

NON-SUBSIDISED MASS SCALE EMPLOYMENT IN THE SOUTH :  
THE DEVELOPMENT OF A FINANCING METHOD

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Owing to the high unemployment situation it is imperative to consider project financing in terms of employment generation. An analysis of past lending for projects was conducted with this in mind. It appeared that financial institutions had revealed preference for projects where the investment cost per job was in the range of two to three lakhs of rupees. This was analysed to develop a financing method which would yield a much lower per job investment cost. The aim was to reach the level reached by the Philippines mass scale employment program of around ten thousand rupees per job as only such an amount would make the program feasible. Upon analysis it appeared that the factors causing the existing high cost, even in the small and medium scale industry concessional lending program, were due to essential safeguards on the loan from the banks point of view that essentially caused the loans to be biased in favour of forms of commercial control that required the high investment cost. By considering how the essential banking requirements may be met a scheme was devised that met with banking criteria while bringing costs down to the required approximate level. In a separate project this scheme was tested on banks and entrepreneurs hypothetically and feasibility established. The scheme depends on provision of investment funds by DFIs against collection at point of export of new export items.