Chapter - XII

FINDINGS AND SUGGESTIONS

This chapter deals with the findings of the study and the suggestions. A model for structural and anatomical improvement in the machinery for the implementation of the Self Employment and Poverty Alleviation Programmes excluding the wage employment programmes has been suggested. This presents a consolidated picture of the present status of the scheme and its implementation and endeavours to suggest the remedial measures wherever possible. Chapter-wise findings and suggestions are as follows.

Chapter – I: Introduction: Concepts Unfolded:

1. Employment reflects the person’s status in the family and the community. On the other hand unemployment causes frustration and leads to frustration, anti-social and criminal activities.

2. The survival and the prosperity of our nation and the performance capabilities of our political and legal system depend in a large measure on our ability to reduce unemployment and underemployment, to maximise our productivity and to optimise the tempo of rural development and industrialisation.

3. From the society’s point of view unemployment involves a colossal waste of the nation’s human resources. From an entirely personal angle, unemployment is very painful for the unemployed.

4. The problem of unemployment in underdeveloped countries is basically different from that in developed countries.

5. There are two aspects of the problem of unemployment in India. The first is the general phenomenon of unemployment and
underemployment in rural–urban population as a whole. The second is the problem of the educated unemployed.

6. The problem of unemployment can be traced back to the industrial revolution and more recently to the educational explosion. India had an inbuilt socio economic system free from the problems like unemployment. Every able member of the society was entrusted with an occupation by virtue of birth. An imported system of education, which was meant for supporting clerical staff to the colonial rule, was blindly followed by the country after independence, dismantling its own established system.

7. Determined efforts are needed and appropriate policies are to be made so that our youngmen and women can become job creators and not remain job seekers.

8. The problem of underemployment in developing countries like India is equally serious as the unemployment. As high as 70 per cent of the total unemployment or underemployment belongs to rural areas.

9. In the opinion of the researcher, the term unemployed should include not only those who are seeking and willing to accept wage employment at the given wage rates, but also the persons who are ready to accept self-employment activities as their callings in the given conditions, but for their individual exigencies they are failing to get an opportunity of engaging themselves in gainful callings.

10. Economists tend to regard employment as only a means to a pay cheque or profit. However, one's job or calling is a major component in one's identity. The job or calling provides structure around which people build their lives.

11. The fundamental causes of unemployment in India are increase in labour force, unmindful adoption of capital intensive technology,
absence of proper manpower planning, deficiency in the supply of capital, lower growth rate, inappropriate educational system and downfall of cottage and small scale industry.

12. Number of self-employment schemes with appropriate incentives are being implemented by the governments. But there is a lack of political will. This lack of political will combined with the deplorable administrative inefficiencies are coming in the way of effective implementation of the schemes. Benefits meant for the poor are generally grabbed by the ineligible richer sections of the society.

13. We have to adopt a pragmatic approach for attaining full employment by proper manpower planning for educated, technical, skilled and unskilled labour. We should not be unduly nervous about the growth of labour force, which we can convert into an asset through an enlightened employment policy.

14. Every country, whatever its state of economic development, has an employment problem to some degree or the other and in the great majority of them we find the paradoxical situation that people are unable to find productive well-paid work, while in certain industries and areas there is a manpower shortage.

15. The three pillars of strategy for full employment are: rural development, labour intensive public works programmes and reduction of the capital intensity of industrialisation.

16. The three major implications of unemployment are: huge wastage of human resources, intensification of social distress and danger of criminalisation of politics.

17. The educational system in our country probably has not been able to deliver the goods in the fashion in which it could. We are still carrying on our education, by and large on the mid 19th century liberal
pattern of education, rather than relating it exactly to our developmental needs.

18. Unmindful and directionless trade unionism has taken toll of opportunities of employment generation.

19. In a country like ours, the problem of unemployment should have been the basic concern of the planners and the economic policy makers from the very beginning. Instead of tackling the problem and realising its importance, an attempt is now being made to find excuses. One excuse is the population explosion. We are not overpopulated as compared to many other counties. Density of population in Japan and Germany is higher compared to India. We are underdeveloped and not over-populated. To say that population has grown and so our Plans have gone amiss means acceptance of absolute failure. Actually the planning policies and the way the Planning Commission has been functioning at the moment are the major causes of growing problem of unemployment in our country.

20. Disparity of income between white collared and other jobs must go. If the disparity goes, many educated people can take to other jobs, which do not otherwise attract them. Some kind of dignity of labour has to be created, which, unfortunately is very much missing in our country.

21. The unemployment problem in the country is not so much due to lack of resources, failure of planning or anything of that sort. It is simply a failure on our part to apply ourselves to the solution of the problem in a practical way.

22. Intensification of agriculture is perhaps the best and most efficacious method of reducing unemployment and underemployment, which
would create a demand for goods on the basis of which other industries would develop.

23. Keynes still has some relevance despite the fact that the economists have expressed their views as to Keynes, after Seventies, is out of time. But state sponsored schemes, one can believe, have some role to play even today in underdeveloped economies. Keynes' suggestion of state expenditure, even through the deficit financing still holds water. Multiplier effect is also an eternal principle.

24. Though the problem of unemployment among the educated is the part of the general unemployment problem, the problem of educated unemployment is more serious than general unemployment.

25. 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 these institutions of higher education, the demand for establishing more and more of such institutions is increasing year after year.

26. It is simply impossible for any country to provide wage employment to all and sundry. Therefore, self-employment is assuming greater importance now a days.

27. It is widely acknowledged that entrepreneurs play a crucial role in the growth of any society, particularly in developing societies like ours. Therefore, it is important that development of entrepreneurial talent should form an essential ingredient in any strategy for economic development. We have to explore all possible avenues to foster entrepreneurial talent in the country and design a massive programme of entrepreneurship development.

28. Plenty of poverty alleviation and self-employment programmes were introduced and implemented by the Central Government and State
Governments. Majority of them could not deliver the goods properly due to some inherent weaknesses like lack of awareness regarding the programmes to the target groups, rampant corruption in the implementation of the schemes, wrong notion among the people that government funds need not be returned, and lack of sufficient staff at the implementing agencies, absence of effective machinery for the recovery of the funds extended under such schemes.

Chapter – II: Profile of Amravati District:

29. Amravati district is famous for its cotton and oranges. Its economy is basically agrarian. Amravati is a big educational centre and literacy rate is as high as 70.06 per cent. Electrification is almost 100 per cent.

30. Amravati district is industrially very backward. No big industry worth its name is found in the district.

Chapter – III: Research Methodology:

31. There is a lack of matured guidance from the policy makers due to which there is a lack of proper balance between the demand and supply of the labour.

32. Social amenities in the rural areas should be brought at par with the urban areas to stop the unwarranted migration of rural population to urban areas. Government should take measures to improve agriculture so that it can absorb more and more unemployed.

33. Employment brings to the person prestige and status and without that the educated unemployed are evaluated unfavourably by their families and by the society.
34. Politicians play a dubious role; they don’t have political will to solve the problem of unemployment. They just try to woo the unemployed by their utopian cries of ‘Bekari Hatao’ and ‘Garibi Hatao’.

35. The present unemployment is due to the failure of our policies, planning and the result of the imported culture that Nehruvian lobby introduced in India after independence.

36. Unemployed youth are more inclined to government jobs rather than self-employment.

37. Higher education should be selective. Japanese model may prove useful.

38. Attitudes of parents and the community towards unemployment should change. Every parent wants his child to be a ‘Babu’. This hampers the overall personality development of the child and also subjects the children to stress.

39. It has been the experience of banks that once the loan is disbursed the bank is at the mercy of the borrowers.

40. Benefit is not reaching the poorest of the poor in the government sponsored schemes.

Chapter – IV: Employment Orientation Of Indian Planning:

41. No attention was paid by either the central government or provincial governments before independence towards the problems of development of the economy and unemployment. After independence it was a gigantic task before the Indian government to bring back the economy on to the track. India embarked upon planned economic development by adopting the Russian model of development through the Five Year perspective economic planning.
42. A major objective of Indian Planning is the improvement of the levels of living of the people. This cannot be equated with a mere increase in production. There must also be an increase in Employment, as it is only through an increase in employment that a larger number of people get the benefit of increased production.

43. A radical solution of the problem of unemployment can be found only through a continuing increase in economic activity, which would provide increasing opportunities for productive employment. Economic development consists, essentially, of an increasing utilisation of idle manpower for productive purposes. Economic development and an increasing volume of employment are but two aspects of the same social process.

44. For generating employment labour intensive techniques and the small scale were preferred by the First Five Year Plan. The Second and the Third plans stressed on creation of basic infrastructure for the development of the nation by establishing big industries in public sector.

45. The real emphasis was given to employment generation from the Fifth Plan (1969-74) onwards when number of target / area oriented self-employment and poverty alleviation programmes were started.

46. Several Plan Documents acknowledged the fact that in the absence of exact and reliable data on employment and unemployment, it was not possible to give the proper estimates of unemployment at various points of time.

47. Eventhough much has been done during the Plans, the unemployment problem could not be addressed satisfactorily. The backlog of unemployment went on increasing plan after plan. In the initial years of the planning, to be more specific, upto Third Five Year Plan the
economic growth was looked upon as a remedy for poverty alleviation and unemployment. Growing disenchantment with the ‘trickle down’ theory has led to the feeling that growth alone is not a panacea for poverty alleviation and unemployment and that these problems may have to be tackled directly. Growth and unemployment seem to have gone hand in hand.

48. Even though, all the Plans emphasized the adoption of labour intensive technology, and the growth of small scale and cottage industries which are by nature labour intensive, the labour intensive technology went on giving way to capital intensive technology even in the small scale sector. The situation further aggravated when due to the pressures of economic crisis of late 1990s, India had to give in to the pressures of international business environment and adopt the policy of LPG (Liberalization, Privatisation, Globalisation). This process went on so indiscriminately that free market forces operated in favour of large-scale sector having less employment potential. Labour intensive technology is no more on the real agenda of the government.

49. During the 1990s, there was absolutely no increase in employment in the government sector. Rather, the process of cutting short the labour in the government is going on very freely. The employment opportunities in the private sector marginally increased, but could not keep pace with the growth in the labour force and therefore the backlog of unemployment at the end of the Ninth Plan is expected to be largest ever.

Chapter – V : Prime Minister’s Rozgar Yojana: The Scheme, Procedure & Review:

50. Prime Minister’s Rozgar Yojana is a very ambitious scheme for providing the self-employment opportunities to the educated
unemployed youth aged between 18 and 35 years. It covers whole of India including the rural urban and metropolitan areas.

51. State and union territory governments provide necessary infrastructure support like sites, shops, sheds and water and electricity connections on preferential basis. Small ventures can be started by the beneficiaries in industry, service and business sectors.

52. Non viability of the project and non eligibility of the applicants were main reasons for rejection of sponsored cases by bank branches and the major reasons for pendency of applications in the bank was found to be non compliance of the requirement by the borrowers.

53. Evaluatory Studies by Reserve Bank Of India and Institute of Applied Manpower Research showed that:

(a) Banks have obtained collateral/Third Party guarantee in respect of some of the cases sanctioned. Around 53% of beneficiaries faced problems due to insistence on collateral security by banks.

(b) The sanction to target ratio was more than 90% and sanction to disbursement ratio nearly 70%.

(c) It was observed that in several cases the applications were being returned / rejected for the reason ‘branch already reached target’. Non viability of the project and non eligibility of the applicants were main reasons for rejection of sponsored cases by bank branches and the major reasons for pendency of applications in the bank was found to be non compliance of the requirement by the borrowers.

(d) 52% of the sanctioned cases were in the business sector against 18% for the industry sector. The average size of loan was Rs. 55,890.
(e) Recovery of loans under the scheme is showing declining trend (34.65% during 1997-98 and 34.60% during 1998-99).

Chapter – VI Analysis And Interpretation Of Data: Procedure And Performance Of The District Industries Centre And The Funding Banks In Amravati District:

54. Some Industries Inspectors have been allotted one block each and some others have been allotted two blocks each. Every officer is required to be available at the block office on a specified day every week which generally appears to be Bazar day of that place. Applicants can submit applications and make compliances of deficiencies at the block office to the officer.

Every field officer of DIC should be allotted only one block and their visits to the block office should be increased to two per week from the present one per week. It will facilitate the beneficiaries to do all the necessary things at the block office itself, without having any need to frequent the DIC office at the district level.

55. Even though the targets of PMRY in the district were more or less maintained between 1994-95 and 2000-01, as per the regression analysis showed, the decreasing trend over the said period. The autonomous number is 1052 beneficiaries per annum which is decreasing by 34 beneficiaries every year. Target achievements in the district have dwindled from 103.47% in 1994-95 to 51.98% in 2000-01. It tells upon the efficiency of the implementing agencies.

Target achievements in the district need to be maintained at a reasonable level.

56. During the year 2000-01 target achievement of the sample banks shows that for rural areas it is 80.12%, for semi-urban areas it is
77.48% and for urban area it is 33.40%. In urban areas target achievements are very poor.

Target achievements and as well as the recoveries need to be improved in urban areas.

Chapter – VII Analysis And Interpretation Of Data: Personal Information Of Beneficiaries

57. Female participation in PMRY is far from satisfactory. Their participation in the sample is 9.01% while it is 7.44% in relation to population of beneficiaries. Moreover, majority of the female beneficiaries were found to be only nominal entrepreneurs as their ventures are being run by the male members of their families. Even though, women are also equally successful in many of the entrepreneurship ventures, even now there are cases where male domination rules the roost and the women entrepreneurs appear to be the puppets in the hands of the male members of their families. Efforts should be made by the government and the implementing agencies to increase the female participation at least to the legislative sanction of 33% reservation for women.

58. Most of the beneficiaries possessed the educational qualification of SSC and HSSC. It seems that graduates and PGs are still behind the wage employment. It was found that majority of them turn to self-employment after they fail to get wage employment. Only those who have traditional entrepreneurial background and connections were found to enter the field of entrepreneurship willingly. It is a fact that McCauley’s system of education, evolved in 1833, which made white collar professions the be all and end all of life seems to have poisoned the brains of the Indians
Inculcation of philosophic premise of self-employment is the need of the hour. India needs an anti-thesis of McCauley's system of education, which will prepare entrepreneurs who will create and give the jobs to others instead of seeking jobs themselves. There is a need to inculcate the values of work culture and dignity of labour among the public in general and among the youth in particular.

59. Chi-square test between the level of education and category of beneficiaries revealed a significant association. It means that backward classes and categories are still backward in their education compared to the upper categories.

Here, there is a need to see that backward classes remain backward forever in their education. In the interest of justice and equal opportunities to all the people, equality in education must be ensured.

60. Physical number of beneficiaries is showing a decreasing trend in Amravati district between 1994-95 and 2000-01. Physical numbers started decreasing from the year 1998-99 and the trend is continuing. It is due to the saturation of activities and the bankers' reluctance to finance willingly due to the very bad picture of recovery.

If we want to see the scheme grow on the healthy lines, recovery should be improved to a satisfactory level by all the means and by all the concerned- government, judiciary, police and the sponsoring agencies and of course the banks.

61. It was found that SC's and ST's have been underrepresented in the programme. As per the 1991 Census, they constitute 17.47% and 14.38% respectively of the population of the district, while in the population of beneficiaries their representation is only 10.56% and 3.67% respectively. This under representation is only consistent,
because of the existence of a few statutory backward class development boards implementing the similar self-employment programmes.

62. Out of the sample size of 322 beneficiaries only 16.15% were purely unemployed, while others were either taking education or working or supporting the family work (46.27% beneficiaries were engaged in some gainful work) before taking PMRY benefit.

63. Only 52.80% beneficiaries were found to have fulfilled the income eligibility criterion of annual family income of Rs. 24000 or less. It was found that banks and DIC are turning blind eye towards income eligibility criterion as they feel that if benefit is given to richer sections, their recovery will improve, but it is myth as the chi-square test revealed that there is no significant association between the income eligibility and repayment of loan. But due to this and the other reasons like, richer section’s better potential for indulging in gratification to the officers, about half the benefit under the scheme is freely flowing in favour of the richer, ineligible sections of the society. This is tantamount to gross abuse of the public funds. This seeks to axe the very purpose of the scheme.

Instead of achievements of physical targets, emphasis should be laid on genuine and honest effectuation of the scheme. Some apex monitoring authority should be constituted for proper monitoring of the scheme to keep the ineligible out of the scheme. It should be a high power body having the powers to hear the complaints and award appropriate punishments to the erring officers and ineligible beneficiaries. For improving recovery some other fair and legally and rationally acceptable avenues should be explored.
Apart from silent support of banks and DIC to the ineligibles encroaching into the PMRY, sometimes they directly connive with the ineligibles. There is one glaring case from Anjangaon Surji. When one lady physiotherapist approached the bank for direct loan for completing the additional construction work, bank manager advised her to take the benefit of PMRY and she did so.

64. Income of the beneficiary family certainly increases when the ventures are established and run properly. Average income of the beneficiary families showed a jump increase of over 40% in the first year of the ventures.

Chapter – VIII Analysis And Interpretation Of Data: Venture Started, Loan Received And Investment Made:

65. Amravati district’s economy is basically agrarian one and it is industrially backward. PMRY in the district also showed the similar picture. Population of beneficiaries revealed that 9.68% units are in industry sector, 37.89% units are in service sector and 52.43% units are in business sector. But as per the scheme guidelines, business sector units must not be more than 30%.

To increase the proportion of industrial ventures, it is necessary that overall industrial environment of the district is improved. State government should take some concrete steps to remove the industrial backwardness of the Vidarbha region in general and of the Amravati district in particular.

66. No significant association was found between the area of living (rural/semi-urban/urban) of beneficiaries and the sector (industry/service/business) of their ventures.
Survey revealed that in 37.27% cases benefit was availed to the existing ventures. Some bank managers informally agreed that due to poor recovery under the scheme, now a days, banks prefer to give the benefit to the existing ventures, which are already established and recovery shall not be a big problem for them. Banks have started falling back upon the convenient approach instead of availing the needy and eligible persons and generating good repayment capacity among them. But it is the gross misuse and abuse of the public funds and manipulation of the scheme in favour of the ineligible richer sections of the society, just to show the statistical achievements of targets and generating employment on paper.

Government should see to it that the poverty alleviation and self employment programmes are carried out to best serve the fundamental objective of growth with justice lest they be transformed into ornamental instruments only and the programmes and their performances remain on paper. As has been already suggested, to curb this type of malpractices on the part of the implementing agencies, proper monitoring of the scheme is required. Benefit must not flow in favour of ineligibles at any cost.

Friends and relatives and the newspapers are the most effective source of first hand information about the scheme to the prospective beneficiaries.

Involvement of Gram Panchayats and NGOs needs to be improved for effective propagation and implementation of the scheme including inducing the unemployed youth to take up the self-employment.

Complete freedom is allowed to the beneficiaries in the choice of their activity except some traditional activities like Kirana, cloth shops, general stores etc. due to over saturation of these activities. As a
matter of policy these activities are banned by the DIC from time to
time. If not restricted, such activities not only become economically
unviable but they erode the viability of the existing similar ventures.

70. Average per capita loan demanded is Rs. 66.15 thousand against
which per capita loan disbursed amounted to Rs. 40.57 thousand.
Percentage loan receipt is 61.32%. Around 62% beneficiaries
complained of inadequate finance and some of them blamed it to be
the cause of their failure in the ventures. Inadequate finance was
reported in all the ranges of finance, viz., Rs. Upto 25000; 25000
to 50000; 50000 to 75000; 75000 to 100000. 29.50% beneficiaries
had to struggle for additional finances through other means for starting
their ventures making them viable.

There is a widespread practice of extending inadequate finance by
the banks. Some bank officers informally opined that whether they
finance adequately or inadequately, the recovery is not going to be
satisfactory and in majority of the cases it is not going to come at
all. Therefore they finance as less as possible as most of it is going
to be bad. This way they are trying to minimise the risk of funding.

Whatever may be their opinion, inadequate finance is worse than
outrightly rejecting it. Due to inadequate finance the functional
efficiency of the funds decreases more than proportionately. By
inadequate finance the ventures are born sick, chronically remain
weak and die an early death. The very purpose of benefit gets nullified
and the beneficiary ends up with a huge burden of loan with no
capacity to repay it. This is also one of the many reasons for the very
poor recovery under the scheme.

Implementing agencies should scientifically appraise the project cost
in each case and see to it that in no case the finance is glaringly
inadequate. It will certainly help the better performance of the ventures and consequently recovery will also improve.

71. Regression lines on the average per unit amount of finance showed a very negligible increase in it over the period from 1994-95 to 2000-01. If the figures are inflation discounted it may rather show a negative trend.

72. Year wise aggregate loan disbursement in the district showed a marginally increasing linear trend. Analysis of absolute figures showed a decreasing trend from the year 1998-99.

73. Banks appraise afresh the PMRY cases, which they receive from DIC with its due appraisal as to the project cost and other matters, and recommendation. If the project cost appraisals of both are similar, it is just a coincidence. Project costs are generally lower as per the banks appraisals compared to the DIC’s project costs.

74. On PMRY loans interest is fixed by the RBI and it generally coincides with the bank rate. 63.98% beneficiaries reported their ignorance as to the rate of interest on their loans when they took them. Similarly, 71.74% beneficiaries did not know the rate of interest charged on their loans at the time of survey. From this one can conclude that the beneficiaries are not very serious about the repayment of loan.

75. Compared to the first year of the ventures, investment (present market value) in the reference year showed an increase of 67.37%. Even though, in absolute terms, investment showed an increase in fixed and as well as in current assets, in relative terms there is an increase in investment in current assets and a decrease in investment in fixed assets. This is a correct trend when seen with reference to the current trends in the business environment wherein competition has increased; consumer behaviour has changed with increased brand preference, which requires maintenance of larger range of products.
Chapter – IX Analysis And Interpretation Of Data: Profitability, Employment Generation And Repayment Of Loan:

76. Overall return on investment was 57.34% in the first year of the venture and 41.60% in the reference year. Net profit ratios were 19.44% and 16.27% respectively in the first year of the ventures and the reference year. The ROI and the net profit ratios are showing a downward trend but they are not alarming. This decrease can be attributed to the near drought conditions prevailing in the region for the last four to five years and the increased competition due to the implementation of LPG policy.

77. Apart from the PMRY ventures, 23.91% beneficiaries in the first year of their venture and 32.29% beneficiaries in the reference year had one or more additional sources of income. This is a positive sign that the scheme is not only generating the income and providing the self employment but also helping the beneficiaries improve their financial position by helping them to enter into other additional and or subsidiary means of income generation.

78. Every existing PMRY venture is capable of providing employment to approximately 2 persons including the self-employed.

Therefore, this scheme should be made more popular and implemented in right spirit, which would help ease, the burning problem of unemployment in the country.

79. Payment (wages) to part time hired workers ranged between Rs. 400 and Rs. 2100 p.m. while it ranged between Rs. 450 and Rs. 3000 p.m. to full time hired workers. Model wages for part time and full time hired workers were Rs. 600 and Rs. 1500 p.m. respectively. Taking into account minimum wage rates these seem to be low. Government should see to it that they are reasonably paid.
80. 69.57% beneficiaries had the knowledge of the amount of subsidy on their loan or the rate of subsidy. But nobody had the correct knowledge of the modus operandi of how it is received or credited to their loan account. Banks keep them in dark about the subsidy and its procedure.

Banks and DIC should give correct information to the beneficiaries as to the amount of subsidy and how it is received. Accordingly the beneficiaries shall be able to properly plan their repayments and future programmes.

81. It was found that banks are not observing the norms of eligibility for giving subsidies to the beneficiaries. Beneficiaries become eligible for subsidy only when they are reasonably regular in their repayment and they have operated their loan accounts at least upto three years. It was found that some beneficiaries who finally adjusted their loan accounts even before three years were allowed the benefit of subsidy. It is the gross non-observance of rules and guidelines of the scheme.

Banks should be taken to task if they do not observe the rules of payment of subsidy to the beneficiaries. It will control the malpractice of unwanted and unscrupulous entry of the richer sections of the society who avail the benefit just to take the advantage of the amount of subsidy and repay their loan within a year or so, thus enjoying a loan without interest for a year as the amount of subsidy and the interest on loan for a year more or less compensate each other. If the subsidy rules are strictly followed such elements shall automatically disappear, as they don’t want to take any loan as such which carries an interest.

82. Initial moratorium for repayment of loan was found to be as per the guidelines.
83. As per the survey 63.66% beneficiaries are regular in their repayment of loan. But as per the responses of the DIC officers and the bank officers, recovery is only 41% and 24.14% respectively. Truisms must be somewhere between 24% and 64%.

84. Whatever may be the reasons put forth by beneficiaries for their irregularity in repayment of loan, main reason appears to be leniency on the part of sponsoring agency and the funding banks in their physical and legal follow up of the loan accounts. There is no rigidity in the recovery policy of the banks and DIC. Due to this, there is a general impression among the general public and the beneficiaries that the loans under the government sponsored schemes need not be repaid or can be repaid according to one's own convenience, even if they are not paid nothing adverse (seizers or legal actions and punishments) happens. This impression is spreading like wild fire. This is termed as 'emulation effect' by the researcher. During the last few years the wilful defaults have been on increase. Tendency of misutilisation and siphoning off of funds for unproductive personal and other uses is also on increase.

While framing the future poverty alleviation and self-employment programmes and streamlining the existing ones, it should be borne in mind that this emulation effect is guarded against. Programme anatomies in the future should necessarily contain items on their agenda to restore the deterrent effect of the concomitant penal provisions, which seems to have withered away a great deal. Accountability must be associated with the functioning of officers of the sponsoring agencies and the funding banks and malfeasance and misfeasance on their part be accordingly penalised. This may help break the vicious circle of poor recovery.
Emulation effect was found more in urban areas than in rural areas. Bankers opined that people in urban areas have become clever and the recovery is very less there.

Chi-square test revealed significant association between the following:
1) Area of living of beneficiaries and their regularity in repayment of loan; recovery is better in rural areas than in semi urban and urban areas. 2) Treatment given by bank during the loan process and afterwards and regularity repayment of loan; good treatment showed better repayment.

Chi-square test did not show any significant association between the following attributes and the regularity in repayment: 1) Adequacy of loan amount, 2) Category of beneficiaries, 3) Sector of venture, 4) Level of education, 5) Status of activity before getting benefit, 6) Nominal guarantee taken by the bank, 7) Fulfilment of income eligibility criterion.

DIC and banks should give humanly treatment to the prospective beneficiaries. It will improve the recovery position. If they are harassed unnecessarily during the loan process, it certainly affects their willingness to repay the loan properly.

Banks are in a dichotomous situation. They can't directly avoid their social responsibility of financing under the government sponsored schemes. After funding they are not in a position to properly follow them up and the loans. Due to ban on recruitment in the banks they are already short of necessary strength of staff. On the top of it the recent voluntary retirement schemes (VRS) contributed to further worsening of staff position in the banks. They are not able to make adequate follow up for recovery in the form of personal visits and filing and properly following up the court cases adopting the other
procedural measures. They are generally avoiding the FIRs and court cases for the fear of cumbersome police procedures and the unfructious outcomes of the lengthy legal battles. It has further complicated the recovery problem as the deterrent effect of legal actions is gradually eroding.

88. The politicians because of their vested interest misguide the beneficiaries and encourage the wilful defaults.

89. The poor rate of recovery under the scheme reflects gross misuse of the public funds, which are already scarce in developing countries like India. This misuse takes the march of the development backwards rather than forwards.

90. Vicious circle of poor recovery got formed in the present state of affairs, which can be described as follows.

Poverty of beneficiaries plus social and political influence plus bankers' inherent compulsions leading to Ultimate recovery efforts become costlier; expenses incurred on recovery more than the recovery amount leading to Helplessness of bankers and sponsoring agencies leading them not to take stringent action for recovery leading to Reduction in seriousness of beneficiaries to repay plus emulation effect leading to Total nullification of endeavours on the part of the government in the direction of socio-economic emancipation leading to Banks become reluctant to further advance the loans under the schemes leading to Poverty of beneficiaries plus social and political influence plus bankers' inherent compulsions. Thus completing the circle of poor recovery.

91. Due to poor recovery, banks and DIC are giving a convenient go by to the eligibility criteria on the ground and it was found that they are
favouring richer sections of the society (fulfilling so called eligibility on paper) for the benefit of the scheme.

92. Due to loan waver schemes by the government in the past two decades defaulters got encouraged and emboldened and the regular repayers have been demoralised.

93. Revenue Recovery Procedure is not in operation in Maharashtra and many other states. As the political parties in power want to gain cheap popularity and create vote banks through appeasement, majority of state governments in India have not invoked this procedure for government-sponsored schemes.

94. For improving the recovery following measures are suggested. Revenue Recovery Procedure should be invoked in all the states of India on the lines of Gujrat, Karnataka and a few other states where recovery under the government sponsored schemes was reported quite satisfactory by some bank managers who had worked in these states earlier.

Special Recovery Tribunals should be constituted for recovering the dues under government-sponsored schemes.

Banks must initiate legal actions in majority of the overdue cases and pursue them in right earnest so as to create and maintain the deterrent effect of relevant legislation.

Governments (central and state) must not come up with any more loan waver schemes whatsoever. These wavers reward the defaulters and demoralise the good repayers.

Political interference in the loan process must be curbed with a firm hand. It will not only stop the benefits freely flowing in favour of the ineligible beneficiaries, but also improve the recovery under the scheme.
It is high time that state and central governments should come forward with political will and conviction to bring about revolutionary changes in the judicial reforms as to the structure of judiciary, simplification of procedures, appointment of sufficient number of judges for ensuring the timely and prompt judgements. It is required in the interest of justice. Administration of justice, as at present, is so cumbersome and time consuming that even though one gets justice at the end, it does not remain justice because, 'Justice delayed is justice denied'.

Chapter – X Analysis And Interpretation Of Data: Procedural Problems And Follow Up By The DIC and Banks:

95. Only 9.63% beneficiaries faced one or more of the initial problems of establishment like availability of plot / shop / shed; procurement of machinery and equipment and raw material; labour and electricity connections etc. It is normal.

96. DIC officers were not very cooperative to the beneficiaries during the process of the benefit and as well as after the establishment of their ventures. Only 41.61% beneficiaries reported to have got their help in project preparation, which is the prime duty of the DIC officers. More than 45% beneficiaries had to pay more than 5 visits to them for getting their applications processed.

DIC officers need to change their style of functioning. They should extend full cooperation to the applicants in preparation of their projects, filling their applications and promptly processing them without forcing the applicants to frequent the DIC office to know about the fate of their applications.
97. DIC officers are not extending requisite cooperation to banks in the matters of recovery like giving them company in recovery campaigns and recovery visits to hardened cases and lodging joint FIRs in case of misutilisation and misbehaviour with recovery staff.

DIC should actively involve itself in the whole process of the scheme – monitor the functioning of beneficiaries, and help banks in recovery of loans under the scheme.

98. Presently, DIC officers are not required as per the instructions from their head office to go and inspect the place of applicants under the scheme. They are processing the applications only on the basis of documentary evidences provided by the applicants. This leaves scope for ineligible and richer sections of the society and unscrupulous elements to creep into the net of PMRY benefit by manipulating the certificates and other necessary documents like income certificates, domicile certificate, ration cards etc. It is because of this procedure that around 47% beneficiaries were found not eligible for benefit as per their own responses as their annual family income was more than Rs. 24000.

The procedure of processing of applications by the field officers needs to be streamlined. Their processing should compulsorily include the spot inspection and verification of the ground realities against the documentary proofs provided by the applicants. This will hold back the ineligibles from entering into the scheme. DIC officers’ duties and responsibilities should be clearly defined and sufficient powers for effective functioning should be granted to them.

99. Around 15% beneficiaries were found to have used social and / or political influence and indulging in gratifying the officers at DIC and as well as banks. It points to the existence of malpractices and
corruption in the processing of the applications of the beneficiaries at every level. These things lead to unnecessary harassment of genuine beneficiaries and flow of benefit to the ineligibles and richer sections of the society.

Beneficiaries indulging in use of influence and gratification at DIC and bank levels are not common in toto. We can conclude that they do not indulge in such activities willingly or habitually, but they do so out of compulsions due to some marginal deficiencies in documentary evidences or the pressure tactics applied and inducements shown by the officers. Malpractices and corruption like indulgence in gratification of the concerned officers and the beneficiaries must be curbed and dealt with a firm hand in the interest of ensuring benefit only to the needy and eligible persons. The rigid implementation of the programme be ensured by proper steps at the governmental end to plug the loopholes.

100. Around 40% beneficiaries were not satisfied with the treatment they received during and after the processing of their loan applications from DIC officers and bank officers.

101. Banks are not strictly following the schedule prescribed for processing the applications at their end. It was found that sometimes they keep the applications pending. They make delay in sanction and disbursement of loan, which adversely affect the prospects of the ventures, with seasonal character. It also leads to mental harassment and depression to the beneficiaries.

Banks must expeditiously process the applications. Sanction or rejection and disbursement must be completed within 45 days excluding the intervening period of predisbursement training as is expected as per the guidelines of the scheme.
102. About 42% beneficiaries were asked by the banks to provide guarantees and / or collateral securities and about 38% of them provided it, even though the scheme strictly prohibits the banks from asking any guarantee or collateral security against the loans under the scheme upto Rs. 1 lakh. 20% bank officers from a sample size of 64, informally agreed that they ask for nominal guarantees to exert some moral pressure through the so-called guarantors in case of defaults. Even though bankers seem to be justiciably cautious about the safety of the funds they advance, the practice is against the basic objectives and fundamental spirit of the scheme.

Bankers must be prohibited from asking the guarantees, because there is a danger of most needy and eligible applicants getting replaced by the richer sections of the society, which are capable of providing such guarantees and collateral securities.

103. Follow up visits of the banks are falling very short of requisite minimum, adversely affecting the recovery under the scheme due to insufficient staff in their branches.

Bank administrations should take appropriate steps expeditiously to ensure sufficient staff in each and every branch, keeping in view the RBI guidelines as to one field officer for every 500 loan accounts to ensure prompt follow up and satisfactory recovery under the scheme.

104. No association was found between the predisbursement training undergone by the beneficiaries and their success in their ventures. It was found that training institutions (MCED and MITCON) and beneficiaries as well took the training very lightly and just as a compulsory completion of necessary formality for getting the benefit under the scheme. Even though the contents of the training are as per the scheme guidelines, quality and seriousness are completely lacking in its conduct.
Predisbursement training must be very effective and should prove to be a catalytic agent for the success of the beneficiaries in their ventures. Some changes in the training are urgently required in relation to the quality and competency of the training staff, adoption of modern more effective methods of training as group discussions, case studies, field visits, role plays etc. Curriculum should also be regularly updated. Courses should be conducted very seriously and meticulously. The present general training programmes should be made sector specific if not trade specific. Duration of the training should be increased to at least one month from the present 10 to 15 days.

105. The present process of PMRY benefit is very lengthy and time consuming. 150% applications are generally initiated by the DIC against their yearly targets, assuming that at least one thirds of such applications are going to be rejected for one or the other reasons. Two agencies are in the process and the rejection takes place at the fag end of the process at the bank level. Due to this the time, effort and money of the beneficiaries and also of the DIC are wasted. Applications are processed at both the levels afresh causing great inconvenience and harassment to the beneficiaries. It was found that the overall loan process took more than three months to two and a half years for around 53% of the beneficiaries. It is tantamount to causing financial loss and mental harassment.

It should be ensured that the total process of PMRY benefit does not take more than three months in general - one month at DIC, 15 days for sanction of loan at bank, 1 month for predisbursement training, and 15 days for the disbursement of loan. Government should see to it that schedule is made very strict and followed very meticulously by the implementing agencies.
Alternatively, there should be only one agency and a single window system for the scheme. In the present turbulent and drastically changed economic and business environment after the implementation of LPG policies and WTO conventions, it is felt that the total responsibility of the government sponsored schemes should be assigned to the government agencies, so that the banks shall get a level playing field vis-à-vis the cooperative and the foreign banks. Responsibility of the banks should be only to refinance the government agency at the bank rate. Government agency itself shall select the beneficiaries, avail the finance and recover them. It will improve the recovery as the government can recover the dues from the defaulters as government dues. It will also improve the banks’ position on commercial lines. Once the recovery improves, there will not be any problem of target achievements and provision of loans to all the needy unemployed youth.

106. As per the present procedures banks disburse the total loan amount through the banker’s cheques. Even then it was found that beneficiaries with the collusion of the suppliers sometimes partly and sometimes fully encash such cheques by paying a price in the form of commission. It was also reported that some bogus firms are run to do such encashment business.

Strict actions should be taken against such fraudulent misutilisation by the beneficiaries. Strict action is also required against colluding suppliers who issue bills and receipts of the goods, which have not actually been purchased, and the bogus firms doing such business. Punishment should be exemplary, which will create a deterrence effect.
Chapter – XI Analysis And Interpretation Of Data: Business Problems Of Beneficiaries, Their Business Performance, Impression Regarding The Scheme And Suggestions To Improve It:

107. In the present business environment there is stiff competition. This is the age of survival of the fittest. PMRY ventures are no exception to this rule. There are no problems regarding the purchases but problems relating to sales are there. Competition, credit sales and consequent bad debts are the major problems being faced by present day businesses in general and the small ventures like PMRY ones in particular.

108. Majority of industrial ventures are traditional and labour and technological problems are not there for them.

109. Even though many of the beneficiaries have knowledge of keeping accounts of their ventures very few are maintaining accounts, as the ventures are small and generally run by the proprietors themselves. Some beneficiaries expressed their fears as to if they maintain accounts, the concerned government departments will harass them for taxes.

110. Around 70% ventures are doing well, 21% ventures are already closed and 9% ventures are on the verge of collapse or regaining the health. Around 76% are beneficiaries are successful in their ventures.

111. Significant association was found between the success and the other related attributes, which are as follows-

a) Area Of Living and Success: - Ventures are more successful in rural and semi-urban areas than in urban areas.

b) Status Of Venture Before Benefit and Success: - Ventures which were already existing before taking PMRY benefit were found more successful than which were newly established after taking the benefit.
c) Some Prior Connection With The Activity and Success: Beneficiaries who had some prior connection (experience, education etc.) with the activity were found more successful than the other beneficiaries.

112. No significant association was found between the success and the following attributes-

a) Category of beneficiaries and Success
b) Sex of beneficiary and Success.
c) Educational level of beneficiary and Success.
d) Sector of venture and Success.
e) Work status before benefit and Success.
f) Religion of beneficiaries and Success.
g) Use of Influence at bank and Success.
h) Adequacy of finance and Success.
i) Scale of loan and Success.
j) Predisbursement training and Success.
k) Distance from Taluka place and Success.
l) Size of the place and Success.

113. While considering the status and success, already existing units are found to be more successful. But conceptually such beneficiaries are ineligibles and they have been allowed benefit. This is a glaring case of infringement of the fundamental conditionalties of the programme. Narrowing the gap between the haves and the have-nots is the principal motive of the programme whereas here it is being sidetracked. If this be allowed, it will amount to throwing aboard the basic tenets of this socio-economic amelioration programme.
For the sake of mechanical success of the programme one need not choose the cases that happen to vitiate the basics of the programme. And hence, sanction of such cases be avoided.

114. When there is no association between the attributes of predisbursement training and success, training comes to be redundant. But it cannot be thrown off the programme, as it is an integral part of it and more so, when the novices are launching upon in the area of entrepreneurship. May be this statistical finding may have come forth because of the intrinsic frailties of the training programme as it obtains today.

Instead of doing away with the training, it should be improved to match the expectations as has already been discussed in the preceding pages.

115. There is no significant correlation between the age of the beneficiaries and the success in ventures. But as it is negative, it seems that the success rate is low for the beneficiaries in the higher age group.

Beneficiaries should enter the entrepreneurship at a young age so as to be more successful in their ventures because a slight negative correlation operates in the higher age group.

116. PMRY ventures are helping the beneficiaries not only in earning their livelihood but also in improving their social status.

117. Self-employment scheme like PMRY should be streamlined, improved and continued. Structural and procedural improvements must be made from time to time (See Appendix - 64). The present economic environment wherein the opportunities of wage employment in the organised sector (government and as well as private sectors) are almost frozen, self-employment schemes are the only ray of hope for the millions of unemployed youth in India.
118. Upto 1997 maximum loan limit under the scheme was Rs. 1 lakh for all the sectors. In 1997 it was increased to Rs. 2 lakh for industry and service sectors and for business sector it remained unchanged. Even though it seems that it may be adequate for a business venture in rural areas, it is felt that for semi-urban and urban areas Rs. 1 lakh is inadequate for viably starting even the small ventures or activities, taking into account the goodwill (Pagadi) for the shop and the range of the goods to be maintained for attracting the customers.

In view of the increased infrastructural and allied needs the present maximum quantum of loan for business sector stands under-rated for semi-urban and urban areas. Therefore it should be increased to Rs. 2 lakh for this sector also at par with the industry and service sectors.

119. Rate of interest on PMRY loans is fixed by the RBI around the Bank Rate at which even the house loans upto Rs. 2 lakh are available to the general public. The rate of interest on PMRY seems to be higher when seen in relation to beneficiaries belonging to the weaker sections of the society and the purpose (provision of self-employment) for which it is given.

Rate of interest on the PMRY loans should be linked to bank rate at two thirds of bank rate so as to make it rational.

120. At present the subsidy on the PMRY loans is restricted to 15% of the composite loan or Rs. 7500 whichever is less.

Subsidy should be continued in the scheme. Rate of subsidy at 15% seems reasonable. But the ceiling of Rs. 7500 should be lifted and the maximum amount of subsidy should be 15% of maximum loan limit for the concerned sector.

121. In the scheme as it obtains today, there are no incentives to the beneficiaries who are regular in their repayment of loans.
Regular repayers should be given incentive in the form of additional bonus subsidy or marginal reduction in the rate of interest.

TESTING THE HYPOTHESIS

Analysing the principal findings or conclusions of the study, an attempt is made below to verify whether our Hypothesis stands proved or disproved.

1. Target achievements in Amravati district have dwindled from 103.47% in 1994-95 to 51.98% in 2000-01. It tells upon the efficiency of the implementing agencies and the policy of the government.

2. For urban area target achievement for the year 2000-01 was 33.40%. In urban areas target achievements are very poor.

3. Female participation in PMRY is far from satisfactory. Their participation in the sample is 9.01% while it is 7.44% in relation to population of beneficiaries.

4. Physical number of beneficiaries is showing a decreasing trend in Amravati district between 1994-95 and 2000-01. Physical numbers started decreasing from the year 1998-99 and this trend is continuing.

5. Only 52.80% beneficiaries were found to have fulfilled the income eligibility criterion of annual family income of Rs. 24000 or less. It was found that banks and DIC are turning blind eye towards income eligibility criterion as they feel that if benefit is given to richer sections, their recovery will improve.

6. Apart from silent support of banks and DIC to the ineligibles encroaching into the PMRY, sometimes they directly connive with the ineligibles.

7. Amravati district's economy is basically agrarian one and it is industrially backward. PMRY in the district also showed the similar
picture. Population of beneficiaries revealed that 9.68% units are in industry sector, 37.89% units are in service sector and 52.43% units are in business sector. But as per the scheme guidelines, business sector units must not be more than 30%.

8. Survey revealed that in 37.27% cases benefit was availed to the existing ventures. Some bank managers informally agreed that due to poor recovery under the scheme, now a days, banks prefer to give the benefit to the existing ventures, which are already established and recovery shall not be a big problem for them.

9. Around 62% beneficiaries complained of inadequate finance and some of them blamed it to be the cause of their failure in the ventures. Inadequate finance is worse than out rightly rejecting it. Due to inadequate finance the functional efficiency of the funds decreases more than proportionately.

10. Nobody had the correct knowledge of the modus operandy of how the subsidy is received or credited to their loan account.

11. It was found that banks are not observing the norms of eligibility for giving subsidies to the beneficiaries. Some beneficiaries who finally adjusted their loan accounts even before three years were also allowed the benefit of subsidy.

12. As per the responses of the DIC officers and the bank officers, recovery is only 41% and 24.14% respectively. It is very poor and it is adversely affecting the target achievement performance of the scheme in the district.

13. Emulation effect is omnipresent. The syndrome that “when others are not repaying and no action is being taken against them, why one should repay?” is spreading like a wild fire in Amravati district.
14. The poor rate of recovery under the scheme reflects gross misuse of the public funds, which are already scarce in developing countries like India. This misuse takes the march of the development backwards rather than forwards.

15. Due to poor recovery, banks and DIC are giving a convenient go by to the eligibility criteria on the ground and it was found that they are favouring richer sections of the society (fulfilling so called eligibility on paper) for the benefit of the scheme.

16. Banks are not able to make adequate follow up for recovery in the form of personal visits and filing and properly following up the court cases and adopting the other procedural measures scheme due to insufficient staff in their branches. They are generally avoiding the FIRs and court cases for the fear of cumbersome police procedures and the unfructious outcomes of the lengthy legal battles.

17. The politicians because of their vested interest misguide the beneficiaries and encourage the wilful defaults.

18. Around 15% beneficiaries were found to have used social and/or political influence and indulging in gratifying the officers at DIC and as well as banks.

19. Revenue Recovery Procedure is not in operation in Maharashtra and many other states. As the political parties in power want to gain cheap popularity and create vote banks through appeasement, majority of state governments in India have not invoked this procedure for government-sponsored schemes.

20. DIC officers are not very cooperative to the beneficiaries during the process of the benefit and as well as after the establishment of their ventures.
21. Only about 40% beneficiaries were not satisfied with the treatment they received during and after the processing of their loan applications from DIC officers and bank officers.

22. About 42% beneficiaries were asked by the banks to provide guarantees and/or collateral securities and about 38% of them provided it.

23. The present process of PMRY benefit is very lengthy and time consuming. 150% applications are generally initiated by the DIC against their yearly targets, assuming that at least one third of such applications are going to be rejected for one or the other reasons. As the rejection is at the far end of the process it is resulting in great inconvenience and loss to such beneficiaries and also to the implementing agencies. It is nothing less than harassment of the beneficiaries.

24. It was found that beneficiaries with the collusion of the suppliers sometimes partly and sometimes fully encash their cheques of PMRY benefit by paying a price in the form of commission. It was also reported that some bogus firms are run to do such encashment business.

25. Only around 70% ventures are doing well, 21% ventures are already closed and 9% ventures are on the verge of collapse. It means that only around 76% beneficiaries are successful in their ventures. If we read these figures with the figures of 52% beneficiaries ineligible on account of annual income and around 37% beneficiaries having the existing businesses at the time of availing the benefit, the real success rate of the beneficiaries in their ventures is very negligible.

In view of the above analysis our Null Hypothesis initially taken stands proved.