

**GOVERNMENT OF JAMMU AND KASHMIR
DEPARTMENT OF LABOUR AND EMPLOYMENT**

REVISED GUIDELINES

FOR

Seed Capital Fund Scheme

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1. Introduction:

- 1.1 Financial institutions have been generally found to be reluctant to extend credit facility to the first generation entrepreneurs in view of their risk perception. This has negative implications on the development of entrepreneurship. Sensing such an equivocation the states intervention has been found necessary to ensure that the motivated and trained prospective first generation entrants to the field of entrepreneurship/self employment are nurtured effectively.
- 1.2 To address this problem, the State Entrepreneurship Development Institute (JKEDI) under “*Sher-e-Kashmir Employment and Welfare Programme for the Youth (SKEWPY)*”, announced by the Government of J&K, will offer 'Entrepreneurship Development Programme/s (EDPs)' which apart from sensitization, training and consultancy shall include an incentive in the form of non-refundable Seed Money to the eligible prospective entrepreneurs to kick start their ventures and make their projects bankable. This scheme has been named as Seed **Capital Fund Scheme**.

2. Objectives:

- 2.1 The main objective of the Scheme is to motivate, train and facilitate a large segment of educated young men and women to take up entrepreneurship as a career option instead of hankering after the government jobs. By opting for self employment a class of first generation entrepreneurs will be created who will create job opportunities not only for themselves, but also for others. It is also an objective of the Scheme to invest in various areas of economy to optimally exploit the resources.

3. Implementing Agency:

- 3.1 The Department of Labour and Employment shall be the Administrative Department of J&K Entrepreneurship Development Institute for the purpose of Seed Capital Fund Scheme. The Scheme shall be implemented through Jammu & Kashmir Entrepreneurship Development Institute (JKEDI).

4. Seed Capital Fund:

- 4.1 The funding for the Scheme will be provided by the State Government through the Department of Labour & Employment. The department shall process the same for advance drawal and funds shall be released to the JKEDI on a quarterly basis to the extent of advance drawal during the financial year. The instalments shall be released subject to the utilization of the funds released in the previous quarter and submission of utilization certificate to the Director Employment, counter-signed by a registered Chartered Accountant and signed by the Director JKEDI.
- 4.2 Seed Capital equivalent to 35% of the project cost shall be provided to the prospective entrepreneurs' upto a maximum of Rs. 4.00 lacs for under graduates, Rs. 5.00 lacs for graduates, Rs. 6.50 lacs for post graduates and Rs. 10.00 lacs for Professional/Technical Graduates. However, for Group initiatives the upper limit shall be relaxable upto sum total of individual entitlements.

Provided that the Screening Committee shall sanction joint ventures for 03 people. However, in exceptional cases a joint venture of 05 persons may be considered.

Provided further that the Professional / Technical qualification shall include the following categories of degrees:

- i) Five and Four-Year Bachelors Degree Courses viz: MBBS, BDS, BVSc & A.H, BAMS, BUMS, BE, B.Tech, BSc (Agriculture), B.Sc (Forestry), LLB (including LLB done at University level after Graduation) etc. approved by concerned regulatory Body (s).
- ii) Computer Science & Technology Graduates, MBA, etc. from recognized University / Institute.
- iii) All two year Masters Degree Courses that are declared as professional degrees by Kashmir/Jammu Universities.
- iv) For all such degrees that are awarded by other Universities and the holders whereof claim to possess professional degrees, shall be referred to respective Universities for clarification.

However, in case of Professional/Technical degree holders, the Seed Capital shall be available only if their proposed enterprise(s) is/are

related to their qualifications. Otherwise they shall be treated at par with other graduates or post graduates as the case may be.

- 4.3 3% of budget allocation shall be reserved for Differently / Specially abled persons. In case, the required number of candidates does not come forward under this category to avail the benefits of the Scheme, then the funds can be utilized for General Category.

5. Eligibility:

5.1 The following shall be eligible for assistance under the Scheme:

- a) A State subject in the age group of 18 to 40 years having a qualification of 10+2 or above who is unemployed,
- b) There will be no income ceiling for coverage under the scheme;
- c) The beneficiaries must be registered with the concerned District Employment and Counselling Centre. They can also be registered with other departments and institutions like DICs etc. wherever required so as to take advantage of the benefits which may accrue through such registrations. The JKEDI shall facilitate this during the course of training under Entrepreneurship Development Programme;
- d) Any person or any, existing units 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;
- e) No institution, corporate body, society or an NGO shall be eligible for assistance under the scheme.

Provided that for differently/specially abled persons, the age group of 18 to 42 years shall be applicable.

Provided that the “person with disability” shall mean a person suffering from not less than forty percent of any disability, as certified by a competent medical authority.

6. Strategy:

- 6.1 The identification of the beneficiaries shall be done by the Institute by way of organizing mass awareness programmes to apprise the

educated unemployed youth about the bright prospects in self-employment through the Entrepreneurship Awareness Programmes (EAP) already being conducted by the Institute as part of its mandated activity.

- 6.2 In the month of January every year JKEDI will invite applications from the candidates registered with the District Employment and Counselling Centres and willing to undergo training for development of entrepreneurship. A Screening Committee shall be constituted by JKEDI which shall also include a representative of J&K Bank of an appropriate rank. The Committee shall screen the applications, interview and select suitable candidates for training. During the training the JKEDI shall train the selected candidates in entrepreneurship and also identify the interest and potential of each candidate for various fields of activity
- 6.3 The so trained and registered first generation entrepreneurs shall be motivated by the JKEDI to start environment-friendly ventures relating to certain core areas of the state economy which inter-alia include:
 - i) horticulture, floriculture, cultivation of medicinal and aromatic plants,
 - ii) food-processing at the household/village level;
 - iii) establishment of facilities for storage of food products/horticulture products: particularly cold chains;
 - iv) handloom, handicrafts and other artisan products: particularly design improvement, technology-transfer and marketing;
 - v) ventures in poultry, sheep-breeding and production, collection, storage and marketing of milk: aimed at import substitution;
 - vi) setting up of computer literacy/training institutes in villages/habitations particularly with a population of less than 3000 souls;
 - vii) setting up of Fair Price Shops at small habitations across the State;

- viii) Tourism-related enterprises covering houseboat owners, setting up of Paying Guest facilities, small dhabas and restaurants with a capacity of 20 seats;

6.4 The distribution of the seed capital among various categories of entrepreneurs shall be as follows:-

- i) The number of under-graduates and graduates shall be limited to 60% of the seed capital.
- ii) Similarly, the number of post-graduates and above shall be limited to 40% of the seed capital. Care should be taken to select technically qualified graduates to a maximum of 1/3rd of the number selected under this category) depending upon their availability.
- iii) Since there are chances that during training some candidates may drop out, or prove otherwise ineligible to take up entrepreneurship as a career therefore, the number of candidates to be selected for training in each category. should be 20% more than the number permitted by the earmarking of funds under each category.
- iv) 30% of the total candidates selected in the above manner should be from among backward communities like scheduled caste, scheduled tribe and social caste and backward areas like residents of backward areas and line of actual control subject to availability of the candidates. In case such candidates are not available to the extent of 30% then the balance should be selected from the general category.

6.5 Based on the interest and potential of each candidate the Screening Committee shall allot suitable self employment activity to a candidate.

6.6 Since allotment of self employment activity to each candidate is critical to the success of the scheme, therefore, it is absolutely essential that the JKEDI makes an objective assessment of market condition, track record of the activity, if already in practice, availability of basic resources needed like land etc. resource endowment of the State so as to correctly identify the potential areas of the economy where entrepreneurial development is much needed to ensure that the ventures remain economically viable and there is no saturation.

7. Preparation of Detailed Project Reports (DPRs):

- 7.1 The JKEDI will arrange to prepare DPRs for the allotted ventures through their empanelled consultants. However, the JKEDI may also take help of the line departments in preparing the DPRs in case consultancy service in a particular field is not available. The selection of consultants for the purpose of this scheme should be on a normative basis to ensure that sound consultancy is made available as this is also critical to the success of the scheme, f i e consultants should be experts in the fields of various economic sectors and not simply management savvies.
- 7.2 The DPRs shall break the project into various benchmarks indicating the stages at which the finance has to be provided. This will help in steering the project successfully at the completion of each stage and shall also stagger the release of loan and seed capital. Release for the next stage shall always be subject to the successful completion of the activities in the previous stage.

8. Capacity Building:

The selection process shall be followed by sector specific Entrepreneurship Development Programmes (EDPs) with emphasis on modular training courses.

9. Sanctioning of Seed Capital:

- 9.1 There shall be a Steering Committee headed by Secretary to Govt. Labour and Employment Department for approving the DPRs and sanctioning the seed capital to the individual entrepreneurs strictly in accordance with these guidelines.
- 9.2 The Committee shall approve the DPR and the quantum of money to be made available to the prospective entrepreneur at each stage.

10 Mode of Payment of Seed Capital:

- 10.1 The Government in the Department of Labour and Employment shall enter into an MoU with the J&K Bank for providing loan to the entrepreneurs sponsored by the JKEDI under Seed Capital Fund Scheme as per para 10.10 of the SKEWPY. The modalities of opening accounts by the JKEDI and respective entrepreneurs shall also be determined mutually by the Government and the bank and shall form part of the MoU.

- 10.2 Each selected entrepreneur shall be required to open an account in the name of his enterprise in any branch of J&K Bank where Electronic Transfer Facility is available.
- 10.3 The selected entrepreneur shall furnish an indemnity bond duly attested by a First Class Judicial Magistrate to the following effect:-
- (a) That he/she shall establish the sanctioned unit within the period specified by the JKEDI;
 - (b) That he/she shall incur the amount of seed capital sanctioned to him only for the purpose of establishing the said unit;
 - (c) 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 any State Government;
 - (d) That in case he/she fails to establish the sanctioned unit within the stipulated time or diverts the sanctioned amount for some other purpose than the establishment of the unit or take up Government or Public /Private Sector job in Central or any State Government, he shall be liable for repayment of the sanctioned seed capital along with interest @ 18% per annum in a single instalment within a period of one month to be calculated from the date of the transfer of Seed Capital money to his account.
- 10.4 After furnishing the bond the Director JKEDI shall sponsor the case to the J&K Bank for sanction of loan.
- 10.5 Upon approval of the cases by the Steering Committee, JKEDI shall release the seed money in favour of the concerned entrepreneurs through J&K Bank limited upfront. The said money shall be deposited in a bank account, which shall be released in favour of the concerned entrepreneurs as per the phasing in the DPR. The amount of interest accrued for the period it remains undisbursed, will be returned to the State Government. For the subsequent instalments of loan and seed capital fund, the Director, JKEDI shall constitute a Task Force which shall include Bank Manager that has sanctioned the loan and atleast one member of the Steering Committee for on spot verification of the project. The Task Force shall verify the work done on the project and if satisfied with the progress of first stage of the project as per the DPR, recommend the sanction of loan for the next stage. The same procedure shall be followed for all

subsequent stages. This will provide a handle to the JKEDI to steer the project through all its stages till completion.

- 10.6 After the release of first tranche, the Institute shall communicate the list of beneficiaries covered under the Scheme to the concerned District Employment and Counselling Centre for deletion of their names from the Live Register. A copy of the same should also be sent to the Service Selection Board, Public Service Commission, Police Recruitment Board and other recruiting agencies of the State both in the Government and in public sector and also the banks operating in the State with the specific advice that the persons included in the list should not be considered for any appointment.
- 10.7 JKEDI may continue to sanction cases upto Rs. 1.00 Crore. However, up-scaling of any unit shall be allowed as Phase-II of the project. This will be done only after a proper request is made by the concerned entrepreneur and duly considered and approved by the Steering Committee. The amount of interest to be charged by the bank will be the same as applicable in the Phase-I.
- 10.8 Such Unit holders who have established their units under Youth Start-up Loan Scheme (YSLS), and intend to upscale and diversify their units shall be provided credit facility by the J&K Bank by following same procedure as in vogue for fresh SCFS cases, without any provision of Seed Money.

11. Monitoring and Appraisal:

- 11.1 Monitoring of ventures at important stages is critical to the success of the scheme. It is also important to have an independent monitoring mechanism to *see* the functional efficacy of the scheme. The monitoring of the scheme shall be conducted by a team of following officers:
 - (i) Joint Director Employment, Jammu/Kashmir (for their respective jurisdictions).
 - (ii) Joint Director Industries & Commerce, Jammu/Kashmir (for their respective jurisdictions).
 - (iii) Regional Joint director concerned of Directorate of Evaluation and Statistics, Planning and Dev. Department.
 - (iv) Subject matter specialist/Expert to be drawn from the line

- 11.2 The monitoring shall be done usually on a six monthly basis. However, if the Administrative Secretary has a reason to believe that immediate monitoring is required , he shall take necessary steps to organize the same irrespective of the time limit of six months and can also request for services of any appropriate officer for the facilitating the monitoring. The Director JKEDI shall furnish, in respect of each venture, a format as per annexure-A to these guidelines to facilitate monitoring.
- 11.3 The Director JKEDI shall provide logistic support to the monitoring team during their visits which shall include mobility, boarding and lodging (if required), secretarial assistance etc. The Director shall also keep available to the team an official well versed with the scheme.
- 11.4 The monitoring committee shall submit the reports to the Administrative Department. The Administrative Department shall share the results of monitoring with the Chief Secretary and the Planning & Development Department.

Appraisal:

The Directorate of Economics & Statistics shall conduct evaluation of the Seed Capital Scheme on yearly basis and send a report to the Chief Secretary through the Departments of Planning and Development, with a copy to the Labour and Employment Department.

