

**Government of Jammu and Kashmir**

**Labour & Employment Department  
Civil Secretariat  
Srinagar/ Jammu**

**Guidelines**

**For**

**Youth Startup Loan Scheme**

**Under**

**Sher-i-Kashmir Employment & Welfare Programme for Youth**

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## **1. Introduction:**

- 1.1** As a response to the burgeoning problem of unemployment in Jammu and Kashmir, the State Government launched the Seed Capital Fund Scheme on December 5, 2009 as a component of **Sher-i-Kashmir Employment & Welfare Programme for Youth (SKEWPY)**. The guidelines for the Scheme were issued on February 24, 2010. Being implemented through Jammu & Kashmir Entrepreneurship Development Institute (JKEDI), the Jammu & Kashmir Bank Limited (JKBL) has been nominated as the sole Debt Syndicator which provides credit facility to the entrepreneurs motivated, promoted and trained by JKEDI. The Department of Labour & Employment Department, Government of Jammu and Kashmir has been designated as the Administrative Department. Accordingly, a Memorandum of Understanding (MoU) was signed between Labour & Employment Department, J&K Government and JKEDI with the Jammu and Kashmir Bank Limited on September 17, 2010, which underlines the roles of various stakeholders in the implementation of the Scheme.
  
- 1.2** A quick midterm evaluation of the Scheme was conducted by Mercy Corps, a US-based international development agency that supports community-led and market-driven development across the globe and works for the cause of entrepreneurship development in difficult areas. The Mercy Corps study of the Scheme revealed that in-spite of the best intentions of all the stakeholders, the young entrepreneurs covered under the Scheme face a long and complicated process at the operative levels. The study found that the Scheme faces a number of bottlenecks in implementation and that there was ample room to improve the implementation of the scheme and to expand its outreach. Therefore, the financial support in the shape of Seed Capital, which is expected to go a long way in helping the young entrepreneurs, is in actual terms, not being accessed by them. Such a situation, apart from creating a negative feeling amongst the young prospective entrepreneurs; has diluted the noble purpose of the Seed Capital Fund Scheme.

While the Government has decided on a number of procedural improvements to the Seed Capital Fund Scheme to improve implementation and achieve its intended impact, it has also been recognized that there is need for an additional financial support mechanism to young startup entrepreneurs. Therefore, in furtherance of its commitments made under Sher-e-Kashmir Employment & Welfare Programme for the Youth (SKEWPY) to promote entrepreneurship development and employment generation, the Government proposes to launch a new Scheme within the ambit of SKEWPY under the name and style of a **Youth Startup Loan Scheme**. This is being done in view of the specific needs and circumstances of potential youth startup entrepreneurs and is modeled after the encouraging performance demonstrated in the implementation of **Term Loan Scheme of National Minorities Development & Finance Corporation (NMDFC)** by Jammu and Kashmir Entrepreneurship Development Institute (JKEDI) since April 2011.

- 1.3 Under this new Scheme, projects with an investment upto Rs. 8.00 lacs will be considered for financing with 90% project cost as loan component and 10% as beneficiary contribution. However, in respect of projects with higher investment, the beneficiary contribution will be project cost less by 90% of the loan amount subject to a maximum of Rs. 8.00 lacs.

## **2. Objectives:**

- 2.1 While the objectives of the **Youth Startup Loan Scheme** are in tandem with that of **Seed Capital Fund Scheme**, yet the Scheme focuses more on the availability of credit facility to the young startup entrepreneurs in an easy and expeditious manner at lesser interest rates in the shape of soft loans rather than promising them free money which is, in practice, less accessible to them through the commercial banking system. Therefore, the Scheme emphasizes that while accessing credit for the establishment of enterprises, the entrepreneurs covered under the Scheme are not put to any inconveniences, thereby enabling them to start their

enterprises in a hassle free manner. The Scheme will help young startup entrepreneurs initiate and sustain their business activities so that they can develop an initial experience set and business track record that will help them later access the financial capital needed to grow their businesses through the commercial banking sector.

**3. Implementing Agency(s):**

**3.1** In the primary paradigm, the Scheme is being launched on a 6-month pilot basis with coverage of 200 candidates with 100 candidates each from Kashmir & Jammu Divisions. The implementing agency for this purpose will be Jammu & Kashmir Entrepreneurship Development Institute (JKEDI) and Mercy Corps under the overall supervision of Labour & Employment Department, Government of Jammu and Kashmir. Mercy Corps will join hands with the JKEDI through a Memorandum of Understanding (MoU) to jointly implement this Scheme, to support the overall capacity building of JKEDI and to make other common efforts towards the promotion of entrepreneurship in the state. Mercy Corps will also conduct a detailed evaluation of the pilot Scheme.

**4. Eligibility:**

**4.1** The eligibility criteria under the Scheme will be the same as applicable under Seed Capital Fund Scheme which includes:

- i. A State Subject in the age group of 18-37 years having a qualification of 10+2 or above.
- ii. The beneficiary must be unemployed and registered with the concerned District Employment and Counseling Center.
- iii. There shall be no income ceiling for coverage under the Scheme.
- iv. Only new entrants to the field of entrepreneurship will be covered under the Scheme. Any person or any unit existing and the units which have already availed of any

incentive or subsidy under any Scheme of the Government of India or the State Government shall not be eligible for assistance under the Scheme.

- v. No Institution, Corporate Body, Society or NGO shall be eligible under the Scheme.

**5. Strategy:**

**5.1** JKEDI will popularize the scheme through the medium of Entrepreneurship Awareness Programmes (EAPs), besides taking recourse to electronic and print media. Mercy Corps will work together with JKEDI to mobilize potential young entrepreneurs who can benefit from this scheme. This will be followed by the registration of the candidates as per procedure adopted for the registration of candidates under Seed Capital Fund Scheme.

**5.2** Only those candidates shall be entertained who are already registered with the concerned DECCs. Each candidate selected for coverage under the Scheme shall have to prove his credentials of being a new entrant to the field of entrepreneurship.

**5.3** A Screening Committee comprising of Director, JKEDI as the Chairman with representatives from J&K BANK LIMITED and the Mercy Corps as its other members will make the selection of the candidates. The Screening Committee may choose to associate any other person(s) having proven credentials of being an Expert in the relevant area as a Member of the Committee.

**5.4** The selected candidates shall have to undergo mandatory EDP at JKEDI for a minimum period of two weeks, wherein endeavor will be made to build the capacities of the selected candidates both in managerial as well as technical fields. For this purpose, JKEDI in consultation with Mercy Corps shall update the curriculum already in vogue strictly in tune with the requirements of the

relevant sectors on the basis of the latest developments that are taking place in the subject concerned.

**5.5** The candidates to be covered under the Scheme can take up any activity, which has the potential of employment generation. However, the endeavor of the institute will be to promote environment friendly ventures relating to the core areas of State economy which inter-alia include:

- a) Agriculture and its allied sectors viz; horticulture, floriculture, poultry rearing, sheep/ dairy farming, pisciculture, bee keeping, cultivation of medicinal and aromatic plants, etc;
- b) IT related ventures.
- c) Tourism
- d) Food Technology;
- e) Establishment of facilities for storage of food products/horticulture products: particularly cold chains;
- f) Handloom, Handicrafts and other artisan products: particularly design improvement, technology-transfer and marketing;

**5.6** During the currency of EDP, JKEDI shall arrange to prepare a Business Plan in respect of each venture which will break the project into various benchmarks indicating the stages at which the finance has to be provided. JKEDI in consultation with Mercy Corps will develop a standard set of parameters for the Business Plan format. In respect of projects with higher costs, the business plan will indicate the benchmarks where the loan amount has to be released. However, the release for the next stage shall always be subject to the successful completion of the activities in the previous stage.

- 5.7** An amount of 6% of the amount actually disbursed under the Scheme will be payable to the Institute to cover expenses on account of IEC component, printing and Stationary, remuneration for the additional manpower to be engaged under the Scheme, training cost, preparation of the Business Profile for each Project, Pre-sanction surveys and transportation charges for increasing the frequency of visits by the staff of the Institute to the site of the venture so as to ensure effective monitoring.
- 5.8** The beneficiaries covered under Youth Startup Loan Scheme shall be entitled to the benefits under Seed Capital Fund Scheme as phase II of the financial mechanism for interested High Impact Youth Entrepreneurs to upscale their business enterprises. However, such entitlement shall be subject to the satisfaction of the Implementing Agency with regard to progress achieved and the recovery patterns.
- 5.9** Each selected beneficiary shall be required to open an account in any of the branches of the Jammu and Kashmir Bank Limited where Electronic Transfer Facility is available.
- 5.10** The selected beneficiaries shall furnish an indemnity bond duly attested by a First Class Judicial Magistrate to the effect:
- i. That he/she shall establish the venture within the period specified for the purpose.
  - ii. That he/she shall incur the amount of Loan sanctioned to him/her only for the defined purpose.
  - iii. That he/she is not doing or was not doing and shall not take up any job in Government, Public / Private Sector in Central or State Government.

## **6. Sanctioning of Loan:**

**6.1** The loan amount will be sanctioned in favour of the beneficiaries by the competent authority as per the benchmarks detailed out in the Business Plan. However, in case of projects with an investment of more than Rs. 8.00 lacs, the concerned beneficiaries shall have the obligation of investing their own contribution in the first phase. Thereafter the loan amount will be released in favour of the concerned beneficiaries.

**6.2** The loans under the Scheme will be sanctioned by a committee with the following composition:

- |  |                  |
|--|------------------|
| a) Commissioner/Secretary,<br>Labour & Employment Department,<br>J&K Government              | Chairman         |
| b) President,<br>Government Business, Law &<br>Corporate Communications<br>J&K Bank Limited. | Member           |
| c) Kashmir Director,<br>Mercy Corps  | Member           |
| d) Director,<br>J&K Entrepreneurship<br>Development Institute.                               | Member/Secretary |

## **7. Mode of Repayment:**

**7.1** The total loan amount along with the interest @ 6% per annum (Simple Rate of Interest) shall be repayable within a period of 5 years in 20 equal quarterly installments. The repayment of loan shall have moratorium period of 6 months. During the moratorium period only interest charged shall be recovered on quarterly basis and the repayment of the principal with interest shall be taken up thereafter. The repayment received will be appropriated first towards interest and thereafter toward the principal. For this purpose, the beneficiary will be required to submit 20 post dated Account Payees Cheques from Jammu & Kashmir

Bank Limited in his service area along with the Bank verification letter and attestation of signatures as per the prescribed format. The beneficiary shall have to produce original documents along with the attested photocopies of all the relevant documents required for record and verification.

**8. Security:**

**8.1** Since the scheme is being implemented on pilot basis, implementing agency shall seek a security from the beneficiaries against the Loan to be disbursed. The norms of security shall be such that the beneficiaries are able to meet them and the recoveries are ensured. In general, following security provisions shall be followed:

- a) For Loans upto : Guarantee of a State  
Rs. 4.00 lacs Government Employee or  
Bank Employee with a  
service of at least 6 years at  
his/her disposal.
- b) For Loans above : Guarantee of two State  
Rs. 4.00 lacs Government employees or  
Bank with a service of at  
least 6 years at his/her  
disposal.

After its evaluation, if the Scheme is allowed to continue, the matter with regard to its inclusion under Credit Guarantee Fund Trust of Micro and Small Enterprises (CGTMSE) cover will be taken up with Small Industries Development Bank of India (SIDBI) to do away with the security clause as detailed above.

**9. Other Terms and Conditions:**

**9.1** The beneficiary shall submit the following documents on the prescribed format duly notarized:

- a) D.P Note
- b) Deed of Irrevocable Power of Attorney

- c) Deed of Guarantee (the guarantor/s should be a Government Servant/Bank Employee) with at least 6 years of service to superannuate.
- d) Deed of Hypothecation of assets created in the joint names of Jammu and Kashmir Entrepreneurship Development Institute and the State Government.
- e) Deed of Agreement
- f) Affidavit
- g) Letter of Undertaking.

9.2 The amount of loan shall be released in favour of the beneficiary only after the beneficiary contribution is deposited in the Institute's Chest.

9.3 Any excess amount on account of cost escalation between the date of sanction and the date of actual procurement of assets will be arranged by the beneficiary of his own.

9.4 The unit so established under the Scheme shall have to be insured by the beneficiary.

9.5 In case, it is found that the unit for which the loan was sanctioned in favour of the beneficiary; has not been established, the Institute shall be at liberty to recover the entire loan amount along with the interest @ 12% (simple) in one installment within a period of 30 days of such funding. In case of default on this account, the Institute shall be at liberty to initiate legal proceedings against the beneficiary in the appropriate Court of Law.

## **10. Monitoring, Evaluation and Appraisal:**

10.1 The JKEDI in consultation with Mercy Corps will establish a comprehensive monitoring and evaluation system for the Scheme that will collect real-time data and measure implementation progress and performance against pre-defined indicators of success. A detailed progress report on the pilot implementation of the Scheme will be presented to the State Government by JKEDI.

10.2 The State Government will review progress on the pilot implementation of the Scheme and shall also get a detailed evaluation of the Scheme conducted through an independent professional organization (including lessons learned and recommendations) and only then take a final view with regard to the continuation / extension of the scheme.

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