme.

1.11 Operational Definitions

1.11.1 Trade

Guidelines of Prime Minister’s Rozgar Yojana have classified the micro units set up by the PMRY beneficiaries into three main categories – industry, service and business. The term ‘business’ in the above classification is used in the PMRY guidelines to mean ‘trade’ and in some places even in the guidelines also the term ‘trade’ has been used in place of the term ‘business’. In this study the term ‘trade’ has been used instead of the term ‘business’ because that term is more exact, correct and suitable. Thus the term ‘trade’ as used in the present study has the same meaning as conveyed by the term ‘business’ as used in the PMRY guidelines.

1.11.2 Industry

Industry is one segment under PMRY categorisation, the others being trade, service and agriculture and allied activities, and hence does not have the same usual meaning as firms in the same sector.

1.11.3 Social Security

The conventional definition of the term ‘social security’ lays stress on income maintenance and is applicable to developed nations, not to developing ones due to their high levels of unemployment. Dreze and Zen (1991) distinguished two aspects of social security – protection and promotion. The latter looks after the poverty alleviation aspects and involves self-employment and wage-employment schemes for the purpose. The term social security has been used in that wider sense in this study.
Other terms used in the study convey the usual meanings.

1.12 Limitations

- Joint ventures and Self Help Groups under PMRY are excluded from the study; only sole proprietors to whom loans have been actually disbursed were taken for the study.
- The doubtful attitude of respondents and their unwillingness to disclose true and correct information may affect the reliability of data.

1.13 Chapterisation

The study is presented in seven chapters. In the first introductory chapter the problem of study is stated as well as its scope, significance, objectives and hypotheses, source of data, methodology, limitations, operating definitions and scheme of reporting. Summaries of previous studies on social security measures and important self-employment schemes including PMRY are given in the second chapter. Description of social security programmes in general and those in India and in Kerala are provided in the next chapter. The fourth chapter explains employment generation as well as poverty alleviation programmes in India and Kerala. Detailed description of Prime Minister’s Rozgar Yojana is presented in the fifth chapter.

Primary data and secondary data are analysed and the hypotheses are tested in the sixth and seventh chapters; and the last chapter presents summary of findings and conclusions of the study and viable recommendations for improving the functioning of the scheme.