CHAPTER 2

REVIEW OF LITERATURE
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One of the drivers of India’s Growth going forward is how well the educated youth adapts the emerging opportunities in the new India. Historically Indians have been reasonably risk averse, preferring salaried jobs rather than take the plunge into doing something on their own. Also the way Government setup the system for creating Entrepreneurs is also a question mark, Implementations of various schemes are done, but the effectiveness of it is always in downside.

A literature survey was conducted to gather opinions and reports of the researchers and interested groups who have studied the subject. Several studies on the subject in a restricted sense have been undertaken by particular bank / group of banks, individuals and organizations. Number of committees appointed by the government of India and RBI has also studied the banking problems of the country, presented below is the review of such literature.

Dinkar Rao (1982)¹ “Lead Bank Scheme : Retrospect and Prospects”, conducted a study on Lead bank Scheme and states that extension of credit to weaker sections is a social obligation. It is to be shared between the agencies, including the government departments and the financial agencies who are involved in the implementation of the schemes for development agriculture and other priority sectors. The lead bank scheme can only be expected to reflect the local needs and genuine regional grievances, the influences of which could be felt only in the long run.

Sathya Sundaram (1984)² “Priority Sector Lending Problems and Remedies”, remarks that a number of schemes are formulated and implemented for the development of rural economy. The success of such schemes depends on the operation of credit agencies which are entrusted with the task of helping the rural poor. The establishment of more and more credit agencies will create confusion in the rural credit operation. Therefore, a proper co-
ordination among the credit agencies is essential for the better implementation of the schemes and which will be more helpful to the rural poor.

**Varshneya** (1984)³ in his study with SBI, from the experience of bank officials, most of the borrowers lack entrepreneurial talent and hence are not able to succeed in their ventures. even though they might be technically qualified otherwise ,therefore banks initiated EDP under which they identify potential entrepreneurs ,train them and motivate them to undertake risk bearing individual activities. SBI also found it necessary to implement the Equity fund scheme in 1978 from which interest free loans are granted to new small scale units to strengthen their equity base.

**Ramesh Chand and Sidhu** (1985)⁴ “Characteristics of Defaulters of Agicultural Credit in Punjab A discriminant function Approach “state that high level of education of the borrowers or family members of the borrowers contributes towards non defaulters. Lower levels of education, ratio of dependents in the family and consumption expenditure etc account for willful default.

**Viswanathan B.S** (1985)⁵ in his study on “Rural Co-operative Credit” states that the over dues to a large extend are on account of willful default which is either due to an ineffective recovery machinery or because of unfavorable recovery climate.

**R.N. Malhotra**(1986)⁶ “The Role of Banking in Rural Development” in his study on the Role of Banking in Rural Development states that banks should actively participate in rural credit. Banks should finance viable projects and exercise effective control over credit utilization. The responsibility of banks does not end with the disbursement of loans. They should see that the borrower utilizes the amount of loan for the purpose for which it has been sanctioned.

**S.B. Dangat,S.R. Radkar and M.P. Dhongada**(1986)⁷ “Micro level study into the Borrowings and Utilization of Medium and long term loans in Ahmadnagar District” in
their study on the Utilization of fund borrowed under medium and long terms loans state that most of the borrowers use the medium and long term loans for their personal and unproductive purposes. The funds are mainly used by the borrowers for conducting marriages and other functions, construction of buildings for residential purposes, repayment of earlier debts etc. Proper appraisal, guidance and supervision by the bank personnel are essential to ensure that the borrowers utilized the amount borrowed by them for productive purposes.

**Economic research Department of the state Bank of India**, Central Office, Bombay (1987)\(^8\) conducted an observative study on the “impact of bank credit on the weaker sections in Kerala”. The study reveals that the financial assistance from the banks has helped many poor and efficient workers to start self employed business units. The study also reveals that the bank loans helped to generate employment opportunities and income of the people thereby increases the standard of living of the poor.

**H.C. Malhotra and kulshrestha** (1987)\(^9\) “The Role of Banking in Rural Development”, states that the bank loan will not improve the quality of life of the poor unless the borrower utilizes the fund for productive purposes. To ensure utilization of funds for productive purposes, proper monitoring and supervision by the lending banks are essential. They suggest co-ordination between the lending agencies and minimizing competition to improve the better utilization of funds by the borrowers.

**B.Ramachandran Rao** (1987)\(^10\) in his study “Priority sector Advances –Evolution and Monitoring” opined that Priority sector advances are given beyond the targets ,the probability of the banks will be affected as they carry a low rate of interest .it is the endeavor of every bank to consciously monitor the priority sector advances to see to it that they are well within the targets set for them so that more funds could be deployed at a higher rate of interest
R. Muniraj (1988)\textsuperscript{11} “Improving Recovery Performance through Effective Financing of Agriculture”, suggests that before granting loans, the beneficiaries should be properly motivated to use the credit, adopt improved technology, keep up credit discipline, etc. They should be inculcated to banking habits. Lack of supervision and follow up as well as lack of interpersonal relationship between banker and borrower are the major causes for misutilization and diversion of loans which result in low income, low savings and non repayment.

K.K. Ammannaya (1989)\textsuperscript{12} “Bank Credit and Growth Strategy-some issues “states that the problem of poverty can be solved by identifying the poorest among the poor and providing financial assistance against their viable project. They should be provided with adequate training for the proper utilization of loan amount and be informed about the responsibility in repayment of the loan.

U.K. Sarma (1989)\textsuperscript{13} “Role of Banks in Rural Development” in his study on the Role of Banks in Rural Development states that bank loans for the development of rural areas will increase the rural indebtedness unless such loans are utilized for productive purposes. Banks should ensure that loans are sanctioned against viable projects and amount is disbursed in time. Adequate and timely credit may help to increase productivity and profitability.

Mannohan Singh Gill (1990)\textsuperscript{14} “Weaker sections and credit facilities :An analysis of Delivery System”, in his study on Weaker Sections and Credit Facilities :An Analysis of Delivery System states that most of the bank loans under the sponsored schemes are sanctioned on the recommendations of the political leaders and officials and that beneficiaries have given bribe to these leaders and officials for obtaining loans.

S.S. Kalra (1990)\textsuperscript{15} “Menace of Overdue”, states that loan recovery under sponsored schemes is a difficult task and banks should develop new and improved techniques in
credit recovery. Follow up and supervision will facilitate better utilization of bank credit and its recovery in time.

**Dr. S.N. Bansal and Dr. V.K. Agarwal** (1991)\(^{16}\) “Why world bank is against Priority sector lending?” State that the government policy of waving of loans makes recovery of bank loans more difficult. The beneficiaries who are regularly repaying the loans will refrain from repaying the loans and this will result in non recycling the loan for further lending. Ultimately such policy affects the economic progress.

**Mohammed Iqbal Ali and P.K. Krishnamachary** (1992)\(^{17}\) “New Dimension in the Flow of Institutional Credit – A micro level study”, state that bank credit is essential for improving economic conditions of the weaker sections. The performance of the commercial banks in financing the development schemes in rural and semi urban areas is satisfactory.

**Sudipto Mundle** (1992)\(^{18}\), “The Employment effect of stabilization and related policy change in India” the study led to the conclusion that though the visible under employment as a phenomenon has been declining quite rapidly , the stabilization programme could still result in addition under employment of about half a million person per annum during the next two years. However, the impact on visible under employment is quite small as compared to the impact on open unemployment. The estimate reports that even under favorable conditions, the stabilization programme would result in about 4 million additional unemployed persons each year during 1992-94. Under less favorable conditions, the extra unemployment could go up to as much as 8 to 10 million persons. This would take the total employment up to about 20 to 25 million persons by 1993-1994 with the unemployment rate rising to around 5 per cent to 7 percent of the total labour force. Based on the cost benefit analysis, Sudipto Mundle stated that it would require Rs. 4,320 Crore as a cost of expanded safety net in order to mitigate the problem of educated unemployment.
N.S. Toor (1993)¹⁹ “Banks Finance for SSI: Need for New Approach”, states that the banks should change their attitude towards SSI units. Most of the problems of SSI units are beyond their control and banks should adopt a helping attitude in dealing with SSI units. Monitoring, supervision, follow up and control are essential to ensure the desired result.

A.V. Dhond (1994)²⁰ in his study on the “Role of Commercial Banks in the Development Small scale Industries sector” states that the importance of small scale industries in the economic development of our country cannot be ignored. The commercial banks should take necessary steps to increase the credit to SSI units. These units are expected to get heavy demand for their products from multinational companies which are going to set up their units in India.

A.R. Patel (1996)²¹ “Credit to the Farm sector: Need for New Initiatives”, states that the Government should help the commercial banks in the implementation of schemes for the development of rural areas by appropriate measures in recovering the loans which will reduce over dues in future State participation will help to increase the productivity of credit to weaker sections.

Varghese K. John and Dr.C.V. Jayamani (1997)²² “Prime Minister’s Rojgar Yojana- a Micro Study” stated that procedures and formalities in sanctioning the loans are too lengthy and time consuming in PMRY. The procedures are almost duplication and cause unnecessary delay in sanctioning the loan To eliminate the duplication of work they suggest that the feasibility of the unit and capability and eligibility of the applicants must be scrutinized by only one agency either the bank or the District Industries Centre. They also suggest that the PMRY Scheme must be operated for the benefit of the deserving people.

M.Ramdas (1998)²³ “PMRY scheme in Pondicherry A case study” the PMRY Scheme was really lending a helping hand to the educated unemployed persons the multiple
impact of the scheme on the individual and the economy was found to be considerable. According to the researcher, the PMRY Scheme produced tangible economic efforts and intangible social effects.

The University Grants Commision (UGC) National Level seminar (2001) on Impact of Government Scheme on the Generation of Employment was held during 23-24 March, 2001. The seminar was organized by the department of Commerce, Sri Venkateshwara University Post Graduate Centre, Kavali, Andhra Pradesh, the abstracts were published by P.R. Sivasankar, seminar director. Some excerpts from the papers are examined below.

Ravindra babu P presented the paper “PMRY Scheme A perspective”, in which he opined that the PMRY scheme training did not serve the purpose and the employment generation which was assessed as low as three per unit. Therefore the author stated that first develop infrastructure and than start units. Further he suggested that Banks should consider human factor besides financial aspects. The aim showed was to achieve 100 percent grounding of units, 100 percent loan recovery and that the employment registration should be cancelled to the PMRY beneficiaries. Despite minor lapses, the scheme was popular with the people, the government and banks according to researcher.

Mohan reddy, P sambabivindu and subarayudu Y, presented a paper titled “PMRY scheme Cuddapah district – An Analysis”. According to authors, the achievement of the target varied from 67 percent to 107 percent in all these years. The percentage of units grounded to total units sanctioned varied from as low as 10 percent to 76 percent in various years. According to them, the PMRY scheme failed to support the STs and Minorities to the extreme deserved level of practice. It was suggested that the target should be fixed in terms of the successful projects and not merely in terms of sanctions.

Feri .sd. Uddi and sankara Reddy .K, in their paper “Impact of PMRY An Employment of Generation in Chittor District”, stated that under PMRY scheme in the chittor district,
6483 units were sanctioned up to the end of December 2000, and out of total sanctions, 62.6 percent of the units loan (4057) was distributed. The urban area shared 53.4 percent and the rural areas shared rest. Among the total units, 29.5 percent of units were sanctioned to women entrepreneurs.

**Signe-Mary Mckernan** (2002) viewed on their paper “The impact of Microfinance Programs on Self Employment Profits: Do Non Credit Program Aspects Matter? Microcredit Programmes provide a two tiered approach to poverty alleviation, Credit for the purchase of capital inputs in order to promote self employment and noncredit services and incentives. These noncredit aspect may be an important component of the success of microcredit programs.

**Gilroy Rozario and Dr. Rajagopala Nair** (2002) conducted an empirical study on Prime Minister’s Rojgar Yojana in Kerala. In the study they state that the beneficiaries have experienced a number of difficulties in obtaining PMRY loans and running their units. Commercial banks were reluctant to provide working capital loans to the beneficiaries and for operation of their units they had to depend on money lenders and others for fund. This put them in over financial burden.

**K.V.S.M Krishna** (2003) Bridging the Gap: “Conceptual paradigms and Training for Entrepreneurship Development “ in his study mentioned that, in the process of Entrepreneurship development training is responsible for generating awareness, developing attributes and providing the necessary linkages. It has been realized that half baked attempts in generating awareness could lead to difficulties particularly on matters of developing the right attitude. This would than compel the entrepreneur to rely on the linkage for his performance.

**Anil Kumar** (2004) “Financing pattern of Enterprises owned by Women Entrepreneurs reveals that Women Entrepreneurs are dependent on internal sources of finance to set up their business. Financial institutions role in financing these enterprises is low, also EDP
programmes should be launched in rigorous way to provide them training and facilities available to them under different schemes.

**Dr.K.V.Patel** (2004)\(^{39}\) in his study “Role of subsidy in credit linked development programmes” stated that the financial viability and bankability of the project would considerably improve because of subsidy. The banker would automatically get a credit guarantee advantage equivalent to the amount of subsidy. Since the subsidy is deposited with the bank by the government, the recycling of funds and the liquidity of the bank would improve whenever a banker participate in such development schemes.

David B Audretsch, Martin Carre, A J Van Stel, A R Thurik (2005)\(^{30}\) in their paper on Does Self Employment Reduce Unemployment? There is both a “recession –push” and a “prosperity –pull” aspect of the relation between unemployment and self employment. Unemployment reduces the opportunities of enjoying a paid job and stimulates searching for one. This “pushes” people into self employment.

**Dr. Gilroy Rozario** (2006)\(^{31}\) in his study on Problems of Women Units in Kerala under PMRY state that women beneficiaries under PMRY experienced difficulties in obtaining loans, procuring materials, marketing products, credit collections, obtaining license or permission from government offices etc. Moreover their immobility made them struggle to run their units. Shortage of fund for running the units increased their difficulty.

**M.A. Lokhande** (2006)\(^{32}\) in his study Entrepreneurship Development among scheduled Caste and Scheduled Tribes in Marathwada Region states that Social Discrimination has been a stumbling block in the process of entrepreneurship development among weaker section of our society. Any type of discrimination i.e. based on caste, creed or religion must be rooted out, banks should not stress on security in case of genuine weaker section of entrepreneurs as they hardly possess any property to offer it as security.
I.C. Awasthi (2006) “Are Micro Enterprises poised for takeoff? Experience of PMRY” in his study highlights that unorganized sector is unprotected with insecure employment, absence of social security and deterioration of labour standard. Therefore, need to make this sector productive in the face of a competitive environment and generate employment on a sustainable basis through a comprehensive security system. Also, researcher stressed that the policy measures require active labour market policies which include improving the labour market information system through effective monitoring, area regeneration, investment in training and retraining, emphasis in vocational and technical skill training and redeployment of retrenched workers.

Abhiroop Mukhopadhyay, Indira Rajaraman (2007) “Rural Unemployment: Who gained? Who lost?” There is an overall rise in rural unemployment, in terms of both total and partial failure to find work during the reference week, between the 55th (1999-2000) and 61st (2004-05) round employment surveys of the National Sample Survey. This is something of a puzzle given the reported rise in monthly per capita rural expenditure between the two rounds. The decline in unemployment among males with secondary school or higher education, relative to illiterate males, suggests that the rise in rural prosperity closely matches the pattern of access to rural school facilities. Of the four disadvantaged groups tested for, scheduled tribes face the highest incremental unemployment, which remains unchanged into the 61st round. This is an important pointer to the required regional configuration of workfare programmes like the National Rural Employment Guarantee Scheme, and for the spread of rural Schools.

K Sundaram (2007) “Employment and Poverty in India 2000-2005” This paper is principally focused on the changes in the size and structure of the workforce and the changes in labour productivity, wages and poverty in India of the 21st century. The period between 2000 and 2005 saw a sharp acceleration in workforce growth, and, on the obverse side, a slowdown in the rate of growth of labour productivity across most sectors and in the economy as a whole, and, a slowdown (a decline) in real wage growth in rural (urban) India. Consistent with the trends in labour productivity and real wages, relative to the 1994-2000 period, the pace of poverty reduction between 2000 and 2005 shows, at best, a marginal acceleration (or a marginal deceleration, depending on the choice of poverty
lines) in rural India and a clear slowdown in urban India. This period also saw a small rise in the number of working poor and a substantial rise in the number of self-employed and regular wage/salary workers in the “above poverty line” households.

*Thomas G Johnson* (2007)36 “Measuring the benefits of Entrepreneurship development Policy” the theory developed in this paper suggests that entrepreneurship policy can be directed at the individual, firm or regional levels. It can be designed to affect either the conditions or the elements of entrepreneurship. Individual level policy might focus on increasing the incentives to start business, or it might endeavor to improve the skills of entrepreneurs. At the firm level, the policy may try to improve the management or the productivity in key sectors. It may also encourage research and development. At the regional level entrepreneurship policy might focus on regulations, business climate, and regulatory relief, or it may also encourage the development or regional clusters.

*C.Muthlakshmi* (2007)37 “Effectiveness of PMRY Scheme in India”, in her study explores various issues such as status of loans under PMRY, rate of poverty and unemployment in India. She also stressed to reduce crucial formalities and procedure in order to avoid educated unemployment.

*Ram Pratap Sinha* (2007)38 “Priority Sector Lending of Indian Commercial Banks: Some Empirical Results” analysed in his paper that most of the observed large public sector commercial banks and some of the private sector commercial banks exhibited decreasing returns to scale during the period under consideration, i.e. they devoted lesser proportion of their resources to the priority sector. Even in a Market oriented economy the importance of Priority sector lending cannot be undermined.

*P Laxamana and Ishwara P* (2008)39 “Entrepreneurial Promotion Through EDP” in his study evaluates EDPs operating in various states and it shows that the organizing agencies of EDPs are themselves involved in the process of performance evaluation. They paint a rosy picture of work done in the field of EDPs and performance of
entrepreneurs to improve their image and popularity. The assessment of schemes of various training programs conducted for the development of entrepreneurial and managerial talents in various states of the country should be done by the competent authority and the objective of assessment would highlight the inherent weakness of the operational efficiency of EDPs and would also have a way of remedial measures.

Sierdjan Koster and Shailendra Kumar Rai (2008)40 “Entrepreneurship and Economic Development in a Developing Country: A case study of India” expressed that Entrepreneurship is generally accepted to be a necessary condition for sound long term economic development. Entrepreneurs introduce new products and new production processes in an economy. In the process, incumbent firms are forced to innovate in order to withstand the pressure generated by new firms. According to researchers Entrepreneurship has a rejuvenating effect on economies.

G.P. Prasain, M. Ibungomacha Singh and N. Sharat Singh (2009)41 conducted performance Evaluation of Prime Ministers Rojgar Yojna A case study of Manipur, they have analyze that the low achievement of target cases. Thus target the target disbursement achievement on the implementation of PMRY in Manipur is lower than that of average of disbursed in many districts.
Foot Notes:


22. Dr. Jayamani C.V. and Varghese K. John “Prime Minister’s Rojgar Yojana- a Micro Study”, *kurukshetra* Vol. XLV (10), July 1997, pp. 50-52


