

Manage PM-defined 'personal sector' by monitoring Mudra & its ilk

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Minister Narendra Modi's recent interviews to select media have brought some clarity to certain issues. A case in point is the clarity about Mr. Modi's intent to bank on and bank with informal or unorganized sector. He calls it personal sector.

Mr Modi perceives this sector as future engine of growth and employment. PM's vision can, however, transform into a reality only if bewildering variety of existing schemes to promote entrepreneurship especially among the poor are reorganized to prevent overlap and minimize business failures.

The Government should also create a mechanism to ensure that smart beneficiaries don't take soft loans and subsidies under different schemes while other eligible participants are left high and dry.

Moreover, it is essential to apply lessons from implementation of previous or existing schemes to PM's pet initiatives - Micro Units Development & Refinance Agency (MUDRA), Stand-up India and Start-up India. The Government also has to create a robust mechanism for quarterly & yearly survey of employment generated in personal sector.

In an interview to a pink daily, PM stated:

"About 1.25 lakh crore worth of loans have been disbursed without any collateral under the Mudra scheme. In fact, more than 70% of these loans have gone to women, scheduled castes and tribes and other backward classes. Barbers, washer men etc. have got loans to expand their business. It will create additional jobs. I have coined a new sector personal sector over and above the existing classification of public sector and private sector. Our policies towards jobs creation have focussed on jobs in this (personal) sector as well."

He first expounded this economic classification at Varanasi in September 2015. Mr. Modi had then reportedly stated: ***"For the last 50 years we used private and public sectors as a tool of economic growth, but failed to get the desired pace of development. Today, for the first time I give emphasis on the third sector, the personal sector, to put the country on fast track."***

PM's focus on personal sector is pragmatic and welcome. He is, however, not the first PM to target unorganized sector (micro enterprises including street vendors) with loans and subsidies. Nor is he the first PM to unveil specific scheme for under-privileged citizens such as Stand-up India. It has been conceived to promote entrepreneurship among scheduled castes and tribes (SCs/STs).

Mudra, in fact, supplements efforts being made under existing schemes. Mudra facilitates collateral-free loans from banks and micro finance institutions (MFIs) to smallest entrepreneurs through a guarantee fund. Mudra loans are covered by Credit Guarantee Fund for Micro Units (CGFMU) with a corpus of Rs 3000 crore. A similar arrangement named Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) already exists. It was created in 2000 by Atal Bihari Vajpayee Government. CGTMSE's Rs 2500-cr corpus is funded by Small Industries Development Bank of India (SIDBI) and the Government in 4:1 ratio.

Another existing scheme that provides for banks-aided entrepreneurship is Prime Minister's Employment Generation Programme (PMEGP). It was launched in 2008 by merging two schemes - Prime Minister's Rojgar Yojana (PMRY) and Rural Employment Generation Programme (REGP). PMRY was launched in 1993. It was preceded by Self Employment Scheme for Educated Unemployed Youth (SEEUY), which was launched in 1985.

Another notable existing scheme is National Rural Livelihoods Mission (NRLM)/Aajeevika. Ministry of Rural Development (MoRD) had launched it in June 2011 as a restructured version of Swarna Jayanti Gram Swarozgar Yojna (SGSY). It is aiming to facilitate entrepreneurship/self-help projects among 100 million rural poor in 6 lakh villages. This is only an illustrative list of credit and subsidy-linked

schemes. This should suffice to drive home the need for measuring the collective outcome of all similar schemes.

It is here pertinent to quote an important lesson from the website of Development Commissioner (MSME), Ministry Of Micro, Small & Medium Enterprises. The website notes that

"SEEUY could not be continued successfully. It was estimated that more than 70% of the units became sick and subsequently closed down."

Tracking the working of soft credit and subsidy-aided micro enterprises is important as they lack capability to bear losses and withstand unfavourable market developments. Monitoring is also crucial to gauge employment and unemployment, apart from assessing loan defaults.

In an interview with another pink daily, Mr. Modi stated:

"Our employment statistics have limited coverage and are not very reliable. We have given self-employment loans to 34 million entrepreneurs. Many of them are from the Scheduled Castes, Scheduled Tribes, OBC and women. The Make in India movement is gathering steam and will also begin to show substantial employment growth. The re-orientation of our incentives towards employment, instead of capital investment, will produce major effects in due course."

This brings us to the need for strengthening and expanding Labour Bureau. It should collect timely and diverse data to provide vital cues to policy makers, lending institutions and other stakeholders of economy.

It is disappointing to note that Labour Bureau has not yet released the fifth Annual Employment Unemployment Survey for 2014-15. It was to be released in Q4 of 2015-16. Labour Bureau had released 4th Survey on 7th January 2015.

It should emulate US Bureau of Labour Statistics, which produces a wide range of surveys. The notable ones include monthly employment situation report and annual American Time Use Survey.

We understand labour statistics often put the Government in uncomfortable situation. Mr. Modi Government should be mentally prepared to live with unpleasant data on the employment front and take it as challenge to rework policies to create work opportunities.

Let timely labour statistics balance irrational exuberance in the Government over GDP growth, computed with new calculation method, which sceptics ridicule time and again.