

GOVERNMENT SPONSORED EMPLOYMENT GENERATION AND POVERTY ALLEVIATION PROGRAMMES

1) Background

Over the years the unemployment problem particularly for educated youth in the J&K State has acquired alarming dimensions. With the regular annual incremental increase thousands of unemployed educated youth enter into the growing list of the unemployed. The problem has been further accentuated due to the fact that avenues for private employment are restricted to almost nil. The problem is throwing one of the biggest challenges largely due to the economic distress and mismatch in employment opportunities.

It is obvious that the Government cannot provide direct jobs to absorb every unemployed person in view of the fact that there is tremendous saturation in the Government sector and because this causes a strain on the resources of the State and hampers developmental activities. Therefore, with a view to generate a lasting solution to resolve the unemployment problem to a considerable extent and for providing jobs to the unemployed educated youth, it is imperative to promote self-employment ventures. For this purpose various schemes to provide gainful self-employment opportunities, especially to the educated unemployed youth, were devised and launched by both the governments at the center and the State.

Like in other States, presently a number of employment generation and poverty alleviation schemes launched by the Central / State Governments are in operation in the State, and most of these are having lots of incentives like interest subsidy, capital subsidy, margin money, etc. Some of the main schemes, which are operative, are mentioned as under:

Government of India Sponsored Programmes:

- ✓ **Swaranjayanti Gram Swarozgar Yojana (SGSY),**
- ✓ **Swaran Jayanti Shahri Rozgar Yojana (SJSRY);**
- ✓ **Prime Ministers Employment Generation Programme (PMEGP);**
- ✓ **Schemes for Scheduled Caste/ Scheduled Tribe/ Other backward classes;**
- ✓ **Kissan Credit Card (KCC) Scheme;**
- ✓ **Self Help Group (SHG) Scheme;**

Government of J&K Sponsored Schemes:

- ✓ **J&K Self Employment Scheme (JKSES);**
- ✓ **Handicrafts Schemes;**
- ✓ **Handloom Schemes;**

There are some other Government Sponsored Schemes, which are not popular in J&K State, such as:

- Rain Water Harvesting Scheme;
- Swarozgar Credit Card (SCC) Scheme;
- Artisans Credit Card (ACC) Scheme;
- General Credit Card (GCC) Scheme;
- National Equity Fund (NEF) Scheme;
- Credit-cum-Subsidy Scheme for Rural Housing;
- Command Area Development Schemes;
- Agri-Clinic & Agri Business Centres (AC-ABC) Scheme;
- Mahilla Udhyam Nidhi (MUN) Scheme;

2) Performance of Government Sponsored Schemes in J&K State:

Although like in other States of the Country, these schemes have been in operation here in J&K for the last so many years, but it has generally been observed that these Government Sponsored Schemes are not delivering as intended. The historical low achievements against annual targets for the last seven years are indicated in the Annexure for giving an idea about the efficacy of these schemes. It is also manifest that the ventures promoted under these schemes have been experiencing a high mortality rate for varied reasons, as there is no visible impact in the economy. Consequently, the objective of providing employment opportunities to the people by generating productive ventures through these Government Sponsored Programmes has remained a distant dream so far. The State has not been able to promote and create any employment-oriented and labour intensive private sector enterprises having any significant impact to tackle the problem of unemployment, with the result the growing unemployment problem of the State could not be addressed and is accentuating at an alarming rate with each passing day. Consequently, the issue of generating productive ventures for gainful employment has gained utmost significance to be focused as a high priority issue for effectively tackling the alarming problem of growing unemployment.

Performance of major GSS during the last seven (2003-2009) years:

SWARANJAYANTI GRAM SWAROZGAR YOJANA (SGSY): ... [\(Annexure- A\)](#)

- The average percentage of achievement under SGSY Scheme with respect to the targets under ACP during the last 7 years has been recorded at 56% in physical and 51% in financial terms.
- The average percentage of cases rejected/ returned with respect to sponsorship has been recorded at 38% during the said period.

Swaran Jayanti Shehri Rozgar Yojana (SJSRY): [\(Annexure-B\)](#)

- The average percentage of achievement under SJSRY Scheme with respect to the targets under ACP during the last 7 years has been recorded at 33% in physical and 31% in financial terms.
- The average percentage of cases rejected/ returned with respect to sponsorship has been recorded at 42% during the said period.

PRIME MINISTER'S EMPLOYMENT GENERATION SCHEME(PMEGP): ...[\(Annexure-C\)](#)

- The PMEGP Scheme has been introduced recently after merger of two erstwhile Sponsored Schemes, viz. PMRY and REGP. The figures reveal that an ACP target of 695 cases with an amount of Rs.16.61 Crore was set for the State for FY 2008-09. The concerned agencies had sponsored 999 cases, against which an achievement of 155 cases carrying an amount of Rs.3.18 Crore was recorded, which accounts for an achievement of 22% in physical terms and 19% in financial terms with respect to the ACP target. Out of 999 sponsored cases, 204 cases were returned and 303 cases were pending for sanction as on 31st March 2009.

SC/ST/OBC SCHEME: ... [\(Annexure -D\)](#)

- The average percentage of achievement under ST/SC/OBC Schemes with respect to the targets under ACP during the last 7 years has been recorded at 24% in physical and 26% in financial terms.
- The average percentage of cases rejected/ returned with respect to sponsorship has been recorded at 39% during the said period.

KISSAN CREDIT CARD (KCC) SCHEME: ... [\(Annexure -E\)](#)

- The average percentage of achievement under KCC Scheme with respect to the targets under ACP during the last 7 years has been recorded at 8% in physical and 20% in financial terms.
- The average percentage of cases rejected/ returned with respect to sponsorship has been recorded at 15% during the said period.

SELF HELP GROUP (SHG) SCHEME: ... [\(Annexure -F\)](#)

- The Scheme has not been picking up in J&K, due to non-existence of any reliable NGOs in the State.
- The banks in the State have disbursed Rs.285.65 Lacs in favour of 824 SHGs during the FY 2003-04. The position has not improved as the banks have disbursed Rs.438.34 Lacs in favour of 794 SHGs during the FY 2008-09.

J&K SELF EMPLOYMENT SCHEME (JKSES): ... [\(Annexure- G\)](#)

- The average percentage of achievement under JKSES Scheme with respect to the targets under ACP during the last 7 years has been recorded at 35% in physical and 39% in financial terms.
- The average percentage of cases rejected/ returned with respect to sponsorship has been recorded at 43% during the said period.

HANDICRAFTS/ HANDLOOMS Schemes: [... \(Annexures -H & I\)](#)

- These schemes have performed very poorly irrespective of the fact that J&K State has a large Handicrafts/Handlooms sector and there is a vast potential for credit absorption under this sector.

- The average percentage of achievement under Handicrafts Scheme with respect to the targets under ACP during the last 7 years has been recorded at 14% in physical as well as financial terms while as the average percentage of achievement under Handloom sector with respect to the targets under ACP during the last 7 years has been recorded at 9% in physical and 5% in financial terms

- The average percentage of cases rejected/ returned under Handicrafts sector with respect to sponsorship has been recorded at 50% during the said period while as under Handloom scheme it has been recorded at 53%.

3) Impact of monitoring progress and reviewing performance:

Lead Bank Scheme envisages greater coordination between the Government development agencies and banks / lending institutions for creation of employment opportunities in different sectors. The performance under the Government sponsored employment generating and poverty alleviation schemes has been regularly reviewed through various forums under Lead Bank Scheme including SLBC meetings, but despite monitoring of the progress desired results could not be achieved.

In several previous SLBC meetings the house has been expressing concern over the continued dismal performance under the Government Sponsored Schemes while suggesting the need for restructuring these schemes and evolving an effective mechanism for increasing credit delivery under these schemes through proactive involvement of the stakeholders for aiming at achieving the desired objective. In the 75th SLBC meeting held on 22nd April 2009 to review the performance as on December 2008, it was pointed out that there is a basic flaw in the entire design of the sponsored schemes and the way these are run. The Chairman suggested that unless some systemic changes are effected in the entire system, the performance under this segment cannot be improved. The Chairman reiterated the need for restructuring these Schemes in the 76th SLBC meeting held recently on 30th July 2009 and observed that although during the past 3-4 years the Credit Deposit Ratio of the banks operating in the State has gone up from 19% to 46%, but the achievement in none of the Government Sponsored Schemes has been even close to the target.

4) Reasons for unsatisfactory performance under Government Sponsored Schemes – issues:

➤ **Faulty Identification of Beneficiaries:**

It has been generally observed that identification of beneficiaries under various Government Sponsored Schemes is being done in a very casual manner, without making proper verifications of their antecedents and without properly ascertaining viability of the activities undertaken by the beneficiaries. There is no proper coordination amongst various sponsoring and support agencies as they lack sharing of information regarding the potential available in a particular area for different activities. Mostly financing of units under Government Sponsored Schemes results in saturation of the activities thereby rendering them unviable.

➤ **Beneficiaries lack Skill expertise / training/ know-how:**

One of the reasons for poor performance under the Government Sponsored Schemes has been that the beneficiaries generally lack proper skills, expertise, technical know-how and training in the activity they take up.

➤ **Lack of post-disbursement monitoring /supervision of the units:**

Sponsoring agencies restrict their responsibility only upto the sponsorship of the cases. Similarly, often due to scarcity of staff the lending banks/ institutions are unable to exercise any post-disbursement monitoring/ follow-up of the units, which generally results in diversion of funds / non-existence of the units. Bank branches are usually over-burdened and are unable to pay due attention to the sponsored schemes. They are not properly organizing handholding, monitoring and follow-up of units to ensure end use of the funds.

➤ **Diversion of funds by beneficiaries:**

It has been observed that the beneficiaries generally are not serious in establishing the units under the schemes opted by them and they resort to diverting the loaned funds to other non-productive activities, resulting in default in repayment of the bank dues, which ultimately gives rise to non-performing assets, thereby preventing banks and other lending institutes from being enthusiastic towards lending under Government Sponsored Programmes.

➤ **Bunching of applications:**

It has generally been observed that Sponsoring Agencies of various Government Sponsored Schemes resort to bunching of applications and forward the same to the

banks at the fag end of the year leaving least scope for the banks to process the same, with the result these cases often tend to be rejected by the banks.

➤ **Government Sponsored Schemes un-remunerative:**

Banks generally lack commitment, enthusiasm and participation in financing under the Government Sponsored Schemes owing to small ticket size, being non-remunerative and generating NPAs and cause poor recovery performance.

➤ **Delay in release of subsidy components:**

It has generally been observed that the beneficiaries under various Government Sponsored subsidy linked schemes face tough time in getting their subsidy components released from the concerned sponsoring agencies. Release of subsidy components is delayed, and is often subjected to delay and hard persuasion efforts.

➤ **Complex and unnecessary formalities:**

The beneficiaries of Government Sponsored Schemes are usually subjected to complex formalities like obtaining NOCs from large number of bank branches operating in the area, execution of unnecessary security documents, and insistence on providing of collaterals and guarantees particularly from Government Employees.

➤ **Lack of awareness to ensure formalities:**

There are other infirmities that concern the beneficiaries, i.e. non-completion of formalities by the applicants; Beneficiaries often approach the banks after considerable delay. Unawareness among the beneficiaries to complete formalities cause mortalities of a high magnitude.

➤ **Lack of sincerity to serve with sympathy:**

Most all the concerned support agencies do not involve themselves with sincerity of purpose to serve the noble cause of generating productive activity and employment with sympathy.

All these sponsored programmes have parameterized subsidy linkage, specified eligibility criteria and ceiling limits for financing. Besides, in almost all the sponsored schemes the subsidy component is provided by Government of India. Therefore, there is least scope for any modification in the structure of these Government of India sponsored schemes in view of its national implications. However, the J&K SLBC could forward the suggestions regarding restructuring of any of these Government Sponsored Schemes for consideration by Government of India.

5) Suggestions for improvement:

To mitigate the growing problem of unemployment in the State, Government should initiate a number of steps as part of overall plan strategy:

- The sponsored schemes need a holistic re-look for being restructured on removing the basic flaws in the design and structure for better efficacy. A proper policy framework to determine the schemes and lay down general guidelines be evolved.
- The flaws in the way the schemes are being run presently need to be removed and the whole system of operating these schemes needs a revamp. An effective mechanism to sponsor, supervise and monitor the Schemes needs to be evolved. The responsibility for coordination and doing so be entrusted to a single nodal agency dedicated for the purpose.
- Development departments be advised to explore the scope for innovate Self Employment Projects under various sectors and to play more proactive role for creation of large scale self employment opportunities ensuring more productive and efficient use of available human resources in the economy.
- Sponsoring departments need to ensure adequate due diligence in selection of beneficiaries. It would be more feasible that the selection of beneficiaries is conducted by the nodal agency that should exclusively deal with the selection process in order to keep a complete track. This will help in preventing multiplicity of loans from different sponsoring agencies to a particular beneficiary. The said agency should maintain the complete database of the district concerned regarding activity-wise potential available, Number of unemployed youth in the area, Number of cases sponsored activity-wise, details and status of existing units in the area etc. which would help in deciding upon the number of fresh beneficiaries to be sponsored under the particular activity. Such an agency should be able to liaise with all the line departments for speedy disposal of the cases.
- There is need to create a proper mechanism to study and ascertain potential of various activities in a particular area and sponsor only such number of cases that are considered to become viable.

- All the Sponsoring Agencies need to have proper coordination with each other and support the activity/ enterprise with involvement and with a common objective.
- The agencies should desist from forwarding unviable and un-bankable proposals to the banks to avoid rejection of applications.
- The Bank officials should be involved actively in the selection process duly focusing on the viability and profitability of the units.
- All the Sponsoring Agency should forward applications in phased manner and avoiding bunching of applications in the last quarter of the financial year.
- The Government should extend all possible cooperation in creating a conducive credit culture in the State. The Government should involve in monitoring and recovery of loans to generate confidence and stability in the credit delivery mechanism and its intended objective of generating productivity and employment.
- The recent initiative of Government of India to set up Rural Self Employment Training Institutes (RSETIs) for skill building and handholding of the beneficiaries in every district can be expected to tackle the deficiency of training / technical know. This initiative has to be pursued enthusiastically by the State Government and other concerned agencies. The RSETIs must be suitably equipped to cater to all sorts of training needs for beneficiaries of the district. The training curriculum of RSETIs should also include imparting proper education/ awareness to the beneficiaries regarding the marketing techniques, banking procedures for loans and advances. The beneficiaries should be adequately educated about the incentives of the schemes, repayment procedures of the loans, disadvantages of default in repayment of bank dues etc.
- There is immediate need that the existing complex documentation system is simplified and an easy and uniform set of loan security documents is obtained.

- Confusions about necessity of collaterals be removed and facility of Credit Guarantee Trust Fund Scheme (CGTFS) be popularized to prevent losses due to impairment.
- Subsidy be linked and disbursed to the financing banks alongwith the release of sponsorship of cases to avoid consequential delays for which availability of funds be committed by the Government.
- The nodal agency should act as a catalyst in opening of marketing opportunities for commodities and goods produced in the self-employment ventures.
- The Government should formulate area and trade specific strategies for maximizing employment opportunities on a sustainable basis like for forestry, agriculture, communication, horticulture and other emerging sectors.
- The Government needs to bring synergy in different development sectors in terms of creation of self-employment opportunities through policy interventions including model law on various activities.
- The Self-employment schemes should be designed as products to suit varied traits, aptitudes and skills of the prospective entrepreneurs.

The house is requested to deliberate upon

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