

## JOB CLUBS/MULTI-PURPOSE SERVICE CENTRES: AN EVALUATION OF THE SELF-EMPLOYMENT SCHEME IN KERALA

### INTRODUCTION

While the process of economic growth in India has surged ahead, the critics have noted that this has led to further informalisation of the economy. Of the 460.42 million, the overwhelming majority 387.70 million (or 91.2% of the total) are employed in the informal sector and only the remaining 72.73 million or 8.8% of the total workers are employed in the formal sector of the economy. This trend has been attributed to the lopsided nature of growth the country has experienced. The fast growing sectors while forming a significant share of the country's GDP growth has not been able to contribute equally significantly to employment generation. The malaise of 'jobless growth' as it has been called, has plagued the country. In this scenario, policymakers have tended to view self employment as the panacea.

Self employment has been defined as the situation in which the individual works for himself or herself instead of an employer and generates income by conducting profitable operations. However, self employment has emerged as both a challenge and an opportunity. The opportunity lies in the fact that it can provide a source of livelihood for the millions being left out of the growth process and find a way to include them in the process. The challenge is in the nature of the employment. The category of self employed include not only the highly successful entrepreneurs in the stature of I.T giants, it also includes the petty shopkeepers and the street vendors. When majority of the population is pushed into the latter with no guarantees of income or employment, can then self employment be the much hailed cure it is made out to be? In this situation, there arise the need to encourage and provide guidance for the set up and success of self-employment ventures. Keeping this in mind, the Government has announced various self-employment schemes. The state of Kerala leads the country in achievements in social sectors but lags behind in economic indicators. The achievements of the State are marred by incidence of high rates of educated unemployment among the young Keralites. The Government has brought about measures to mitigate the same through self employment schemes. Three of such prominent schemes are KESRU (Kerala Self Employment Scheme for the Registered Unemployed), Saranya and Multi-Purpose Service Centres or Job Clubs.

### THE MULTI-PURPOSE SERVICE CENTRE OR THE JOB CLUB SCHEME

The Multi-Purpose Service Centre or the Job Club Scheme (MPSC/JC) was initiated by the State Government in 2007 vide GO (P)No.143/2007/Labour date 28.10.2007. Under the scheme, groups constituting 2 to 5 members can establish enterprises in the unorganised sector. What sets the scheme apart from the other two is the fact that it is a group oriented self employment scheme. Bank loan up to ₹ 10 lakhs is given, out of which subsidy up to 25% or ₹ 2 lakhs whichever is less, is re-imbursed as Government subsidy through the Employment Department. The scheme has been earmarked by an annual allocation of ₹1 crore.

Studies on the determinants of self-employment survival in Europe have shown that although entering self-employment from unemployment has a strong negative effect on survival within self-employment there exists a positive impact on survival of formal education and previous experience within the labour market. Further, it has also been found that the availability of start-up subsidies significantly lowers the risk of exiting self-employment, specifically for the group of individuals entering self-employment from unemployment. (*Determinants of self-employment survival in Europe: José María Millán, Emilio Congregado and Concepción Román, Small Business Economics Vol. 38, No. 2 ,February 2012*)

The MPSC/JC scheme has included in its implementation measures that reduce the risk of failure through the following provisions.

1. Provision of Front end Subsidy

A distinguishing feature of the scheme is that it offers a front- end subsidy which is released as soon as the loan has been sanctioned by the financial institution. This helps mitigate the problem of insufficient start up capital. Theoretical work emphasizes insufficient start- up capital and/or access to credit markets as a binding constraint on individuals' choice between paid employment and self-employment. (Stiglitz and Weiss 1981, Coate and Tennyson 1992) Such a hypothesis is supported by numerous empirical studies as well.

Under the Multi-purpose service centre or Job club scheme, the eligibility is reserved for those who have an annual income of less than ₹ 50,000. . No security is required to avail loan below ₹ 5 lakhs for the start up of any production unit. In order to facilitate credit accessibility, the scheme is incorporated with the Credit Guarantee Scheme. The beneficiaries can avail the benefit of the Credit Guarantee Trust Scheme for Micro and Medium enterprises. (CGTSME) If the scheme belongs to service/industry sector, then the Trust will stand as a surety for the loan amount. To avail the benefit, the beneficiary has to remit 1.5% for the first year and 0.75% thereafter of the total loan amount to the Trust. This can considerably help in solving the problem of lack of credit accessibility which occurs due to the lack of collateral or security.

2. Eligibility of the beneficiaries

The risk of closure is reduced by ensuring that the potential beneficiaries have sufficient work experience in the area of work chosen. Further, training is provided with the co-operation of the Rural Self Employment Training Institute (RSETI) to the beneficiaries.

However , despite the potential of the scheme the number of beneficiaries have not showed any consistent increase over the period. The data provided from the Employment Directorate is given in the table below:

Financial Year	No: of clubs	Total beneficiaries
2007-08	68	301
2008-09	71	318
2009-10	72	315
2010-11	65	191
2011-12	62	125
2012-13	66	143

## OBJECTIVE

- To study the effectiveness of the Job Club Scheme launched by the Government of Kerala and to suggest measures to improve its implementation.

## DATA AND METHODOLOGY

The data used in the analysis is mainly primary data collected from the nine districts surveyed and from the various Job Clubs visited starting since the inception of the Scheme in 2007. Secondary data in the form of panel data, from the Employment Exchanges was difficult to obtain in most instances owing to the poor maintenance of records, the notable exception being Thrissur. The information from the beneficiaries was obtained mainly through focus group discussions. The outline of the discussion is attached.

## REASONS FOR DISPARITIES IN PERFORMANCE AMONGST DISTRICTS

Nine districts were surveyed in connection with the study. The districts chosen were Kasargod, Kozhikode, Thrissur, Ernakulam, Kottayam, Allapuzha, Pathanamthitta, Kollam and Thiruvananthapuram. The districts were chosen keeping in mind the proximity and convenience and also based on the performance of the districts relating to the Scheme as per the information obtained from the Employment Directorate.

Of the 9 districts surveyed, Kasargod district has posted the highest number of clubs with 91. (It has the highest number of clubs in the state as well.) However, due to poor maintenance of records very little could be gained. The discussion with the beneficiaries proved to be much more beneficial. It proved that there was awareness and great enthusiasm regarding the scheme among them. The larger shares of the clubs have been formed relating to the agriculture sector and the local government bodies have played a significant role in the dissemination of information and also provided assistance in the formation of project report required at the time of application.

The second highest number of clubs was to be found in Kottayam. What sets apart Kottayam from the other districts is the fact that numerous incidents regarding the use of the CGTSME has been cited. The information regarding the use of the Trust can be understood from the letter sent to the District Employment officer from the Bank. The beneficiaries in the instances have not had to pledge security. However, the use of the Trust is limited to enterprises in the service and industry category and therefore districts where agriculture related Job Clubs are prominent are unable to avail the facility.

Thrissur district with 37 Job Clubs forms one of the better performing districts. Maintenance of records and a systematic approach has not only made the survey easier but has also shown an approach which could be extended to other districts as well. Not only is regular training provided but the entire scheme has been done on a basis such that the financial year is divided into 3 periods and

then a District Level Committee comprising of the District Employment Officer, Lead Bank Manager, Panchayath President, Director Jan Sikshan Sansthan and Representative Industrial training Department is formed once 5 applications have been received. This has resulted in the widespread dissemination of information at the official circle and closer co-ordination as well. This could well prove to be model worth emulating.

What is worth mentioning in all the better performing districts is the role of training provided with the help of Rural Self Employment Training Institute (RSETI). Districts with higher number of clubs have also made available to the beneficiaries a compulsory training programme after their projects have been approved and the loans sanctioned. Examples are Ernakulam and Thrissur. The training is not trade specific but relating to entrepreneurial development in general. It has been claimed as being very useful by the beneficiaries. However, one recurring problem which has been experienced is the lack of support once the enterprise has begun. This is especially true for enterprises which have taken loan below ₹5 lakhs and for those who lack of considerable experience in the field chosen. This leads to closure of the unit and subsequent cut-off from the labour market as they become ineligible to further employment and unemployment dole via the Employment Exchange as once they have been registered under the Job Club, the members are considered only for regular vacancies and not for temporary vacancies. The District Employment Exchange is intimated only when there occurs a delay in the repayment of the loan.

No: of Job Clubs formed in the districts surveyed year wise

<u>DISTRICT</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>Total</u>
Allapuzha	8	0	4	2	0	1		15
Ernakulam	6	3	5	4	1	2	1	22
Kasargod	15	14	14	11	19	18		91
Kozhikode	1	3	6	6	2	4		22
Pathanamthitta	3	3	2	1	3	4		16
Thrissur	8	5	5	3	7	9		37
Thiruvananthapuram	1	9	6	2	0	2		20
	42	37	42	29	32	40	1	223

MAJOR LACUNAE AND SUGGESTIONS FOR IMPROVEMENT

- The difficulty encountered includes the poor maintenance of records. While efforts were made to contact the authorities through telephone as well as mail, few elicited any response. Where most districts lag behind is in the dissemination of information regarding the scheme. Most beneficiaries though registered at the Employment Exchanges, are seldom aware of the scheme. No instance of the local government bodies playing an active role in the popularisation of the scheme has been cited except in the case of Kasargod district. The popular sources information for the people have been Jan Sikshan Sansthan, radio broadcasts and through Banks.

- A better way would be to inform the potential beneficiaries at the time of registration at the Employment Exchanges. The Town Employment Exchanges could thus serve as one of the potential mediums. The local government bodies too could play a more pro-active role.
- The major stumbling block hindering the effective implementation also involves the lack of training of the Officers in charge. This prevents effective dissemination of information and halts the progress of the scheme.
- Another point worth noting is that although it is compulsory to visit 3 Job Clubs every month, few districts implement the norm. Lack of vehicle is the often cited reason. The Scheme gets affected as there is virtually no contact between the beneficiaries and the Employment Exchange once the subsidy has been released. It would be better to make the scheme such that there exists regular contact with the Job Club members even after the subsidy has been sanctioned. This could be done through release of the subsidy in a stage wise or phased manner rather than as a onetime front end subsidy especially for loan amounts of higher denominations.
- However the foremost obstacle encountered by the people is the reluctance from the part of the financial institutions. Banks have been mostly refused to engage in instances where the potential beneficiaries have been unable to offer security or collateral even for loans below ₹ 5 lakhs. The lack of use of the Credit Guarantee Trust which is attributed to the Bank, also points to the pivotal role the financial institutions play in making the scheme a success or failure. Bringing the scheme under the priority sector of the Banks and a more active role for the Employment Exchanges could go a long way in furthering the success of the Scheme.
- Further, providing the much needed marketing infrastructure through linking the Clubs to organisations like the Kerala Artisans Development Corporation would help sustain their work and livelihood
- Compulsory audit or provision of annual financial statement could be done. This would provide in obtaining a clearer picture of the functioning of the Clubs. To encourage this, incentive in the form of reduction of interest rate or any sort of financial incentive could be provided.

### **CONCLUSION**

While the scheme is one of the innovative and schemes launched with the aim of providing employment to the educated unemployed in the State, there is still a long way to go before any conclusions can be drawn. The scheme has yielded a mixed bag of results in the State with some districts performing exceptionally well while the others faring miserably, failing to start even a single Job Club. With the primary survey of 9 districts the conclusion that can be drawn is that there exists considerable scope to bring in a larger number of beneficiaries within the ambit of the scheme. This needs to be done with massive awareness campaigns and also training on entrepreneurial skill

development at the grass root level. Ease of availability of credit can be done with the popularisation of the Credit Guarantee Trust Scheme for Micro and Medium enterprises. (CGTSME) Bringing the Scheme under the Priority sector of the banks can also help solve the problem of lack of collateral.

#### **OUTLINE OF THE FOCUS GROUP DISCUSSION**

- **Source of information regarding the scheme**
- **Difficulties faced/facing**
- **Whether the project has been successful in securing a permanent source of livelihood, in terms of monthly income**
- **Training received if any and provided by whom**

## Disclaimer

State Planning Board for the first time, has introduced a scheme for involving Post Graduate students from reputed Universities / Institutions in the process of data collection and analysis of specific areas/subjects pertinent to the development of the economy and preparation of research notes on those areas. In the first phase of introduction of this programme, five Post Graduate students from Centre for Development Studies, Thiruvananthapuram were selected as interns during their summer break for undertaking specific research studies on selected subjects from 2.5.13 to 15.6.13. A discussion was held on the study reports by the interns and these reports were enriched to a great extent by the points factored in these discussions. The study reports as such are uploaded for an open discussion. ***Any views or opinions presented in these reports are solely those of the interns and do not necessarily represent those of Government /State Planning Board.***