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

Taking all these into consideration the Central Government initially launched Self-Employment Scheme for Educated Unemployed Youth (SEEUY) popularly known as Gramodaya Scheme in 1985 where in financial assistance of not more than Rs.35,000/- was provided for

METHODOLOGY

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Taking all these into consideration the Central Government initially launched Self-Employment Scheme for Educated Unemployed Youth (SEEUY) popularly known as Gramodaya Scheme in 1985 where in financial assistance of not more than Rs.35,000/- was provided for
industries, Rs.25,000/- for service units and Rs.15,000/- for business ventures by way of composite loans to eligible educated unemployed youth to start their small enterprises. District Industries Centre (DIC) operated this Central Scheme at the district level, where 25 percent of the sanctioned loan amount was granted as subsidy of Central Government to be deposited in the name of the beneficiary.

But this scheme could not be continued successfully because it was estimated that more than 70 per cent of the units became sick and subsequently closed down.

Finding out all these problems and loopholes, Honourable then Prime Minister of India, announced the new scheme, the Prime Minister's Rozgar Yojana (PMRY) on 15th August, 1993.

**Nature of Study:**

In any given investigation, it may not only be desirable but also even necessary to use one or more general type of research methods. The discussion about the methods to be employed however always depends upon the nature of the problem selected and the kinds of data necessary for its solution.
Since the problem selected for the present study is concerned with "survey type", the investigator has adopted the 'survey method' which requires the gathering of evidence relating to current condition.

Survey research is a method of collecting and analyzing data obtained from large number of respondents relating to a specific population collected through highly structured, questionnaire or interview schedule. The survey is often the only means through which opinions, attitudes, suggestions and other such data can be obtained. The survey method gathers information from a large number of cases.

In this study, the population includes all the beneficiaries of PMRY programme of the year 1997-98.

The investigator has used purposive random sampling technique for selecting the respondents. For this study, a sample of 105 beneficiaries has been selected. Among them, 81 are males and 24 are females.

The present study is undertaken in Tirunelveli District. In this study, the beneficiaries of the PMRY programme during the year 1997-98 have been taken as sample. The name and the address of the beneficiaries have been collected from the District Industries Centre, Tirunelveli which is said to be the nodal agency for the implementation of the PMRY
programme. As per the information available with the DIC, the target for the year 1997-98 is 525. These 525 applicants have been selected out of 1260 applicants. But the loan has been recommended for only 451 applicants by the District Industries Centre. Out of these 451 applicants, recommended by the DIC, the loan was disbursed to 406 beneficiaries only after they have satisfied the norms and conditions of the banking authorities. Out of the 406 beneficiaries, for our intensive study, 105 beneficiaries have been selected.

First, the scholar has arranged the list of beneficiaries as per the records of the District Industries Centre. After arranging the beneficiaries as per the records, the scholar has decided to select every 'K' th unit. In our study, as it was decided to select 25 percent of the beneficiaries of the particular year, every fourth beneficiary as per the records of District Industries Centre have been located. The scholar intended to collect the necessary information from the selected respondents with the help of pre-tested questionnaire. As some of the respondents have left the address, it was not possible to locate them. So, the next beneficiary as per the record has been contacted to collect the necessary data.

In order to determine the various questions to be included, the scholar has visited several libraries and gone through the relevant materials. The literature on the related area has given an idea to the
scholar to determine the information to be collected from the respondents for the study. The questionnaire thus prepared was pre-tested through a pilot study. Based on the pilot study, some questions which were identified as unnecessary have been deleted and some questions have been added.

In the actual field survey, the scholar has met with several difficulties in locating the respondents. Some of the beneficiaries have shifted their residence from their original address available in the records of the District Industries Centre. It was with great difficulty that these respondents have been located. Some respondents are prompt in repayment of the loan. Some respondents have the doubt as to why the scholar is collecting these data. In order to convince the respondents and to make them believe that these data would be used only for research purpose, the scholar has to make use of all the tactics. In several cases, the information provided by the respondents has been cross checked by means of contacting them one more time.

The data thus collected is processed and sub-tables have been prepared on the basis of different criteria. The grouping of the data into sub-tables enabled the scholar to arrive at different conclusion. The age-wise distribution, classification on the basis of sex, on the basis of different purposes of loan, income generation, employment generation,
repayment of loan, opinion about the scheme and the like helped the scholar to realize the utility of the scheme as well as the problems related with the scheme. Wherever necessary statistical tools such as averages, bar diagrams and pie-diagrams has been used to provide a clear picture.

Statistics is a body of mathematical techniques or processes for gathering, organizing, analyzing and interpreting numerical data. Since research yields such quantitative data, statistics is a basic tool of measurement evaluation and research. It is used to describe the numerical data that are gathered. Statistical data describe group behaviour or group characteristics abstracted from a number of individual observations, which are combined to make generalization possible.

The data after collection has to be processed and analyzed in accordance with the outline laid down for the purpose, at the time of developing the research plan. Here we call Kothari (1964-66) to support us, "This is essential for a scientific study and for ensuring that we have all relevant data for making contemplated comparison and analysis. The term analysis refers to the computation of certain measures along with searching for patterns of relationship that exist among data groups." The collected data has been analyzed with the help of computer and the results have been presented in the following headings.

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Null Hypothesis:

In order to substantiate the conclusion arrived at, the scholar has framed null hypothesis. The null hypothesis is a proportion of zero differences. Fisher has emphasized that every experiment may be said to exist only in order to give the facts a chance of disproving the null hypothesis. Thus a hypothesis which is set up with the possibility of its being rejected at some defined probability value is called a null hypothesis. The term null referring to our interest in the possible rejection of the hypothesis. In statistical terms a null hypothesis may be stated as

$$H_0: \mu_1 = \mu_2$$

where $\mu_1$ and $\mu_2$ are population means. It states that there is no significant difference in the means of the two populations. For testing the null hypothesis, the scholar has made use of the different statistical tool such as correlation method, chi square test, anova and ‘t’ matrix.

With the help of the information collected from the 105 respondents, the scholar has calculated the mandays of employment generated during the tenure of the loan as well as after the repayment of the loan. With the help of these figures, the total investment needed for providing full employment opportunity to all the unemployed youth is determined. The study is conducted by collecting the data relating to the
PMRY loan sanctioned during 1997 and its impact on income and employment generation. The year 1997 is purposively selected for our study as it happened to be the first year of the Ninth Five Year Plan. Though this scheme was launched in 1993 itself, it took sometime for this scheme to get popularized among the general public. Moreover 1997 has the specialty that it is the 50th year of independence of our country. Even after 50 years of independence and even after so many decades of planning, unemployment and underemployment prevail on a large scale in India. This trend is true in Tamil Nadu as well as in all the districts of Tamil Nadu. In Tirunelveli district 34.65 per cent of the population remains unemployed as per 2001 census figures.
Model used:

This thesis is based on the Keynesian model. According to Keynesian model, the principle of "Effective Demand" is the basis to the analysis of income, output and employment. As per the Keynesian model, total employment depends on total demand and unemployment is the result of deficiency of total demand. As employment increases, income increases. A fundamental principle is that as the real income of the community increases, consumption will also increase but by less than the income. Therefore, in order to have enough demand to sustain an increase in employment, there must be an increase in real investment equal to the gap between income and the consumption demand out of that income. In other words, employment will not increase, unless investment increases. This is the core of the principle of effective demand. Prior to Keynes, there was a model which denied the possibility of deficient aggregate demand and unemployment equilibrium, which Keynes called as the "classical market". Fear of unemployment termed as "the shadow side of progress" by the classical economists constantly hunts the working class. The classical theory rests on the unrealistic assumption of full employment of labour and other resources within the economy. According to classical economists, the normal situation in any economy is stable equilibrium at full employment. Full employment was defined
by them as a situation when there is no "involuntary unemployment" though there may be frictional, structural or voluntary unemployment. Pigou defined unemployment as a residual, to be calculated by subtracting employed workers from the would-be-wage earners. To Pigou, unemployment was caused on account of imbalances or mal adjustment within the economic system and therefore employment became more a matter of balance or adjustment. To Beveridge, it means more vacant jobs than unemployed men so that normal lag between losing one job and finding another will be very short.

But Keynes did not agree with the classical assumptions and their policy implications. He denounced them both on practical and theoretical grounds. According to Keynes, the classical theory is really logical on the basis of its assumptions, but these assumptions are highly unrealistic. It was Keynes, who for the first time put forward a systematic and convincing theory of employment based on the "Principle of Effective Demand". Effective demand manifests itself in the spending of income and is judged from the total expenditure in the economy. The total demand in the economy consists of consumption goods and investment goods, though consumption goods demand forms a major part of the total demand. It goes on increasing with an increase in income and employment. At various levels of income, there are corresponding levels
of demand but all levels of demand are not effective, only that level of
demand is effective which is fully met with the corresponding supply, so
that entrepreneur neither have a tendency to reduce nor to expand
production. Effective Demand is the demand for the output as a whole.
This principle of effective demand occupies integral part in the Keynesian
theory of employment as total demand determines the total employment.
A deficiency of effective demand causes unemployment. It is with the
help of the concept of effective demand that Say’s Law of Markets has
been repudiated.

This thesis is based on the Keynesian Model in the sense that if
government increases investment expenditure by way of giving loan
through the Prime Minister’s Rozgar Yojana programme, through self
employment given to many people effective demand is created. When the
people are self-employed through various ventures they get employment
and further more it is possible for them to generate employment to some
more people.

**Tools used in the analysis of the data:**

Certain statistical tools are used in the analysis of data. They are

1. ‘t’ test
2. Analysis of variance (ANOVA)
3. Chi-square test
4. Correlation
't' test:

't' test is used to find out the significant difference between the means of different variables for different subgroups.

\[ t = \frac{M_1 - M_2}{\sqrt{\frac{S_1^2}{N_1} + \frac{S_2^2}{N_2}}} \]

Where

\begin{align*}
M_1 &= \text{the mean of the first group} \\
M_2 &= \text{the mean of the second group} \\
S_1 &= \text{the standard deviation of first group} \\
S_2 &= \text{the standard deviation of second group} \\
N_1 &= \text{the size of the first group} \\
N_2 &= \text{the size of the second group}
\end{align*}

Here the investigator has fixed 5% level of significance to test the hypothesis. 't' test results are presented in the form of matrix in the study. ‘t’ matrix is used to find out the relationship between age, sex, marital status, religion, qualification, type of family, ownership of premises with assets created, loan amount, annual income and mandays of employment created.
**Anova:**

Analysis of variance has been used to find out the significant difference among age, religion, community and qualification in the selected variables such as assets, loan amount, annual income and mandays employment created.

\[ F = \frac{\text{Variance between the groups}}{\text{Variance within the groups}} \]

**Chi-Square analysis:**

The Chi-square analysis is employed to test the association between the variables such as the purchase of articles by the beneficiary, assets created, venture cost, increase in the income of the beneficiary and mandays of employment generated through PMRY loan with variables such as age, religion, community, qualification, type of house, employment created and repayment period.

\[ X^2 = \sum \left( \frac{(f_o - f_e)^2}{f_e} \right) \]

Where

- \( f_o \) = the observed frequency
- \( f_e \) = the expected frequency

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For testing the hypothesis, here also the investigator has fixed the 5% level of significance. For finding the degrees of freedom the investigator has used the following formula.

\[ df = (r-1) (c-1) \]

where

- \( r \) = number of rows
- \( c \) = number of columns

**Correlation Analysis:**

Correlation co-efficient is used to determine the reliability of relationship among the dependent and the independent variables. This is used to find out the relationship between the variables such as age, sex, marital status, religion, community, qualification, type of family, ownership of premises and the variables such as loan amount, annual income, salary and mandays of employment created. Here also the investigator has tested the hypotheses at 5% level of significance.

\[ r = \frac{N \Sigma xy - (\Sigma x)(\Sigma y)}{\sqrt{N \Sigma x^2 - (\Sigma x)^2} \times N \Sigma y^2 - (\Sigma y)^2} \]

Where

- \( r \) = Product moment correlation co-efficient
- \( x, y \) = Variables studied
- \( N \) = Number of paired observations