

## CHAPTER - III

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CHAPTER - IIIGENESIS OF THE SCHEME OF SELF-EMPLOYMENT3.1 INTRODUCTION :

In this chapter the researcher has made an attempt to discuss the special employment programmes for educated unemployed. This chapter gives the reader a detailed information about various employment programmes for educated unemployed, their objectives, financial pattern, and employment generated during the period of programmes. The programmes discussed in this chapter help the reader to recognise the Government's attempt to reduce unemployment problem among educated unemployed. The scheme of 'Self Employment to Educated Unemployed Youth' discussed in this chapter gives the reader detailed information about the scheme regarding target group, the operational responsibility of the scheme, Government assistance, training and other inputs and details about system.

The main purpose of presenting the genesis of various employment programmes is to acquaint us with the historical background of the scheme. This will enable us to understand and appreciate the working of Self Employment to Educated Unemployed Youth in better perspective.

### 3.2 PROGRAMME FOR EDUCATED UNEMPLOYED ( PEU ) :

During the Fourth Year Plan this programme was initiated for three years (1971-74). The main objective of this programme was to mobilise technical and educated manpower. This programme sought to absorb this manpower into various activities, like rural engineering surveys, expansion and improvement in the quality of elementary education, financial and other assistance to small entrepreneurs, agro service centres, expansion of consumer cooperatives, investigation of road projects and investigation of power and flood control projects.

These schemes (eere) handed over to respective Ministries/ Departments for implementation. These schemes were envisaged to be of developmental nature and of short duration so that these would be launched immediately and executed within a year or so.<sup>1</sup> These schemes helped the new entrepreneurs under the package programme. The package programme included government assistance for consultancy services, preparation of feasibility reports and detailed project reports, funding state industrial development corporation to enable distribution of machinery to entrepreneurs on hire purchase basis. It also included construction of Industrial Estates, provision of margin money, assistance to individual entrepreneurs and equity contribution to corporate ventures of technicians.

Another scheme under PEU, provided for training the entrepreneurs and subsidy on interest liability of more than 5 percent for establishment of agro service centres. The funds placed at the disposal of the small Industrial Development Corporation, State Financial Corporation and Agro Services Corporation were utilised by them along with other funds at their own disposal. As a result the impact of the programme input cannot be separately calculated. The schemewise information was compiled by planning commission during the period of the study. The planning commission observed that in 1972-74 out of the amount of Rs. 6.38 crores utilised for stimulating self employment activities, as much as Rs. 5.16 crores pertained to industries sector scheme. This sector also accounted for 9,000 out of the total of 11,815 jobs created.

The agriculture sector accounted for almost all of the rest of the expenditure and achievement. The largest single item of expenditure was that on industrial estates and sheds. The total financial assistance provided under this programme was Rs. 102.66 crores in 1971-74 with the employment opportunities generated for 97,000 educated unemployed.

### 3.2.3 SPECIAL EMPLOYMENT PROGRAMME ( SEP )

This programme was an additional programme drawn up in 1972-73 for two years (1972-74) enabling the states to take up

employment scheme on a much wider scale and for educated as well as uneducated persons in urban as well as rural areas. Under this programme the concerned states were given full freedom to draw up their own schemes. These schemes were to be in addition to the programmes already initiated by the Government of India for the benefit of the educated unemployed. While formulating proposals for rural areas, the recommendations given in the interim Report of Expert Committee on Unemployment (Bhagwati Committee) were to be kept in view and the schemes were to be prepared in the light of local requirements and special conditions.<sup>2</sup> Like PEU the scheme under the programme too was to be of developmental nature and of such a duration that it could be executed within a year or so.

Under this scheme the states were provided with a ceiling of central assistance and were asked to make matching contribution. It was found that the states were given ample opportunities for formulating suitable schemes for self employment ventures within the guidelines. But most of the states preferred to utilise the allocated assistance of providing stipendiary employment in the public sector.

Schemes pertaining to self employment were taken up in 1973-74 only, by about half of the states and only the six states

of Andhra Pradesh, Bihar, Gujarat, Karnataka, Kerala and Madhya Pradesh took up sizable schemes.<sup>3</sup>

Rs. 3.8 crores capital assistance was utilised for self employment scheme under this programme with employment generation reported at 20,0000. Gujarat alone reputed a figure of 10,127 created, 9,088 from a single scheme of financial help to artisans. It would be noted that this scheme was not directly meant for educated unemployed. Kerala reported employment generation against this programme though expenditure has been met only partially from this e.g. for training of cattle improvement assistance and rural dispensaries. The total central assistance provided to the states under this programme was Rs. 31 crores and employment generated was reported at 2.21 lakhs persons in 1972-74. This employment was generated both through central assistance and matching contribution made by the states.

### 3.3 EMPLOYMENT PROMOTION PROGRAMME ( EPP)

The banks and the financial institutions expect entrepreneurs to raise the risk capital to the extent of 25% of the project cost. Sometimes an entrepreneurs may not be capable in raising this amount.

Under the scheme 10 to 15 percentage margin as seed capital is given to educated unemployed youth to raise the initially required risk capital. The main purpose of Government behind this is that unemployment from which other unemployed person could get jobs subsequently.

Such candidate who has passed S.S.C. or who has got passing certificate of industrial and whose age group is between 18 to 40 years is eligible to get advantage of seed capital under the scheme.

There are different limits regarding margin money prescribed for various categories like industry business and service. The seed capital is made available at different rates, depending upon the project cost. for example, in case of project with costs upto 1 lakhs, an uneducated unemployed is entitled to get 10 percent, while in case of projects of more than one lakh, he is eligible to get 15 percent of the amount as seed capital. Under the scheme, provision of guarantee by two persons with some immovable property is must.

There is also another condition stipulated in the scheme i.e. as educated youth is supposed to provide a domicile certificate that he has been staying in the state of Maharashtra for last fifteen years.<sup>4</sup>

The loan for seed capital bears the interest rate of 4% under the scheme. The rate at which the seed capital is made available is different for the economically and socially backward categories, For example.

- a) A candidate belonging to S.C. category is entitled to gate 20% of the amount of the project cost.
- b) In case of economically backward category, the applicant is eligible to get 22.5% of the project cost.

This clearly points out the fact that preferential treatment is being given to socially and economically backward categories in procuring seed capital under the scheme.

The different regional corporations like DCKL and WMRDC are entrusted with the responsibility of making available the seed capital to entrepreneurs.

Loan repaying period is 8 years after receiving loan. The working capital loan will be refunded after 3 years.

The name of the applicant must be on the live registered of employment exchange before he/she becomes eligible to seek seed capital under the scheme.

#### 3.2.4 HALF A MILLION JOBS PROGRAMMS (HAMJB) :

In the year 1973-74 this programme was introduced. This programme confined itself to the educated unemployed only.



It aimed at providing employment opportunities to highly educated persons as well as matriculates and also to technical diploma holders. It was hoped that programme would clear a backlog of 20% of educated unemployment every year.

This programme was extended to hereditary artisans and traditional craftsmen especially belonging to weaker sections of the society, who did not have specified minimum qualifications, and badly needed help under comprehensive guidelines were issued for the formulation of various schemes and proposals. Under the programme, these guidelines included inter alia, the maximum stipend per mansum for various categories of educated unemployed. There guidelines also included details about special incentive scheme of subsidised employment to engineering degree and diploma holders and some points emphasising need for special attention for war widows, disabled handicapped persons and like.

The main thrust to promote self employment ventures through the provisions of training and margin money assistance to individuals and partnership, share capital contribution to the cooperatives of unemployed job seekers with a basic requirement of mobilisation of support from financial institutions, was made under this programme. Promotion of self employment venture were not restricted to the industrial sector but were extended to other

sector like agricultural and allied activities, cooperatives, trade and services and transport.

A few state industrial Development corporations provided built up sheds to these persons at certain selected locations. The state Government also provide entrepreneurs with margin money in order to enable them to undertake the projects, if they could contribute only 15% of the cost of projects. In addition to provision of support by way of margin money/ share capital assistance, the prospective entrepreneurs were given suitable training on a stipend at prescribed rates.

All the states initiated self employment under this programmes, but the level of achievements were low in some states. The HAMJP provided at the cost of 16 crores to the centre. Since some of the self employment schemes continued to be under implementation, the full potential of the sanctioned schemes was still to be attained. The total central assistance provided for this programme was Rs. 55.13 crores, with employment opportunities generated reported at 3.41 lakhs. R 6

For the benefits of state Government who were required to formulate their proposals detailed guidelines were issued by the planning commission. Some of these guidelines in brief were as below. :

- a) Emphasis should be laid on self employment programme.
- b) Employment programme should be such as to be taken up in the

fifth five years plan.

- c) Efforts should be made so that at least 20% of the educated unemployed are absorbed during the year 1973-74 in each state.
- d) The educated unemployed persons should be from a family having no sources of income should priority get over others.
- e) Special attention should be given in providing jobs to the graduates.
- f) Training programme should be undertaken to improve the employment and absorptive potential of the educated unemployed.

From these four schemes mentioned above, it is clear that these schemes help the entrepreneurs to formulate suitable self employment ventures through the provision of training and margin money assistance. It is also clear that promotion of self employment activities through Government support was not altogether a new phenomenon arising from the special employment programme.

Since the nationalisation of the major banks in 1969, provision of credit facilities to the primary sectors, including agriculture and small scale entrepreneur has been a major focus

of their activities.<sup>7</sup> Even since the nationalisation of major commercial banks in 1969, financing small scale industry has assumed an important place in banking activity. What was new about the special employment programmes was the emphasis on the need to provide credit assistance to the educated unemployed.

### 3.3.5 SELF EMPLOYMENT TO EDUCATED UNEMPLOYED YOUTH (SEEU) :

Central Government's new scheme of providing self employment to educated unemployed youths, needs a brief mention here. In the year 1983 (15th August) the late Prime Minister Mrs. Indira Gandhi announced in her Independence Day address that two and half lakh educated unemployed youth in the country will be provided every year with a package of assistance, by way of bank loans and Government subsidy to undertake gainful self employment ventures in industry, service and business. Based on the above, the Reserve Bank of India had laid down guidelines for the implementation of the scheme by all scheduled commercial banks.

For this scheme surplus loan of Rs. 325 crores will be given by banks and 50 crores rupees will be provided by Central Government under this scheme. District Industries Centres will be helped for providing loans and related facilities to the target group of beneficiaries.

#### OBJECTIVES :

The main objective of this scheme is to motivate the educated unemployed youth for self employment. This scheme is

known as "Self Employment Scheme" for educated unemployed youth.

**3.3.6 TARGET GROUP :**

Such educated unemployed youths are included in this scheme who are at least S.S.C. passed and whose age is in between 18 to 35 years. Preference and importance will be given to women and technically trained youths. This scheme is undertaken for such youths who are unable to collect capital for self employment on their own. Other youths who have other sources of income, will not be given place in this scheme. Due care will be taken by the Government so that only poor people will eat the fruits of this scheme and rich people will not get the profit out of it. This scheme is implemented in the entire country except in cities with a population of more than one million as per 1981 census.

**3.3.7 OBJECTIVES OF THIS SCHEME :**

The main objective of this scheme is to provide self employment to at least 2,00,000 to 2,50,000 educated unemployed youths, per year. According to the order of Central Government to District Industries Centres in the country, Maharashtra Government has decided to provide self employment to 2,800 educated unemployed youth for the year 1983-84.

### 3.3.8 CENTRAL OFFICE :

At district level the responsibility of implementation of this scheme is shouldered on District Industries Centre. District Industries Centres are providing all kinds of help to increase small scale industries and self employment. District Industries Centres will be working as link between bank and educated unemployed youth while implementing the new scheme.

### 3.3.9 IDENTIFICATION OF BENEFICIARIES :

This programme will be practised by the banking department of Central Government. The operational responsibility of the implementation of the scheme has been assigned to the District Industries Centres (DIC) which in consultation with the lead bank of the district are functioning as the nodal agency for the formulation of the self employment scheme and their implementation. The district Industries Centres are playing an important role in the development of small, tiny and village and cottage industries by providing help to entrepreneurs under a single roof.<sup>8</sup> The task force set up by the DIC's consists of of the General Manager of the DIC, Assistant Manager of DIC, a representative each from the lead bank and concerned small industries, service institute and the District Employment Officer. Besides the above, a representative each of the two

more leading banks of the district having larger representation in the district in terms of number of beneficiaries, expected for financing under self employment scheme etc. have also been included.

The SISIS are assisting the DICS in carrying out surveys. Assessment of potential and preparation of projects. The DIC task force is responsible for :

- 1) Monitoring and selecting the entrepreneurs.
- 2) Identifying and preparing schemes in trade, service, establishment and cottage and small industries.
- 3) Determining the activities of each of the entrepreneur.
- 4) Recommending loans for the entrepreneurs.
- 5) Getting speedy clearance as necessary from the authorities concerned.

The DIC's give adequate publicity to the scheme and invite the applications.

All types of forms are available in District Industries Centres Industry inspectors have been distributing forms by visiting to every Taluka Panchayat Office.

### 3.3.10 LOANS FROM BANKS :

A person whose total annual family income is not more than Rs. 10,000 will be eligible under this scheme. Credit supply

from banks will be eligible under this scheme. Credit supply from banks will be within the range of Rs. 25000 to 35000 in the form of a composite loan. For business Rs. 15000, service industry 25000, and industry Rs. 350000 credit assistance will be provided. The bank would not require the owners contribution in the form of margin money nor collateral security or third party guarantee. The assets created out of bank loan would be the security. Repayment schedule is determined depending on the nature and profitability of venture running over a period of 3 to 7 years with a moratorium of 6 to 18 months. The rate of interest is 10% per annum in backward areas and 12% per annum in ~~the~~ other areas.<sup>9</sup>

### 3.3.11 GOVERNMENT ASSISTANCE :

Government assistance in the form of capital subsidy computed at 25 per cent of the total amount of loan is made available to the bank after the disbursement of the loan. The subsidy amount received is kept as a term deposit in the name of the entrepreneur under lien to the bank and would earn interest rate applicable to the relevant term of maturity. After three fourths of the loan amount due is recovered, the balance one fourth amount will be adjusted by the Bank against the deposit.



### 3.3.12 RECOVERY OF LOAN :

Recovery of the amount which is given in the form of loan will be shouldered by selected banks. However, as far as possible entrepreneurs will be encouraged and helped for repaying loan by banks.

### 3.3.13 TRAINING :

Training will be given by District Industries Centres and small scale service institution to those entrepreneurs who are in need of knowing about selection, use and management of banks.

Now-a-days entrepreneurs are properly guided in one day or seven days training programme held by District Industries Centres.

### 3.3.14 OTHER KIND OF AID :

Selection and fixity of places will be done by municipal authorities for trade and service centres. Preference in case of providing shade in Industrial Area will be given to those who already have selected industrial enterprises. Essential instruments will be provided on rental basis by National Small Scale Industries Corporation and State Aid Branches to those who are in need of machinery and other instruments like seeds, machinery and premium of loan will be

included in the capital aid. Some amount for expenditure from loan account will be provided before opening enterprises. Now above mentioned scheme has been implemented and to make this scheme successful preference has been given by District Industries Centres and selected banks.

#### 3.3.15 PERFORMANCE BY THE BANKS :

R.B.I. fixed a target of Rs. 320 crores for all banks for the year 1983-84, and each bank has been advised to lend one percent of its total bank credit. The scheme was received with great enthusiasm by the educated unemployed youths of the country and the banks have sanctioned loans to 2.42 lakh beneficiaries. However, it has been laid down that 50% of the cases for industries ventures should be related to small business.

The scheme was also extended till 31st March 1986 with the target of 2.5 lakh beneficiaries by the Government of India for 1985-86. The provision for the same has also been made, in 1986-87 budget for Rs. 1.3 crores as against Rs. 65 crores in the year 1985-86.

#### 3.3.16 MONITORING :

Progress made under the scheme is being monitored by the DIC at the District level. Monthly progress reports received

by the DIC from branches of various banks in the district are reviewed in the District Advisory Committee of DIC of which collector or District Magistrate is Chairman. The progress is being forwarded to the Development Commissioner of Small Scale Industries. The performance of the banks is being reviewed state wise at quarterly intervals and the Board is kept informed of the steps taken to implement the scheme.<sup>10</sup>

### 3.3.17 EFFECTIVE DELIVERY OF LOANS :

The progress of this programme has been commendable, effective success of the scheme depends upon the follow up of the beneficiaries. It is the experience of the banks that most of the applications of entrepreneurs were for supporting small business and the educated unemployed coming forward for industrial activities are less in number, due to the unawareness of new industrial ventures and new project ideas in industries in the district.

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