EFFECTIVENESS OF SELF-EMPLOYMENT TO EDUCATED UNEMPLOYED YOUTH SCHEME IN INDIA

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ABSTRACT

In view of the increasing unemployment in the country the Promotion of Self-Employment and decentralized manpower planning have been adopted during the sixth Five Year Plan as the main planks of its policy to tackle the unemployment problem in the coming years by putting special emphasis on promotion of Self-Employment. It has also been emphasized by different groups/Committees that in order to make the Self-Employment Programme more effective, it is essential that the potential entrepreneurs are identified, motivated and informed of the various facilities and incentives available for taking-up such ventures. The genuine entrepreneur has some specific characteristics which are required to be assessed. To identify the Entrepreneurial Potentialities of job-seekers/youths, the Directorate General of Employment and Training have evolved Psychological Tools consisting of Three Tier approach. The objective of the Three Tier System is to elicit various behavioural Patterns/Traits symptomatic of success in Self-Employment Ventures and thus useful in identifying the entrepreneurs with requisite level of entrepreneurial potential

Keywords: Self-Employment Schemes

Introduction:

The financial system is the lifeline of the economy. Banks are the backbone of the financial sector. They are the most dominant segment of the country’s financial system. Banks play a pivotal role in the development of a sound economy and form the core of the money market. It facilitates payment mechanism, mobilized insured
deposits, act as credit intermediaries and serve as the principal channel for transmission of monetary policy actions to the economy at large. The banks provided financial assistance only to the Industries which had already established, financially sound, capacity to repay the loan, favorable credit guarantee etc. After the independence in 1947, the Government was quite disturbing and needs much attention to eradicate poverty through employment opportunities. Therefore, the government had come up with different schemes to eradicate poverty.

The scheme for providing Self-employment to Educated Unemployed Youth was started in 1983 with an annual target of 2.5 lakh beneficiaries. Unemployed Youth in the age group of 19-35 years who are Matriculates and above are eligible for assistance under this scheme. ITI passed, women, technically trained persons are given due weightage training plus two level are given preference. A ceiling of income of Rs. 10,000 per annum, per family, has been fixed for eligibility under the scheme. A minimum of 50% ventures should be through industry-route and not more than 30% of the ventures should relate to business sector, except in hilly areas of the country. A composite loan not exceeding and Rs.15,000/- for business sector is provided. 25% subsidy is provided by the Govt. on the loans. Banks do not require collateral guarantee or margin money for such loads. 30% of the total beneficiaries are reserved for SC/ST persons. Promotional, financial and development agencies of the state and central governments at the field level would be involved in the implementation. Reputed NGOs would also be associated with the scheme, especially in the selection, training of entrepreneurs and preparation of projects.

Needs For Self – Employment To The Society:

The need for the creation of self-employment opportunities in the society becomes urgent due to the following factors.

- By providing self-employment, the village industries have high potential for income generation in rural areas. Thus, they help in reducing disparities in income between rural and urban areas.
- The industries encourage dispersal of economic activities in the society and promote balanced regional development.
- Self – employment serves as an anecdote to the widespread problems of disguised unemployment or underemployment in the society.
- Self-employment increases the economic progress of the country.

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- It also protects the migration of rural people to the urban areas.
- It increases the standard of living of the people in the society.
- Self-employment motivates the people to start business or industry, which will lead to the development of the society.
- It increase the welfare of the society.

Review of Literature:

Sexton, D.L., & Bowman, U.N. (1991) have made attempts to distinguish a self employment from a bread-winning businessperson. Krishna, K.V.S.M. (2003) consider an individual to be an entrepreneur if he/she exhibits a high propensity for growth. Cliff, J.E. (1998) views growth propensity as one’s desire to grow and change in future as well as his/her self-perceived power to achieve the same. As such, size and growth are typically used as criteria for evaluating organisational success. Carter, N. M., Williams, M., & Reynolds, P. D. (1997) and Bussey, K., & Bandura, A. (1999) have made un employed youth, however, conceive their businesses differently from the way men do which women have different socialization experience which might shape varied strategic choices among themselves such as their prior professional experience and social network affiliation. Brush, C.G. (1992) and Cliff, J.E. (1998) have different approaches to venture creation and business growth expectancies. Johnson, S., & Storey, D. (1993) shows that women-owned businesses are no more likely to fail than men-owned. Cooper, A., Gimeno-Gascon,F.J., & Woo, C. (1994) reported that women perform less well on
quantitative measures such as job creation, sales turnover and profitability since women do not enter business for financial gain but to pursue intrinsic goals (for example, independence, and the flexibility to run business and domestic lives). Lerner, M., Brush, C., & Hisrich, R. (1997) identified women are deemed to assess success in relation to their achievement in attaining personal goals (i.e. self-fulfillment, goal attainment etc.). Cooper, A., Gimeno-Gascon,F.J., & Woo, C. (1994) found that differences in initial capital and goals explain the poorer performance in growth and survival of self-owned businesses.

Objectives Of The Study:

- To study the progress of SEEUY scheme in India.
- To identify the impact of SEEUY scheme in Indian economy.
- To analyze the effectiveness of SEEUY scheme in India.
- To have the SWOT analysis on SEEUY.
- To reveal the recovery of SEEUY loan in India.
- To analyze the effect on National Income and Per Capital Income of India by employment generation through SEEUY scheme.
- To know the effect of SEEUY scheme in reducing the rate of Poverty and unemployment in India.
- To evaluate the performance of SEEUY scheme in various five year plans.

Statement Of The Problem:

The SEEUY scheme encourages new generation entrepreneurs by granting financial assistance to the small business. The financial assistance is granted to start a new business or industry through banks.

While going through the secondary data, the researcher has identified that the number of beneficiaries to the target fixed is very low. The rejection of major applications is due to ineligibility of applicants, non-viable project, poor recovery, defaulter to earlier scheme, non-fulfillment of terms of sanction, furnishing of incorrect/incomplete information by the applicant etc.

The main aim of the implementation of SEEUY scheme is to reduce the rate of unemployment and poverty and increase the per capita income of the people. It is essential to know the effectiveness of SEEUY scheme in the Indian economy.

Tools of Analysis:

To find out the relationship between two variables, Co-efficient of correlation is employed. The formula for finding out the co-efficient of correlation is

$$r = \frac{\sum xy}{\sqrt{\sum x^2 \cdot \sum y^2}}$$

Financial Assistance Under Seeuy In India:

The main aim of the SEEUY scheme was to provide easy subsidized financial assistance to educated unemployed youths for starting their own enterprise in production, service and trade sectors.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>TARGET (NO)</th>
<th>SANCTIONED</th>
<th>DISBURSED</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No</td>
<td>% of the target</td>
</tr>
<tr>
<td>1996-97</td>
<td>40000</td>
<td>30029</td>
<td>75.01</td>
</tr>
<tr>
<td>1997-98</td>
<td>220000</td>
<td>185803</td>
<td>84.46</td>
</tr>
</tbody>
</table>

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Plan target was 220000 it was increased to 260000 to cover backlog. This is a permanent scheme of Government of India with framed modalities and guidelines for its successful implementation and to fulfill the purpose for which it is designed.

The role of banks in the SEEUY process is quite crucial to perform the task of providing the most vital input namely capital to the enterprise. The banks have a higher level of responsibility in the whole process.

The table 1 shows the target, sanctioned and disbursed number of beneficiaries during the period of its implementation from October 1996 up to December 2010. The planned target in the year of implementation was 40000 for the period of six months. It was increased from the next financial year to 220000. The planned target was increased to 260000 during 1995-96 in order to cover backlog. In the year 2004-05, it was again increased to 250000. It is clearly inferred from the table that the number of SEEUY beneficiaries is high during the years 2008-09 (266971) and 2007-08 (248264). Considering target as the base, the sanctioned percentage to the target is the minimum in the year 1996-97 (75.01).

**Employment Generation By Seeuy:**

The details of employment generation by SEEUY scheme and its share in total employed persons in India are shown in the table 2.

**Table 2: Share Of Employed SEEUY Beneficiaries To The Total Employed Persons In India**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total employed persons in India</th>
<th>Employed SEEUY beneficiaries</th>
<th>Share in total employed persons of India (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999-00</td>
<td>27177000</td>
<td>34553</td>
<td>0.13</td>
</tr>
<tr>
<td>2000-01</td>
<td>27375000</td>
<td>238295</td>
<td>0.87</td>
</tr>
<tr>
<td>2001-02</td>
<td>27525000</td>
<td>362765</td>
<td>1.32</td>
</tr>
<tr>
<td>2002-03</td>
<td>27941000</td>
<td>342743</td>
<td>1.23</td>
</tr>
<tr>
<td>2003-04</td>
<td>28245000</td>
<td>313655</td>
<td>1.11</td>
</tr>
<tr>
<td>2004-05</td>
<td>28166000</td>
<td>287027</td>
<td>1.02</td>
</tr>
<tr>
<td>2005-06</td>
<td>28113000</td>
<td>305181</td>
<td>1.09</td>
</tr>
<tr>
<td>2006-07</td>
<td>27960000</td>
<td>277335</td>
<td>0.99</td>
</tr>
<tr>
<td>2007-08</td>
<td>27789000</td>
<td>284790</td>
<td>1.02</td>
</tr>
<tr>
<td>2008-09</td>
<td>27206000</td>
<td>285782</td>
<td>1.05</td>
</tr>
</tbody>
</table>
Employment generation is estimated @ 1.5 persons per case disbursed.

Source:
   i) Office of the Registrar General of India, Ministry of Home Affairs
   ii) www.indiabudget.nic.in
   iii) RBI Data

It is evident from the table 2 that the share of employed SEEUY beneficiaries to the total employed persons in India is maximum (1.32%) in the year 2001-02 and minimum (0.13%) in the year 1999-00. It reveals that the implementation of SEEUY scheme has some effects in the employment generation in the economy.

Employment Generation & Per Capita Income:
   The table 3 displays the relationship between employed SEEUY beneficiaries and per capita income of India.

\[
r = \frac{\sum xy}{\sqrt{\sum x^2 \cdot \sum y^2}} = \frac{679310523}{77035342823 \cdot 187683660} = 0.44
\]

Table 3: Employed Seeuy Beneficiaries And Per Capita Income

<table>
<thead>
<tr>
<th>Year</th>
<th>Employed SEEUY beneficiaries (X)</th>
<th>X=\bar{X}</th>
<th>x²</th>
<th>Per capita income (Y)</th>
<th>Y-\bar{Y} (y)</th>
<th>y²</th>
<th>xy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999-00</td>
<td>34553</td>
<td>-243746</td>
<td>59412112516</td>
<td>7690</td>
<td>-6449</td>
<td>41589601</td>
<td>1571917954</td>
</tr>
<tr>
<td>2000-01</td>
<td>238295</td>
<td>-40004</td>
<td>1600320016</td>
<td>8857</td>
<td>-5282</td>
<td>27899524</td>
<td>211301128</td>
</tr>
<tr>
<td>2001-02</td>
<td>362765</td>
<td>84466</td>
<td>7134505156</td>
<td>10149</td>
<td>-3990</td>
<td>15920100</td>
<td>-337019340</td>
</tr>
<tr>
<td>2002-03</td>
<td>342743</td>
<td>64444</td>
<td>4153029136</td>
<td>11564</td>
<td>-2575</td>
<td>6630625</td>
<td>-165943300</td>
</tr>
<tr>
<td>2003-04</td>
<td>313655</td>
<td>35356</td>
<td>1250046736</td>
<td>12707</td>
<td>-1432</td>
<td>2050624</td>
<td>-50629792</td>
</tr>
<tr>
<td>2004-05</td>
<td>287027</td>
<td>8728</td>
<td>76177984</td>
<td>14396</td>
<td>257</td>
<td>66049</td>
<td>2243096</td>
</tr>
<tr>
<td>2005-06</td>
<td>305181</td>
<td>26882</td>
<td>722641924</td>
<td>15625</td>
<td>1486</td>
<td>2208196</td>
<td>39946652</td>
</tr>
<tr>
<td>2006-07</td>
<td>277335</td>
<td>-964</td>
<td>929296</td>
<td>16563</td>
<td>2424</td>
<td>5875776</td>
<td>-2336736</td>
</tr>
</tbody>
</table>
Source:

i) RBI Data

ii) www.planningcommission.nic.in

It is inferred from the above calculation that a positive correlation exists between the two variables – Employed SEEUY beneficiaries and Per Capital Income. Hence it is clear that if there is an increase in the employed SEEUY beneficiaries, Per Capita Income of India will also increase.

Amount Of Seeuy Loan Disbursed & National Income:

Table 4 IS prepared to represent the relationship between the amount of SEEUY loan disbursed and National income of India.

<table>
<thead>
<tr>
<th>Year</th>
<th>Employed SEEUY beneficiaries (X)</th>
<th>X=∑X</th>
<th>x²</th>
<th>Per capita income (Y)</th>
<th>Y-Ȳ (y)</th>
<th>y²</th>
<th>xy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998-99</td>
<td>137</td>
<td>-1011</td>
<td>1022121</td>
<td>685912</td>
<td>-821130</td>
<td>674254476900</td>
<td>830162430</td>
</tr>
<tr>
<td>1999-00</td>
<td>872</td>
<td>-276</td>
<td>76176</td>
<td>805981</td>
<td>-701061</td>
<td>491486525721</td>
<td>193492836</td>
</tr>
<tr>
<td>2000-01</td>
<td>1378</td>
<td>230</td>
<td>52900</td>
<td>941861</td>
<td>-565181</td>
<td>319429562761</td>
<td>-129991630</td>
</tr>
<tr>
<td>2001-02</td>
<td>1352</td>
<td>204</td>
<td>41616</td>
<td>1093962</td>
<td>-413080</td>
<td>170635086400</td>
<td>-84268320</td>
</tr>
<tr>
<td>2002-03</td>
<td>1218</td>
<td>70</td>
<td>4900</td>
<td>1224946</td>
<td>-282096</td>
<td>79578153216</td>
<td>-19746720</td>
</tr>
<tr>
<td>2003-04</td>
<td>1093</td>
<td>-55</td>
<td>3025</td>
<td>1224946</td>
<td>-91949</td>
<td>8454618601</td>
<td>5057195</td>
</tr>
<tr>
<td>2004-05</td>
<td>1269</td>
<td>121</td>
<td>14641</td>
<td>1415093</td>
<td>57006</td>
<td>3249684036</td>
<td>6897726</td>
</tr>
<tr>
<td>2005-06</td>
<td>1168</td>
<td>20</td>
<td>400</td>
<td>1564048</td>
<td>180776</td>
<td>32679962176</td>
<td>3615520</td>
</tr>
<tr>
<td>2006-07</td>
<td>1185</td>
<td>37</td>
<td>1369</td>
<td>1687818</td>
<td>354075</td>
<td>125369105625</td>
<td>13100775</td>
</tr>
<tr>
<td>2007-08</td>
<td>1198</td>
<td>50</td>
<td>2500</td>
<td>1861117</td>
<td>501728</td>
<td>251730985984</td>
<td>25086400</td>
</tr>
<tr>
<td>2008-09</td>
<td>1368</td>
<td>220</td>
<td>48400</td>
<td>2008770</td>
<td>745028</td>
<td>55066720784</td>
<td>163906160</td>
</tr>
<tr>
<td>2009-10</td>
<td>1543</td>
<td>395</td>
<td>156025</td>
<td>2542921</td>
<td>1035879</td>
<td>107304530264</td>
<td>409172205</td>
</tr>
<tr>
<td>Total</td>
<td>13781</td>
<td>5</td>
<td>1424073</td>
<td>18084499</td>
<td>-5</td>
<td>378498018484</td>
<td>141648457</td>
</tr>
</tbody>
</table>

Source:

i) RBI Data

ii) www.planningcommission.nic.in

\[ r = \frac{\sum xy}{\sqrt{\sum x^2 \cdot \sum y^2}} \]
It is inferred from the above calculation that a positive correlation (0.61) exists between the two variables amount of SEEUY Loan disbursed and national income. Hence it is clear that if there is an increase in the amount of SEEUY loan, National income of India will also increase.

Poverty And Unemployment:

The main aim of the SEEUY scheme is to reduce poverty and unemployment rate in India. Hence it is essential to know the effect of SEEUY scheme in reducing poverty and unemployment in India. The Table 5 displays the number of SEEUY beneficiaries, Poverty rate and Unemployment Rate in India.

<table>
<thead>
<tr>
<th>Year</th>
<th>SEEUY Beneficiaries (No)</th>
<th>Poverty Rate (%)</th>
<th>Increase / Decrease</th>
<th>Unemployment Rate (%)</th>
<th>Increase / Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-04</td>
<td>23025</td>
<td>36</td>
<td>-</td>
<td>5.99</td>
<td>-</td>
</tr>
<tr>
<td>2009-10</td>
<td>203454</td>
<td>26.1</td>
<td>-9.9</td>
<td>7.32</td>
<td>+1.33</td>
</tr>
</tbody>
</table>

Source:

i) RBI Data
ii) www.planningcommission.nic.in

The table 5 depicts that the number of SEEUY beneficiaries in 2003-04 and 2009-10 is 23025 and 203454 respectively. The rate of poverty in 2003-04 is 36 percent and reduced to 26.1 percent in 2009-10. But the rate of unemployment is 5.99 percent in 2003-04 and increased to 7.32 percent in 2009-10. The rate of poverty has reduced by 9.9% and unemployment has increased by 1.33% in the year 2009-10. Hence it is clear that SEEUY scheme has little more effect in reducing the rate of poverty but not in unemployment. It is due to the higher growth rate of population in India.

The Target And Achievement Of Seeuy:

The target and achievement of SEEUY in IXth, Xth and XIth Plan are shown in the table 6.

<table>
<thead>
<tr>
<th>Plan</th>
<th>Target</th>
<th>Sanctioned</th>
<th>Disbursed</th>
<th>Estimated employment generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>IX plan (1996-97 to 2001-02)</td>
<td>700000</td>
<td>774818</td>
<td>652226</td>
<td>978356</td>
</tr>
<tr>
<td>X plan (2002-03 to 2006-07) up to Dec *</td>
<td>1100000</td>
<td>12699340</td>
<td>978658</td>
<td>2446344</td>
</tr>
<tr>
<td>XI plan (2006-11)</td>
<td>1100000</td>
<td>1270030</td>
<td>101658</td>
<td>1524883</td>
</tr>
</tbody>
</table>
Source: RBI
Note: Employment generation is estimated at 105 persons per case disbursed.
* Provisional

It is inferred from the table 6 that SEEUY has been a successful scheme, not only in the IX plan but also in the X plan. It also shows that the sanctions have exceeded the target in all the Five Year Plans.

Status Of Recovery Of Loans Under Seeuy:

As per reports received from RBI, the overall status of recovery under SEEUY is given in the Table 7. The table 7 predicts the fact rate of recovery of loans under PMRY has been around 34% to 40% in the last four years. The RBI and Government of India have initiated various steps for improving the recovery of loan overdues under the scheme by ensuring backward and forward linkages for the limits set up under the scheme. The government of India has advised to all state Government to notify SEEUY loan overdues as revenues dues under their respective Revenue Recovery Acts. All implementing banks have been advised to file criminal complaints against the borrowers who misutilise loans sanctioned under the scheme.

Table 7

<table>
<thead>
<tr>
<th>Year</th>
<th>Recovery of SEEUY Loan (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>35.2</td>
</tr>
<tr>
<td>2007-08</td>
<td>34-96</td>
</tr>
<tr>
<td>2008-09</td>
<td>35-32</td>
</tr>
<tr>
<td>2009-10</td>
<td>39-19</td>
</tr>
</tbody>
</table>

Swot Analysis of Seeuy:

Strengths:

1. SEEUY has emerged as a major Central Sector Scheme creating employment opportunities for about 31.6 lakh persons since inception of the Scheme in the year 1998. The employment under the SEEUY will further increase over the years, as the SEEUY is an ongoing Central Sector Scheme.
2. The Coverage of the Scheme is spread over both for Rural as well as Urban areas. As per findings of 2nd round of evaluation of SEEUY conducted by the institution of Applied Manpower and Research (IAMR), disbursement of SEEUY beneficiaries in Rural and Urban areas is 49.9 percent and 50.1 percent respectively.
3. The evaluation study has also revealed that assets have been created in 89-7 percent of cases disbursed under the SEEUY.

Weaknesses:

1. The recovery of loan overdues under the SEEUY scheme has not been satisfactory. The recovery of loan overdues was 34.9 percent for the half year ended March 2002, which stands at 34.96 percent for the year March 2004.
2. Banks are under financing projects. The amount of loan disbursed under SEEUY is stagnating around Rs. 60000 per beneficiary.
3. There is a gap between the cases sanctioned and disbursed made under SEEUY by banks. A total of 21.1 lakh cases have been disbursed by banks against the sanctions of 26.7 lakh cases since inception of the scheme till January 2011.

Opportunities:

1. In the situation where employment opportunities in the organized sectors and Government sectors have been virtually stagnating or declined, SEEUY scheme has emerged as a major scheme of employment generation in the country for not too qualified and trained educated unemployed youth.
2. The successful self employed units set up under the SEEUY scheme may graduate into higher scale units thus creating further employment opportunities for under unemployed persons.

3. Up scaling of successful SEEUY units into higher scale units can be encouraged by providing subsequent loans with subsidy to these units.

**Threats:**

The implementation of the scheme could be improved by:

1. Enhancing the family income ceiling from Rs. 40000 per annum to Rs. 100000 per annum.
2. Enhancing the project cost from Rs. 100000 to Rs. 200000 for business sector and from Rs. 200000 to Rs. 500000 for service and industry sector.
3. Enhancing subsidy ceiling of Rs. 7500 per beneficiary to Rs. 10000 per beneficiary for State / UTs other than North Eastern States J&K, Himachal Pradesh and Uttaranchal to make the scheme attractive.

**Conclusion:**

The study various issues for researchers to conduct in future. A further study may be conducted to analyze the effectiveness of the scheme in promoting entrepreneurship culture. With a narrow sense, the government shall broaden its view to avail the SEEUY loan in order to create employment opportunities. With a broader sense, the government shall extend its credit to the society by crucial formalities and procedures in order to avoid educated unemployment, practically, SEEUY scheme is a welcoming among the educated unemployed youth.

**References:**


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