

Chapter-VI : Conclusion

Skill is one of the most important driving forces for economic growth of the country. Importance of filling the skill gap and equipping the human resources through a robust skill development ecosystem cannot be overstated. NSDF and NSDC were planned as the institutional mechanism to drive this momentum. Audit observed that there were serious issues in the governance and accountability mechanisms at NSDF and NSDC and the implementation of the identified roles by these bodies.

NSDF was envisaged to act as a receptacle for financial contributions (by Government/Government entities, multilateral and bilateral and private sector) and to play the supervisory and monitoring role over NSDC's activities. However, no contribution from private/bilateral or multilateral resources was received in NSDF. Modalities for implementation of the supervisory role of NSDF were not put in place. There was absence of arm's length relationship between NSDF and NSDC at the organisation design itself.

NSDC provided financial assistance in the form of soft loans/grants/equity to entities to meet the training targets submitted by them in their proposal. NSDC was consistently provided with relaxations starting from the conceptualisation stage. Thereafter, for the sake of autonomy and flexibility, NSDC was converted from a public company to a private company. Exemption was taken from micro-prudential regulation by RBI on the pretext of NSDF playing this role. However, no structure for such prudential regulation was created for a long period of time. In November 2014, this regulatory work was contracted out through an irregular process to a private company with apparent conflict of interest.

NSDF received ₹ 3,301 crore from government sources during the period 2008-2015. It released ₹ 2,363 crore to NSDC during this period. NSDC utilised ₹ 1,761 crore and it had an unspent balance of ₹ 819 crore as on 31 March 2015.

There was 99.78 *per cent* financial stake of the Government in NSDC with 49 *per cent* equity ownership. However, Government's ownership rights were not commensurate with the Government's financial exposure in NSDC. It was also kept out of the parliamentary oversight over its functioning.

The percentage of funded partners not achieving their training targets ranged from 57 *per cent* to 83 *per cent* during 2010-11 to 2013-14. Audit selected a sample of 31 cases of projects/partners for detailed scrutiny. It was noticed that training targets were not achieved by 18 projects/partners and placement targets were not achieved by 16 out of these 31 selected projects/partners upto 31 March 2014. There were cases of failures in repayments of loan amount also.

There were instances of lack of proper due diligence in considering the proposals for financial assistance. Training targets proposed in the financial assistance proposals were not questioned during processing the cases for approval. Similarly the monitoring and control systems put in place at NSDC were weak and their implementation was also inadequate. Number of site visits carried out by the monitoring consultants were low and NSDC itself started site visits only in 2013-14, there too, lacunae were noticed in the way the site visit reports were submitted. Important issues relating to functioning and performance of partners were raised in the management audit reports. However, most of these reports were closed on mere assurance given by the funded partners.

All these issues are significant due to the fact that taxpayer's money was the major source of funding of NSDC since its inception. Government needs to relook at the design and operation of NSDF and NSDC in order to ensure achievement of the skill development goals.



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Dated: 13 November 2015
Place: New Delhi

Countersigned



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Comptroller and Auditor General of India

Dated: 13 November 2015
Place: New Delhi