

CHAPTER - I

INTRODUCTION

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1.1 Introduction -

India has so far completed 6 Five Years Plans, 3 Annual plans, 2 Rolling plans and started with 7th Plan in 1985. The 35 years of planning have resulted in some quantitative achievements in several spheres of the Indian Economy. We are one of the largest grain producer country in the world. Merely 70 percent of our population is engaged directly or indirectly in agricultural sector. But agriculture alone cannot be regarded as the solution to the problem of economic development.

India is primarily rural country with twin problems of under development and inequalities of all kinds - spatial sectoral and sectional. This has resulted into problems of poverty and surplus population.

In the 5th plan, the broad strategy of the programmes for develop and promote entrepreneurship and provide a Package of consultancy. So as to generate maximum opportunities for employment particularly self-employment.

Promoting opportunities for gainful employment is aim of the 6th Plan. A National Rural Employment Programme will be taken in which development projects and targets group oriented employment generation will be inter-related. Besides Employment Generation council at the district level will be set upto promote employment and co-ordinate activities among educated employees.¹

Growth of population and expansion of educational system are adding millions of job seekers every year to the stream of unemployed cadres of both educated and rural landless. Our economic growth has not been able to create adequate job opportunities to absorb the growing unemployed. Most of the developing countries of the world today are concerned with the crisis of unemployment.

The growing unemployment among educated people is a matter of great national concern. The educational system of country has too much to contribute to this unhappy situation. With a rapid expansion of educational facilities - both at the School and University stages the outturn of educated persons has increased fast.²

Education in India is not related to its environment so that the people go through books and laboratories for so many years and come out with certificates which have little relevance to relatives. This educational system is still mentally enslaved to the old pre-independence pattern and to the imported of the West.

Though the problem of educated unemployed is primarily related to the rapidly rising rate of population growth, it has directly related to the present system of education. Educated unemployment is by and large a part of Urban unemployment. It is very serious and meaning problem.³

Unless the incidence of unemployment is held in check, it will definitely eat into the overall economic growth which we will able to achieve in future.

There is a need to provide gainful employment to this surplus manpower and the choice falls on scheme of educated to unemployed youth.

For eliminating the problems of educated unemployment various employment programmes were implemented in the past and some of them are still continuing in modified form.

In a developing country like India, self employment holds the key to the solution of unemployment problem, creation of employment opportunities is one of the parts of India's Five Year plans. It also aims at creating employment opportunities through self employment ventures. But actually the problem of educated unemployed persons is not solved due to lack of finance for their willingness to set up new business ventures.

1.2 Selection of the Problem

In view of the facts mentioned above, the researcher undertook the study of financial assistance to educated unemployed under self employment scheme in Solapur District. In Maharashtra state particularly Solapur city is a Urban and drought area. Although there are many educated unemployed youths who not got employment opportunities. These unemployed youths have opportunities to start their own self-employment ventures in Industry, service and business.

In June, 1987, the researcher visited the office of the District Industries Centre, Solapur to find out total number of entrepreneurs' who had started self employment ventures under

self employment scheme. It was found that out of total 1638 entrepreneurs' in Solapur district for industry 531, service 426 and business 681 number of applications of beneficiaries received and selected during the year ended 1985-86.

Then the researcher visited to sub-regional Employment Office, Solapur to find out actual number of educated unemployed persons registered with employment exchange at different levels of education.

Then the researcher visited actually some of the registered addressess of entrepreneurs' in Solapur city. It was discovered that most of the educated unemployed youths who had taken assistance under self-employment scheme, were carrying the ventures in reasonable profit. But most of them were not working properly. It was also found that some educated unemployed youths who had taken assistance under the scheme were running business in reasonable profit, repaying their instalments.

In primary investigation it was found that these entrepreneurs' were taking advantage of assistance and creating opportunity of self-employment. The researcher was also unemployed, the experience of which he had helped to recognise the socio-economic problems of educated unemployed youths.

It is for this reasons that the researcher undertook 'A Critical Study of Working of District Industries Centre with Special Reference to Educated Unemployed under Self-employment Scheme in Solapur District.' (1985-86 to 1987-88)

Self employment -

The self employment is an individual activity of the unemployed persons for setting a small industry, business of service units, to create employment opportunities, with the help of finance. Employment is a function of the expansion of the gross national product. The choice of appropriate technology, therefore coupled with and acceleration in investment and industrial activity in the right direction would at one and the same time, solve the problem of unemployment and stagnant per capital income.⁴

One most important function of the entrepreneur is to start self employment venture for which sufficient finance is essential. According to Richard Cantillon 'An entrepreneur as a person who buys factor services of 'certain' prices with a view to sell its product at uncertain prices in the future.'⁵

Here the term entrepreneur is related to the educated unemployed youths in the age group of 18 to 35 and who had started the business units under the self employment scheme.

Sufficient finance is necessary for -

1. Making Purchases
2. Construction purposes
3. Payment of expenses
4. to employ additional labour force, if any
5. And proper marketing of products etc.

Machinery ?

1.3 Definition of the Problem -

1) Statement of the problem -

Bank finance is a critical resource for the growth of industry. At the same time it is a scarce resource which must be developed judiciously and effectively. Finance is involved in every thing that takes place in the conduct of the business. one defines the finance function is a business as a simply the task of providing funds needed by enterprise, on terms that are most favourable in the light of its objective. It is procurement of funds and their effective utilisation in the business.⁶

Financial assistance to educated unemployed is significance only in relation to setting up of self employment ventures in small industry, service and small business units. It is, therefore, given in the form of composite loan that is bank loan and Government assistance to educated unemployed under self employment scheme in Solapur district is situated in relation to these conditions.

The financial assistance mainly highlights the assistance in the form of composite loans and sanctioned by scheduled commercial banks and its rightful uses in the business by the entrepreneurs'.

2) Approach to the Problems -

Presently in Solapur district there are in all 25 branches of scheduled commercial banks who have financing under self-employment scheme. The financial assistance is mainly sanctioned for -

- a) setting up of small industry unit.
- b) setting up of service unit
- c) setting up of business unit

However there are four programmes/schemes for educated unemployed under which financial assistance is given -

- a) Programme for educated unemployed (P.E.U.)
- b) Special Employment Programme (S E P)
- c) Half-a-million jobs programme (H A M J P)
- d) Self Employment to Educated Unemployed Youth (SEEUY)

1.4 Objectives of the Study -

In this context the specific objectives of the study are -

1) The main objectives of the study is to examine the role of selected Solapur district area with reference to,-

- a) Self employment to educated/^{un}employed youth (SEEUY)
- b) Extension of credit in the light of the District Industries Centre's objectives.
- c) To study the nature and extent of financial assistance provided under the scheme to educated unemployed.
- d) To study the financial assistance given according to various business units.
- e) To examine whether the scheme has succeeded in creating additional employment opportunities.
- f) To review the progress and implemented of SEEUY since introduction of the scheme.
- g) To assess the shortcoming in implementation of SEEUY Scheme if any.

h) To assess the role played by DIC in implementing the SEEUY Scheme.

i) To assess the impact of SEEUY Scheme on district economy and level of improvement.

2) With the meeting of the above objectives the researcher wants to test the following criteria with the borrower of selected Solapur city area -

a) whether the assistance of DIC had utilised by the small and marginal entrepreneurs' in proper manner ?

b) Whether the financial assistance given is sufficient for the development of business ?

c) Whether the loanee units pay their instalments regularly ?

d) Where the DIC staff co-operative and adjusted with the city life ?

e) Have the banks adopted some measures to examine the funds utilised by the business units.

f) Are there any mediators acting in between the borrowers and DIC Staff ?

g) To study the difficulties of borrowers.

h) To make necessary suggestions.

1.5 Scope of the Study -

The dissertation is submitted within a stipulated period, the scope of the study is restricted by the researcher only to Self Employment to Educated Unemployed Youth (SEEUY) Scheme. The financial assistance to educated unemployed under other schemes of the banks like seed capital assistance are not taken

into account. The following self employment ventures are considered for the purpose of present study.

- a) Small Industry Units
- b) Service Units
- c) Small business units.

However, separate list of self employment ventures is given in Appendix for which assistance is granted under 'SEEU' scheme.

f) Choice of the area for micro-level study. For micro-level study the researcher has selected Solapur city area in Solapur district.

ii) Selection of period of time - A period of three years from April, 1985 to March, 1988 is selected for the study purpose, because the non-availability of data and scarcity of time made him to study only 3 years.

1.6 Importance of the Study -

The management of funds created for developing the nation is of almost importance. Unless the loans and funds are not utilised properly, distributed evenly, the scheme would not be viable.

The importance of this study is not only to see the management of funds, but also the management of various people that is Government servants, Bankers and the people.

Whether there is a proper communication channel distribution channel or not. To see proper planning co-ordination, implementation etc. In fact to observe the management and see if there are any loop holes in it last but not the least to see whether there is proper recovery of loans the Govt. can be said to achieved.

Research in this subject no doubt important from the point of view of banks and DICs as it will throw light on financial assistance to Educated Unemployed under the Scheme into this area. Also the importance of this study lies in potential strength of SEEUY scheme in solving unemployment problems which indicate quantitative performance and drawbacks if any in the working of financial institutions. Hence the present study will help the banks in financing educated unemployed youths under SEEUY Scheme.

1.7 Methodology of the Study -

This study is completed by studying records of DICs and banks survey method is mainly adopted for this study. At the SEEUY scheme is started in 83-84 is mainly based on primary data, secondary data is also used.

Collection of data -

a) Secondary Data -

As the subject of our investigation is working of District Industries Centre with special reference to educated unemployed under self employment scheme in Solapur district. Researcher could largely rely on the published data. The published data gathered from 1) DIC, Solapur; 2) Western Maharashtra Development Corporation Ltd. (W.M.D.C.); 3) Maharashtra Industrial Development Corporation (M.I.D.C.) Solapur; 4) Library published works, articles and newspapers on that subject.

b) Primary Data -

- i) The staff of DIC office at Solapur
- ii) DIC head office at Bombay

- iii) Interview schedule prepared for borrowers and bank managers.
- iv) Oral discussion with the non-customers at the DIC, Solapur.
- v) Personal discussions were also held with General Manager, DIC, Solapur, Industrial Inspector of DIC Solapur, Managers and related staff of banks.

c) Preparation of Interview Schedule -

To collect information from the entrepreneurs' the interview schedule is prepared, while constructing the interview schedule for the purpose of sample survey efforts have been made to formulate the questions as simple to understand. A specimen of the interview schedule is given in the appendix.

d) Selection of the sample entrepreneurs' -

OUT of the total number of borrowers of April, 1985 to March, 1988, 3% of the loanees or entrepreneurs are selected to get answer to the interview schedule. *How 9*

e) Presentation of Data -

The researcher has presented the collected data as per his views, analysed it and drawn the conclusions.

f) Suggestions -

Taking into consideration the conclusions the researcher has given some suggestions. *not necessary*

1.8 Limitations -

The study has the following limitations -

- 1) The study is limited only to the SEEUY Scheme.
- 2) The study is mainly concerned with financial assistance in the form of composite loans i.e. bank loan and Govt. assistance in the form of capital subsidy.
- 3) Research data is concerned only with the period of 3 years from April, 1985 to March, 1988.
- 4) The educated unemployed youths who have not sanctioned the assistance under the scheme are not taken into consideration.
- 5) The self employment ventures in small industries, service and business units are taken into consideration.
- 6) The necessary data on certain matters like data regarding unemployment structure in this area are not made available.

As M.Phil. dissertation is required to be submitted to the university by the researcher within a short time for that the period of study is restricted to three years. However, a further and indepth study of role of DIC and its multi-dimensionals study can be taken up as a follow-up study.

1.9 Chapter Schemes -

The present work is divided into seven chapters. This first chapter has dealt with the theoritical background and the objectives and significance and methodology of study.

The second chapter describes the history and development of DIC alongwith the operational policies and practices.

The third chapter describes the programmes of self-employment to educated unemployed youth schemes.

The fourth chapter brings out the profile of the study area that is Solapur city.

The fifth chapter discusses the financial assistance to 'SEEUY' scheme and their implementation by the DIC.

The sixth chapter highlights the result of the sample survey in respect of the impact of financing schemes on the entrepreneurs' and the problems faced by the DIC and the entrepreneurs'.

The seventh that is last chapter discusses the findings and the suggestions based on the study.

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