Chapter I

Introduction
CHAPTER - 1

INTRODUCTION

Indian economy has been facing challenges with regard to unemployment and economic growth. By and large unemployment in India is structural in organized sector. During the past five decades population of India has grown at an alarming rate of around 2.2 percent per annum, whereas employment opportunities have not been increased correspondingly due to slow economic growth. However, the removal of unemployment has been a proclaimed objective of Indian economic plans. The problem of unemployment is perceived to be conflicting with economic growth.

The rise of unemployment has further been accentuated by the Government penchant for economic liberalization and technological upgradaion. Though standard of life might have been improved with Liberalization, Privatization and Globalization (LPG) policies, but the number of individuals with no job is also on the rise. The burgeoning unemployment among youths in urban and rural areas has caused myriad number of social and economic problems. The increasing cases of suicides, social tensions, rising number of robberies, easy prey for anti social elements etc., are all pointers regarding uncontrolled rising number of unemployed youths.

Reliving the significance of employment, the planning commission in its version-20.20 document stressed for the need of employment augmentation. The commission felt that labour oriented employment policy will help removing the sufferings of the unemployed. A society for its continued prosperity and well-being of people depends on the availability of employment and on income generated, which in turn keeps the wheels of production moving.

The unemployment problem has attracted the concern of most of the Governments in the world over the years. The anti unemployment measures initiated varies from developed nations to developing nations. The developed
countries provide unemployment compensation and social insurance. They are also undertaking manpower planning, which is deemed to be an improved approach to provide information on the present and prospective labour market requirements caused by technical and economical progress.

The most alarming form of unemployment today is educated unemployment. It’s prevalence is omnipresent because rural as well as urban sector is facing the drain in resources.4

The Government of India has made honest efforts in combating the menacing problem since independence through its various economic policies. However, the origin of the Unemployment Alleviation Programme (UAP) could be traced to the submission of Bhagawati committee report. The report submitted in 1975, recommended inter alia, under problem in the country.5 As a result, the Central Government announced a special scheme known as Self-Employment to Educated Unemployed Youths (SEEUY) in 1983-84. The scheme continued till the end of March 1993 and in the year 1993-94, the scheme was rechristened as Prime Minister's Rozgar Yojana (PMRY). Under the scheme, the District Industries Centre (DIC) and commercial banks play the pivotal role. A fine sum of amount is given as a loan which has features like subsidy, and concessional Prime Lending Rate (PLR) of interest. The scheme was specifically designed for the educated unemployed youths living in both rural and urban areas. The idea behind framing the PMRY scheme was to reduce the unemployment rate among the educated youth by creating self employment opportunities in industry, service, and business sectors.

Besides PMRY scheme, the Government of India has initiated various other unemployment alleviation schemes like Integrated Rural Development Programme (IRDP), Jawahar Rozgar Yojana (JRY), Khadi and Village Industries Corporation (KVIC), Supply of Improved Tool kits for Rural Artisans (SITRA), Self-help Groups (SHGs), etc. However, the PMRY scheme is specially designed to suit the educated unemployed youths, who constitute a large chunk of, part of unemployed figure. The distinct characteristic of the
scheme is to assist financially in establishing business ventures in the field of industry, service and business sectors.

1.1 Need for the Study

To combat this menacing problem of educated unemployment the only alternative is to create self-employment opportunities in the non-farm sectors. As a result, Raichur district came under the ambit of PMRY scheme in the year 1993-94. The DIC is the nodal agency which in consultation with banks selects the beneficiaries for financial and non-financial assistance.

In this regard it is of higher relevance to evaluate how for the PMRY scheme has contributed to the development of beneficiaries on social and economic aspects in the district. The scheme seems to be a small attempt to solve a mountain size problem. Although the scheme has made a dent at reducing the menacing problem to some. A continuous evaluation of the schemes achievement against objectives is called for from time to time to verify how far the scheme has succeeded in achieving its objectives. The Central and State Governments release a large chunk of funds, which are very megre, in implementing the scheme. The funds so invested should generate required returns in terms of improved living conditions of beneficiaries or participants who have been sanctioned the benefits under the scheme.

In the light of this the study makes a sincere attempt to measures how far the PMRY scheme, implemented in Raichur district, has made contribution to the economic and social progress of beneficiaries. The evaluation of this study aims at throwing a plethora of information which will be useful to planners, administrators and beneficiaries to strengthen, stream line and to re-orient the PMRY scheme.

1.2 Review of Literature

In the part of research work pertaining to this topic, there were significantly less literary reviews. The earlier studies related directly or indirectly to the present investigation are reviewed in the following sections.
1.2.1 Studies by Individual Scholars

Bhatia⁶ sounded a warning when he stated that the chances of a peasant and workers revolution, but the danger of the revolt of the unemployed youth is not only real but also imminent. Supporting the view of Bhatia, others state that if the situation continues it will constitute a potential threat to security and stability of the state as the educated unemployed are not dumb drivers of cattles but are intelligent people who will not accept an unenviable position of lying down. This study was of immense help to understand the seriousness of the unemployment problem in India.

According to T. Venkateshwara Rao,⁷ there is lack of interest in the working of DIC’s. There is discontentment among both the beneficiaries and the functionaries. The beneficiaries are disgruntled with the functioning of DIC as organizational hurdles are imposed upon them. Rao suggested that if the DIC’s were to act as catalysts for industrial promotion, there would be an imminent need to appoint full contingent of functionaries well supported by a large number of extension officers. This work will be of immense help to understand the structure of the DIC’s and the role of functionaries and discontentment of the beneficiaries. The DIC’s are considered to be the main Government agencies to clear SSI proposals. Hence, self-employment proposals coming under the jurisdictions of DIC’s need to be processed and cleared by the DIC’s.

In the panel discussion⁸ on “Economic Reforms and Offer,” the participants were S. L. Rao (NCAER New Delhi), Indira Rajaraman (NIPED New Delhi), Bharat, Rameshwar, and Pulapre Balakrishna, Shubha, Gagopadhyay faculty member of the Indian statistical Institute New Delhi, and Subir Gokar of the Indira Gandhi Development Research Institute IGDRI, Bombay.

Experts from the above panel discussion relevant to the present study are presented below: Indira Rajaraman (NIPFP New Delhi) expressed her surprise that anyone should be unduly worried that employment in the organized sector
has not kept pace with investment and profit. There are a host of countries, Italy for instance that has grown through employment in unorganized sector, Benetton has relied for long, or small firms to supply them and it grew phenomenally on the basis of the surge in the unorganized sector, she opined that the garment imports in India has grown through the unorganized sector, thereby providing new opportunities of employment.

As pointed out by the special correspondent, THE HINDU\textsuperscript{9} 75 percent of the 150 million unemployed people around the world lack any insurance protection, while a vast majority of the population in many developing countries, including the informal sector wage earners and self employed persons, have no social protection, whatsoever.

International Labour Organization (ILO) has insisted that the major focus must be on the coverage to these workers because the society does not pay enough attention to security. Particularly the security of weaker members who eventually suffer a destructive backlash. However, of all ILO member countries, the report identifies Austria, Belgium, Denmark, Finland, Germany, Iceland, Netherland, Norway, Portugal, Spain, Sweden and Switzerland as providers of the most generous unemployment protection systems.\textsuperscript{10} In this content, India is mentioned for the Central Governments Jowahar Rozgar Yojan (JRY) and the Maharastra Government Employment Guarantee scheme (MEGs). The Scale of such programme can be compelling says the report. Finally, ILO insists on social security for workers of the informal sector. Samir Gupta, the President of the Federation of Cottage and Small Industry (FCSI)\textsuperscript{11} says that banks are always stingy about funding for tiny units, and impose to the Prime Minister's Rozgar Yojana Scheme, which has received a setback in the eastern region of India due to non-cooperation from banks.

In his study, Amartya Sen\textsuperscript{12} implores the inter relationships between institutions, technology and employment. His work provides a conceptual frame work for the use of existing technological knowledge as an employment strategy in developing countries. A notable conclusion is about economic and
employment policies, if formulated in isolation from the specific political social and institutional milliere, are bound to flounder.

K.S Daniels\textsuperscript{13} study throws light on the Role of Commercial Banks in implementation of SEEUY scheme in Hubli-Dharwad Corporation Area of Karnataka State. The main objective of the study was to find out the benefits of the scheme on the target group. The study found that the beneficiaries generated a net income of Rs.760 per month and was the highest in business sector. The average employment generated was 2.5 persons per unit. The study suggested that there is a need for upward revision of the loan amount, a single window scheme could be activated and the loan procedure should be simplified.

Ravindra Baba\textsuperscript{14} presented the paper “PMRY Scheme A Perspective,” in which he opined that the PMRY schemes training did not serve the purpose and the employment generation which was assessed as low as three per unit. Therefore, the author stated first to develop the infrastructure and then to start units. Further he suggested that banks should consider human factor besides financial aspects. The aim 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 the researcher.

1.2.2 Study by Banks

The evaluation study by the Canara Bank\textsuperscript{15} revealed that out of the sample taken for the study, 59.00 percent of the units were functioning and 41.00 percent of them were not functioning. The overall average recovery of the loan was around 20.00 percent, some units were not functioning because of-

- sale of assets (43.00 per cent)
- miss utilization of funds (29.00 per cent)
- lack of interest to run the unit (25.00 per cent) and
- abandoning the unit by the beneficiaries after getting jobs elsewhere (3.00 per cent).
The study suggested that the close follow up by the branch managers went a long way in increasing the performance of these beneficiaries whose intentions were good and to a great extent altered such of those beneficiaries who had a negative attitude.

The State Bank of India\textsuperscript{16} reported that the bankers were attaching too much importance to the target orientation of the scheme. But, as it appears, the major part of the work was done in the last two or three months before the end of the financial year. They could not do proper justice to their part of the work, and hence put much pressure on the branches to sanction the loan quickly. From the beneficiaries there were complaints of insufficient proportions of loan. The borrowers wanted the payments in cash instead of bank paying directly to the suppliers. Another noteworthy point was that the loan amount was lower than the minimum permissible amount in almost all cases. Before approving the activities, a survey of the districts was needed on a regular basis to identify the activities, which had good market potential and also infrastructure support.

According to the Andhra Bank\textsuperscript{17} for the year 1994-95, all the 23 DIC's in the State of Andhra Pradesh had sponsored applications to an extent of 171 percent against the target. Our of this, 85 percent cases were referred to banks, and nearly 16 percent cases were rejected on various grounds while the percentage of pending to the number 50 for referred was 38. The performance in terms of sanction to targets for nationalized banks was 40 inspite of the fact that the performance of Vysya Bank Ltd., which had the largest shares in the scheme of the interest of 31 percent. The studies revealed that a majority of the units financed by banks under the scheme had been doing well. If suitable measures were designed for constant follow up inspection and recovery in the scheme would certainly become successful.

In fact, it may be stated that the main focus of the studies by the banks under review was on utilization of loan, procedures for implementation and recovery of loan, but not on curtaining its impact. Therefore, these studies may
be considered as "process" or "concurrent evaluate and not comprehensive" evaluation moreover, as the banks are one of the key agencies in the implementation of the scheme. An evaluation of the scheme by them would be an "internal" assessment. Any evaluation, if it is "objective" should be made by the external agencies having no favour or prejudice about the scheme.

R.B.I 1996\textsuperscript{18} The RBI did this study in January 1996 to examine the performance of PMRY scheme. The study covered more than 2,000 borrowers financed by 360 branches spread over 126 districts throughout the country. The major findings of the study showed that several core branches delayed disbursement of loan on flimsy/ unjustified grounds. The percentage of recovery was only 59.44 percent. The study found that majority of units had generated an average monthly income of Rs.2000. The study suggested identifying the non-viable units at the early stage only and the same had to be informed to the task force so that they could be converted into viable units.

IAMR (2000)\textsuperscript{19} The study was conducted by the institute of Applied Man Power Research, New Delhi. The study found that the scheme had generated employment for about 2.4 persons per unit. The potential employment generation was found more in industrial sector than in service and business sectors. Training was found to be very useful for majority of the beneficiaries and almost half of total applications were rejected by the task force committee mainly due to inadequate technical skills. The study stressed for providing more training facilities to youth for starting their ventures under the PMRY scheme.

1.2.3 Studies by Research Organizations

DIC Gulbarg\textsuperscript{20} made a study of the amount sanctioned and disbursed for the assisted units during the last three years ie 1983-84 to 1985-86 which amounted to Rs.38.49 lakh and Rs. 62.37 lakh during 1983-84, Rs.156.82 lakh and Rs. 142.31 lakh during 1985-86 respectively. Even though they showed 50.00 percent reservation for industrial activities, in the interest of the development of this backward district of the state, the state Government
exempted this district from a rigidly maintaining required percentage for industries, service and business ventures. SC/ST category 9.00 percent and backward classes and minorities were of 33.00 percent of the total number of youth assisted during the proceeding three years. The lesser number of SC applicants assisted was due to lesser number of SC applications. Women beneficiaries accounted for 3.00 percent of the total utilization of loan amount, on an average it was 19.00 percent of the total number of SEEUY assisted units during the proceeding three years.

The units, which were yet to start repayment, were 31.00 percent and willful defaults comprised 35.00 percent of the total SEEUY assisted units. The study suggested that 100.00 percent joint inspection enabled both the bank and DIC officials to guide the entrepreneurs on marketing and managerial aspects and also to impress upon them about meeting their repayment obligations.

The Reserve Bank of India conducted a study which covered 1,141 beneficiaries spread over 53 districts in 16 states and one of the Union Territories. Out of 1,141 beneficiaries covered by study criteria regarding age (between 18 and 35 years) and educational qualification (tenth passed) had not been observed in 7 and 11 cases respectively, 15.5 percent of the beneficiaries recieved assistance under the scheme despite being ineligible in terms of occupational status, out of 1,141 cases, in 132 case (5.9 percent) the assets were reported to have been sold out. Besides 53 cases (4.6 percent), loans were utilized by the borrowers for purposes other than those for which the loan was sanctioned.

Out of 1,141 beneficiaries 148 (13.00 percent) beneficiaries did not receive regular income from the activities undertaken, and 338 (29.00 per cent) beneficiaries had inadequate income from the activities financed, while additional security was obtained in 58 cases (5.00 percent persons). In several areas recovery of the loan granted was low due to lack of infrastructure facilities ,improper formulation, under financing and inadequate follow up action. In certain areas, repayment was adversely affected due to an impression
created among beneficiaries that the amount given as loan under the scheme was not to be repaid.

1.3 Statement of the Problem

The economic policies of the country continued to undergo changes in the form of shifting the focus from economic growth to employment or vice-versa, in accordance with the changing needs of the society over a period of time, the mounting pressure of unemployment, particularly educated unemployment compelled the governments to undertake special employment programme mainly supplementary to the main five year plans. The significant among them are Food for Work Programme (FFW) under taken in 1977 with the main objective of providing man-days work under National Rural Employment Programme (NREP) of 1988 with an objective of providing employment to the rural people; Rural Landless Employment Guarantee Programme (RLEGP) of 1983 was started with an aim of providing employment guarantee to the landless agricultural labours in rural areas, and Integrated Rural Development Programme (IRDP) of 1980 with an objective of providing financial assistance to the weaker sections. As a result of restructuring Indian economy, the IRDP and allied programmes, including Million Wells Scheme (MWS), started a single self employment programme called Swarnajayanti Gram Swarozgar Yojana (SJGSY) in 1999, which aimed at promoting micro enterprises and helping the rural to form into Self-help Groups. Further Jawahar Gram Samridhi Yojana (JGSY) was introduced in 1999 as a successor to Jawahar Rozgar Yojana (JRY) with the main objective of creation of durable productive community assets.

Meanwhile, to mitigate unemployment problem among educated youth, both the Central and State Government implemented some special schemes. Among them, an important scheme exclusively meant for educated unemployed youth is Self Employment for Educated Unemployed Youths (SEEUY) scheme which was introduced on 15th August, 1983. The main objective of the scheme was to encourage the educated unemployed to
undertake self-employment ventures in industry, service and business sectors using the provision of financial packages. The scheme covers all educated unemployed youth who have the qualification of matriculation or above and are within the target age group of 18-35 years, and from 1999-2000 year onwards 9th class passed and upto 40 year age. The District Industries Centre (DIC), in consultation with the “Lead Bank” of the district functions as the Nodal Agency for the implementation of the scheme. The banks provide a composite loan to the eligible candidates. Having introduced the New Economic Policy in 1991, the Government introduced the Prime Minister’s Rozgar Yojana (PMRY) scheme on Oct 2, 1993 with the strategies and subsumed the SEEUY scheme to PMRY scheme from 1994-95 onwards.

A review of literature shows that there is a big gap between schemes implemented and their evaluation studies. There has been no major study to evaluate how far such schemes like PMRY, which are implemented with avowed objectives, are good enough in creating a favorable post-scheme effects in terms of economic and social aspects. An optee should lead a better economic life after the scheme. A continuous comparison between pre-scheme and post-scheme periods should be made to evaluate the effects of schemes. Further, activities which are planned would be in a better position to yield a favourable result. Studies are expected to highlight the significance of activity planning.

The studies are expected to highlight the effects of the scheme on rural and urban beneficiaries in all sectors of economy, namely, industry, services and business. However, the review shows clearly that no such attempt has been made to evaluate the social and economic effects of PMRY scheme in rural and urban areas of an backward district like Raichur. To fill this vacuum and to bring out the actual working of the scheme in the district, the present study is undertaken.
1.4 Objective of the Study

The broad objective of the study is to examine the working of self employment scheme for educated unemployed youth mainly that of the PMRY scheme in Raichur district and to asses its impact on income, employment generation and asset creation by the beneficiaries in the selected district. To achieve this, broad objective has been divided into the following specific objectives.

➢ To know the evils of unemployment, especially of educated unemployment in economic and social fronts of the nation.
➢ To study the progress of PMRY scheme in India, Karnataka and in the district of Raichur.
➢ To make a analytical study or the implementation of the PMRY scheme in Raichur district, its impacts on employment generation, income and asset creation.
➢ To examine the repayment behaviour of the beneficiaries in the district.
➢ To study the expectations of the PMRY beneficiaries which as far as future shape of PMRY scheme is concerned.

1.5 Hypothesis of the Study

Against the perceived objectives of the scheme of PMRY and the objectives of the study, the following hypothesis is relevant in the context that are formulated.

➢ There has been a positive impact of the PMRY scheme on employment and income of the beneficiaries.
➢ Higher activity income rather than lower income propels the beneficiaries to repay loan installments regularly.
➢ The impact of the PMRY scheme is not similar as it is between industry, services and business sectors.
➢ The repayment of loan under the scheme is generally poor and non-uniform in rural and urban areas.
1.6 Methodology

1.6.1 Sources of Data

The data is collected both from primary and secondary sources. Primary data is collected from Raichur district in Karnataka. In the district 256 beneficiaries were taken through the random sampling method. The data was collected through beneficiaries with the help of a structured interview schedule, and information was sought besides the socio-economic characteristics of the beneficiaries, on training, role of the banks, role of the DIC’s, functioning of the units, impact of the scheme through income, employment generation, asset creation, problems faced by the beneficiaries and post-loan situation of the units has been assessed properly. The sample was properly classified to account for all sections of the society, all sectors under the scheme and all areas of the district.

Further, the researcher took bold initiative of consulting DIC officials, bank officials, experts in the field of economics, sociology and management on the structure of the questions asked in the schedule. All necessary changes were made to make the interview schedule an optimum one.

In addition to the primary data, the study extensively focused on secondary data for evaluation of schemes and programmes at all levels. The data is obtained from the following sources.

- The Development Commissioner (SBI and ARI) New Delhi.
- The Directorate of Industry and Commerce,(khanija bhavan) Bangalore.
- The District Industries Centre, Raichur.
- The Lead Bank and Service Banks in the study area.
- Journals and other publications.
- www.indastat.com, e-socialscience.com from Karnataka University, Dharwad etc.,
- The Ministry of Micro, Small and Medium Enterprises (MoMSME).
- The Khadi and Village Industries Commission (KVIC).
1.6.2 Selection of the Sample

256 beneficiaries were selected from the study area in three stages. First stage at two taluk level in the district. Second stage, the units were stratified into rural and urban areas in each taluk. Here taluka headquarters are the urban areas and inhabitant villages are the rural areas. While selecting rural locations, villages with the highest number of beneficiaries are selected. The third and final stage involves distribution of sample beneficiaries according to category and reservation (SC/ST, OBC, Minorities and Others). Such a classification is useful to analyse the effects of PMRY scheme on different section of the society.

Table-1.1
Classification of Beneficiaries in Universe and Sample

<table>
<thead>
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<th>Particulars</th>
<th>Universe</th>
<th>Sample</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>percentage</td>
</tr>
<tr>
<td>Total number of Beneficiaries</td>
<td>2560</td>
<td>100</td>
</tr>
<tr>
<td>Location wise</td>
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<td></td>
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<tr>
<td>Rural</td>
<td>1280</td>
<td>100</td>
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<tr>
<td>Urban</td>
<td>1280</td>
<td>100</td>
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<td>Sectoral Classification</td>
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<td>Industry</td>
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<tr>
<td>Service</td>
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<td>Special Category Beneficiaries</td>
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<td>OBC’s</td>
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<td>Minorities</td>
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<td>100</td>
</tr>
<tr>
<td>Others</td>
<td>360</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Survey

1.6.3 Period of Study

The research study covers a period of four years of the functioning of PMRY scheme in Raichur district. Accordingly, the period of study is from 2004-05 to 2007-08.
1.6.4 Statistical Tools Used

Depending upon the necessity, tables, graphs and charts were used and supplemented with simple statistical tools were used to analyze and draw conclusions.

1.7 Research Design

The present thesis is arranged in eight chapters.

Chapter-I

Introductory in nature it covers Need for the study, Review of the literature, Statement of the problem, Objectives, Hypothesis, Methodology, and Research design.

Chapter-II

The second chapter explains the significance and relevance of the educated unemployment. Section-I Educated unemployed in India and Karnaaka. Section-II Educated unemployment in Raichur District-Trends and profile and the evils of such unemployment have been explained in the chapter.

Chapter-III

The third chapter aims to provide an overview of PMRY and PMEGP scheme in terms of its salient features, conditions, loan components etc. Section-I PMRY, Section-II PMEGP The chapter also provides a brief evaluation of the progress of the scheme at national, state, district and taluka levels of Raichur district.

Chapter-IV

The fourth chapter provides the activity planning and implementations. In this chapter there is exhaustive explanation, in terms of various variables like, age, sex, education level, family income, experience etc.
Chapter-V

The fifth chapter explains the progress of PMRY scheme in the study area.

Chapter-VI

The sixth chapter is devoted to analyse the economic impact of the PMRY scheme. The important variables like old and new units, incremental employment effect, incremental income generation and incremental assets creation by rural and urban is studied.

Chapter-VII

Focuses on the constraints and preferences of beneficiaries in the study area.

Chapter-VIII

The last chapter presents a summary of the study and the conclusions drawn in various chapters followed by suggestions on the basis of major findings of the study.
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