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Abstract of Doctoral Dissertation

Working of Self-Employment Schemes for Educated Unemployed Youth – A study of select districts of Telangana Region in AP[1]

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I. Introduction

INDIAN ECONOMY HAS been facing challenges with regard to unemployment and economic growth. By and large, unemployment in India is structural in organised sector. During the past four decades, population of India has grown at an alarming rate of around 2.2 per cent 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 the economic growth. Though with degrees of difference, every Five-Year Plan focused its attention on the removal of unemployment.

While, 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 Programmes under different heads. These Special Employment Programmes are mostly supplementary to the main Five Year Plans.

Further, to mitigate unemployment problem in educated youth, both Central and State Governments implemented some special schemes. Among these, an important scheme exclusively meant for educated unemployed youth is "Self Employment for Educated Unemployed Youth" (SEEUY) Scheme introduced on 15th August 1983. The main objective of

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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. After introducing the New Economic Policy 1991, the Government introduced the Prime Minister Rozgar Yojana (PMRY) Scheme on October 2, 1993 with new strategies and subsumed the SEEUY scheme into PMRY scheme from 1994-95 onwards. The present study investigates this problem.

II. Objectives of the study

- To review the Self-Employment Schemes and policies of the government in general and for Educated Unemployed Youth in particular in India and Andhra Pradesh;
- To study the progress of the PMRY scheme in India and Andhra Pradesh;
- To examine the role of the various institutions in implementing the PMRY scheme;
- To make an analytical study on the implementation of the PMRY scheme in the selected three districts of Telangana region of State of Andhra Pradesh and its impact on income, employment generation, asset creation and new entrepreneur development; and
- To examine the repayment behaviour of the beneficiaries in the three selected districts so far as their loans are concerned.

III. Hypotheses of the study

- There has been a positive impact of the PMRY scheme on income, employment and asset creation of the beneficiaries.
- The impact of the PMRY scheme is not similar as between Industrial, Services and Business sectors.
- The repayment of loan under the scheme is generally poor, and not uniform in rural and urban areas, in category-wise, family occupation-wise, gender-wise, and educational qualification-wise as well as among the Industry, Service and Business sectors.
- The performance of the scheme would be better in developed districts when compared to developing and backward districts.
- The performance of the industrial ventures in terms of asset creation, employment and income generation would be relatively better when compared to business and service sectors.
- The scheme promotes a new class of entrepreneurship.

IV. Methodology

4.1 *Sources of data*

The data were collected both from primary and secondary sources. The primary data have been collected from three districts (i.e. Ranga Reddy district, Nalgonda district and Mahabubnagar district) of Telangana region in Andhra Pradesh. In each district, 6 Mandals were selected by using the random sampling method.

In the three districts 150 beneficiaries each were chosen through the random sampling method and the total number of sample adds up to 450.

The data was collected from each beneficiary with the help of a structured schedule and it was pre-tested before use. Further, for the 'Assessment of the PMRY Scheme in Andhra Pradesh- Perceptions of Officials' (i.e Bank Branch Managers and General Managers of DICs) the primary data constituted the major source.

The secondary data was collected from the offices of Development Commissioner, Small Scale Industries, New Delhi; Planning Commission, New Delhi; Commissionerate of Industries, Government of Andhra Pradesh, Hyderabad; General Managers, District Industrial Centres, Ranga Reddy, Nalgonda and Mahabubnagar districts; Directorate of Employment and Training, Government of Andhra Pradesh, Hyderabad; Directorate of Census Operation, Government of Andhra Pradesh, Hyderabad.

4.2 *Selection of the Sample*

For studying the impact of the PMRY Scheme, structured schedules were separately prepared for beneficiaries, bank branch managers and DIC-officials. 150 beneficiaries were chosen in each of the three districts in the Telangana region of Andhra Pradesh, on the basis of the stratified random sampling method. The strata was selected by giving equal importance to variable like; rural, urban; male and female; new and old units; and Industry, Business and Service sector wise in each of six Mandals from each district for adequate representation. For an assessment of the PMRY scheme-Perceptions of officials, the convenience sampling method was adopted. To elicit information regarding the Scheme, 31 General Managers (GMs of DICs) and 20 Branch Managers (BMs of Banks) were interviewed from the entire State of Andhra Pradesh through a questionnaire and structured schedule.

4.3 *Period of Study*

The study covers a period of seven years of the functioning of PMRY Scheme. Accordingly the period of study is from 1993-94 to 1999-2000, the year 1993-94, being the year of introduction of the Scheme.

4.4 *Statistical tools used*

Depending upon the necessity, tables, graphs, charts, were used and they were supplemented with sophisticated statistical tools such as Co-efficient of Correlation (r), Co-efficient of Regression, Chi-square test, t-test and ANOVA, and the data was processed through Foxpro and Excel packages in the computers.

V. Chapterisation

The thesis has nine chapters. Chapter one gives the Introduction. Chapter two talks of government policy in respect of Self Employment Scheme Andhra Pradesh. Chapter three discusses progress and process of PMRY scheme. Chapter Four describes the bankers role in implementing PMRY scheme in Andhra Pradesh. Chapter five gives the assessment of PMRY scheme in Andhra Pradesh- perceptions of officials. Chapter six sketches the profile of the selected districts of Telangana Region in Andhra

Pradesh Chapter siven has the sample survey: profile of the beneficiaries. Chapter eight projects the Impact of the PMRY scheme. Chapter nine gives the Conclusions and Suggestions.

VI. Major findings of the study

Government Policy in respect of Self Employment Scheme Andhra Pradesh suggests that

- The proportion of the educated unemployed increased from 5.9 lakh in 1961 to 253 lakh in 2001. In educated unemployed, the proportion of matriculates declined from 78.5 per cent in 1961 to 55.5 per cent in 2001, while, that of graduates and post-graduates has risen from 9.5 per cent in 1961 to about 18.25 per cent in 2001. Further facts that, a paradoxical man-power situation exists within certain categories, and shortages in others.
- The Eighth Five Year Plan envisaged acceleration of employment growth with the goal of achieving a near full employment situation in a period of about 10 years. Given an estimated backlog of 23 million unemployed in the beginning of the Eighth Plan and additions to the labour force of 35 million and 37 million during 1992-97 and 1997-2002 respectively, the total number of persons requiring employment would be 95 million over the period of ten years i.e. from 1992 to 2002. To achieve a near full employment situation by 2002 it need a rate of growth of employment of around 2.8 per cent per annum.

On analyzing the Progress and Process of PMRY scheme, we find that

- The physical progress of the PMRY Scheme in Andhra Pradesh was not up to the mark, being only 61.75 per cent. Regarding the financial performance of the scheme in the State, out of a total sanctioned amount of Rs.98,044 lakh, Rs 59,885.84 lakh was only distributed. The average amount of loan sanctioned per unit was Rs.59,643 but disbursement was Rs.55,491 per unit. Likewise, a sanctioned amount of Rs.38,158.7 lakh was not distributed, therefore the financial performance of the scheme recorded a gradual decline.
- In inter district comparison in all aspects revealed that the Nellore district stood first and the least performance was noticed in Prakasam district.
- The proportion of the Industrial sector was only 18 per cent and that of the Business sector was 50 per cent and that of the Service sector was stable at 32 per cent under PMRY scheme during the period 1993-94 to 1999-2000. It is evident that the Industrial sector was neglected.
- The share of Andhra Pradesh in the overall performance of the PMRY scheme at national level in terms of the number of applications sanctioned and number of applications disbursement, as well as in loan amount sanctions, disbursements was found to be approximately 10 per cent against a target of 13.77 per cent.

The Bankers Role in implementing PMRY scheme in Andhra Pradesh suggest that

- The nationalized banks failed to fulfill the targets, because their share in implementing PMRY scheme was only small (i.e.32 per cent). Further, the potential banks like State Bank of India, Andhra Bank, State Bank of Hyderabad, Canara Bank, Union Bank of India, Indian Bank too were lagging behind in implementing PMRY scheme. However, The performance of private bankers in implementing the PMRY scheme was not satisfactory with a mere 26 per cent.
- More than 58.1 per cent, 59.18 per cent, 66.56 per cent of the target amounts were not disbursed to the PMRY beneficiaries in Nalgonda, Ranga Reddy, Mahabubnagar districts respectively. The amounts distributed indicate inadequate financing. The units so under-financed turned out to be non-viable from the commencement stage itself. Most of the units are turned out to be "still born units".
- An inter-district comparison in the study area reveals that SC/ST candidates were benefited only to a marginal extent in Nalgonda district, OBC & Minorities candidates were benefited significantly in Mahabubnagar district and women and OC category candidates were highly benefited in Ranga Reddy district.
- The total recovery during the 7 year period in the selected districts was Rs.1175.40 lakh, accounting for 17.37 per cent of the total amount disbursed during the reference period.

From the Assessment of PMRY scheme in Andhra Pradesh- perceptions of officials, we concluded that

- Perception of officials' on PMRY scheme in Andhra Pradesh differed. While DIC officials are happy with the present screening method, bank officials felt it is too liberal.
- Task Force Committee (TFC) screens the applications at DIC level. The major reasons stated by TFC for rejecting the majority of applications are: i)non-viability project in terms of finance and marketing, ii) Parental Income was more than the ceiling limit, iii) Applicants age was more than the limit fixed in the norms of PMRY scheme, iv) non-fulfilment of residential criteria.
- As the major reasons for non-recovery of the loan amount, it was found that (i) Inadequate loan amount (ii) Misutilisation of loan amount, and it leads to not only low recovery but also non-starting of the units and closure of the units.

The Profile of the selected districts of Telangana Region in Andhra Pradesh suggests

- A region wise comparison of filling of vacancies revealed, that both Coastal Andhra and Rayalaseema regions were getting more jobs than the Telangana region.

- The proportion of registration in employment exchanges during the year (1999-2000) up to 29.2.2000, was 28,106 applicants in Ranga Reddy district, 24,496 applicants in Nalgonda district and 20,612 applicants in Mahabubnagar district. Further the percentage employed through employment exchanges during the same period was 1.2 per cent, 1.02 per cent and 1.37 per cent in Mahabubnagar district respectively. Every year the rates of the educated unemployed were increasing, and the number of employment opportunities were vanishing year after year.

The Sample Survey: profile of the beneficiaries suggests

- The complete occupational shift has taken place in agricultural families only.
- Most of beneficiaries stated that PMRY scheme gives a status of running the line of activity independently and enables them to earn more for better living.
- The income levels of the sample beneficiaries have increased after implementation of this scheme in all three districts. Significantly the proportion of no-income group among the beneficiaries got reduced from 27 per cent to 4 per cent in Ranga Reddy district, it was reduced from 29 per cent to 5 per cent in Nalgonda district and it got reduced from 23 per cent to 3 per cent in Mahabubnagar district.

The impact of the PMRY scheme suggests

- It was observed that the Economic status improved after implementation of the scheme, in the sample beneficiary's lives.
- On an average, employment generated by a sample unit is 2 persons per unit. In all the three districts, the employment generation was high in industrial sector units (i.e. 3.8.7 persons per unit), followed by Business sector units (i.e. 1.79 persons per unit) and Services sector unit (1.78 persons per unit).
- Most of the beneficiaries opined that the behavior of bank officials was "not at all encouraging".
- Most of the candidates said that they used this scheme to work hard and earn more money, and lead a team for providing employment opportunities to others.
- Study formulated various hypotheses. Hypothesis wise conclusions based on scientific investigations are presented as follows. a)The scheme will bring an increase in the income of beneficiaries. This hypothesis was proved valid in terms of increase in consumption levels of beneficiaries. b) Asset creation by beneficiaries in developed district would be faster than that of backward district. This hypothesis was not proved. c) The hypothesis formulated the impact of the scheme an employment generation was proved, which was thought to be better in a developed district standing disproved. d) Hypothesis that the repayment under the scheme is poor was proved but the hypothesis

that the repayment would be better in developed district did not stand valid. e) The hypothesis that the PMRY scheme is successful in promoting new class of entrepreneurship holds good only in case of beneficiaries who came from agriculture background. This hypothesis did not prove to be valid in respect of other beneficiaries especially from families who hail from business service sectors.

- The bankers are virtually under-financing the units, and they were indifferent towards this scheme, their attitude was completely security-oriented without having any weightage to the skills, experience, interest and soundness of the scheme. This under-financing of units definitely would make them "still born units".
- The PMRY units are severely facing the problem in 'marketing' their products.
- Finally, inadequate capital is the main reason for closure of the units and sanctioning the loan amount without proper viability study of the project is the "Gross Root-Cause" for failure of this scheme.

VII. Suggestions & Conclusion

To cope with the accelerating growth rate of educated unemployed, the target under PMRY Scheme should be increased from 2.2 lakh to 10 lakh every year.

The bankers and DICs officials should quote the reasons for not sanctioning and for not disbursing the sanctioned loan amount.

There is an urgent need to develop entrepreneurial skills among the applicants from SC/ST categories and provide loan to all eligible beneficiaries of these categories.

To increase the recovery percentage, an effective follow-up action and monitoring, joint inspections of PMRY units by IPOs and bank officials is considered necessary once a month or at least once in a quarter as per a mutually agreed time-schedule.

Regarding the present implementation of the PMRY Scheme, the banker's attitude should be changed through strict follow-up action by the State Level Bankers Committee and implementation of RBI guidelines from time to time.

It is necessary to facilitate 'inter bank exchange' of applications as well as targets, so that the targets are fully met and for this purpose a grace period of one-month may be given.

The forum of PMRY club should be formed and their services are utilized for better recoveries. There must be incentives to beneficiaries for prompt repayment of loan. There is a need to constitute a Recovery Committee.

A separate police force agency should be constituted to enable the banks to implement recovery procedures independently. Further a Banking Security Police Force (BSPF) may be instituted under the control of the RBI.

According to the RBI guidelines, banks can employ private agencies for recovery, in return for a fixed percent recovered as commission.

Once the project viability is tested and the banks get convinced about the potentiality and viability of project, they should finance total amount of the project cost except Marginal Money (MM) but it should not be 'under financed' by the banks.

For willful defaulters stringent action may be initiated with the help of Revenue Recovery Act.

Finally it is suggested that, study the 'viability of the project' unit before sanctioning the loan under PMRY scheme and build the self-confidence among youth at the time of training to take up self employment scheme with full spirit, are path to success of the PMRY scheme.