

**HUNDRED AND SIXTY-FIFTH
REPORT**

**PUBLIC ACCOUNTS COMMITTEE
(1983-84)**

(SEVENTH LOK SABHA)

SMALL FARMERS DEVELOPMENT AGENCIES

MINISTRY OF RURAL DEVELOPMENT

**Action taken by Government on the recommendations of the
Public Accounts Committee contained in their 112th
Report (Seventh Lok Sabha)**



Presented in Lok Sabha on

Laid in Rajya Sabha on

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Public Accounts Committee (7th Lok Sabha).

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
3	1.7	6	prottext	pretex
4	1.10	17	SBDA	SFDA
11	-	3(from below	respective	respective
44	-	7(from below)	obyiate	obviate
49	-	17	last	list
56	-	19	looking	locking
66	-	11	progammes	programmes

CONTENTS

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE ...	(iii)
INTRODUCTION	(v)
CHAPTER I — Report	1
CHAPTER II — Recommendations or Observations that have been accepted by Government. ...	6
CHAPTER III — Recommendations or Observations which the Committee do not desire to pursue in the light of the replies received from Government.	55
CHAPTER IV — Recommendations or Observations the replies to which have not been accepted by the Committee and which require reiteration.	59
CHAPTER V — Recommendations or Observations in respect of which Government have fur- nished interim replies.	62
APPENDIX — Conclusions/Recommendations. ...	63

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PUBLIC ACCOUNTS COMMITTEE

(1983-84)

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IV

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| 2. | Shri H. S. Kohli | - | Chief Financial
Committee Officer |
| 3. | Shri K. K. Sharma | - | Senior Financial
Committee Officer |

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, present on their behalf this Hundred and Sixty-Fifth Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their 112th Report (Seventh Lok Sabha) on Small Farmers Development Agencies relating to Ministry of Rural Development.

2. The 112th Report dealt with the Small Farmers Development Agencies (SFDAs) and Marginal Farmers and Agricultural Labourers Agencies (MFALs). Emphasising the need for concerted efforts to ensure that adequate bank finance for beneficiaries under the IRDP programme is made available, the Committee had, in their earlier Report, recommended that concerted steps should now be taken for effective implementation of the measures proposed by the committee set up to review the credit requirements of the IRDP programmes. In reply, the Ministry stated that concerted steps were being taken by all concerned on the various decisions of this committee. In this report, the Committee have recommended that in view of the wide-spread complaints that persons belonging to weaker sections of society are still being denied bank finance on one pretext or the other, the Ministry of Rural Development should not be content with issue of instructions only but ensure that these instructions are actually observed by banks in letter and spirit.

3. In their 112th Report (Seventh Lok Sabha), the Committee had emphasised the need for the State Governments to rectify the deficiencies in the SFDA programmes pointed out by the Evaluation Teams. In their reply, the Ministry have stated that earlier studies of SFDA had only a limited application as SFDA programme has been merged with the new IRDP since 2 October, 1980. While disagreeing with this approach of the Ministry, the Committee have in this Report stressed that implementation is the crux of success of any programme and in the absence of suitable remedial measures taken, there is an apprehension that these deficiencies will continue to hamper the IRDP also. The

(vi)

Committee have desired the Ministry of Rural Development to pursue the matter with those State Governments/Union Territories which have not yet indicated remedial/corrective measures so as to ensure that necessary corrective/remedial measures are taken by them to remove the deficiencies pointed out by the Evaluation Team without delay and that responsibility is fixed for lapses, if any, so as to be a warning to others.

4. On 12 May, 1983, the following Action Taken Sub-Committee was appointed to scrutinise the replies received from Government in pursuance of the recommendations made by the PAC in their earlier Reports :

Shri Sunil Maitra—*Chairman*

- | | |
|---------------------------|------------------|
| 2. Shri K. Lakkappa | } <i>Members</i> |
| 3. Shri G.L. Dogra | |
| 4. Shri Ram Singh Yadav | |
| 5. Shri Bhiku Ram Jain | |
| 6. Shri Nirmal Chatterjee | |

5. The Action Taken Sub-Committee of the Public Accounts Committee considered and adopted the Report at their sitting held on 14 June, 1983. The Report was finally adopted by the Public Accounts Committee on 20 July, 1983.

6. For reference facility and convenience, the recommendations and observations of the Committee have been printed in thick type in the body of the Report, and have also been reproduced in a consolidated form in the Appendix to the Report.

7. The Committee place on record their appreciation of the assistance rendered to them in this matter by the office of the Comptroller and Auditor General of India.

SUNIL MAITRA

Chairman

Public Accounts Committee.

NEW DELHI ;

July 23, 1983

Sravana/1905 (S)

CHAPTER I

REPORT

1.1 This Report of the Committee deals with the action taken by Government on the Committee's recommendations and observations contained in their 112th Report (Seventh Lok Sabha) on paragraph 30 of the advance Report of the Comptroller and Auditor General of India for the year 1979-80, Union Government (Civil) on Small Farmers Development Agencies relating to the Ministry of Rural Development.

1.2 The 112th Report on Small Farmers Development Agencies was presented to Lok Sabha on 30 April, 1982. Action taken notes in respect of all the 31 recommendations/observations contained in the Report have been received from the government and these have been categorised as follows :

(i) Recommendations/observations that have been accepted by Government :

S. Nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 18, 19, 20, 21, 23, 26, 27, 28, 29, 30 & 31.

(ii) Recommendations/observations which the Committee do not desire to pursue in the light of the replies received from the Govt. :

S. Nos. 22, 24 and 25.

(iii) Recommendations/observations the replies of which have not been accepted by the Committee and which require reiteration :

S. No, 17

(iv) Recommendations/observations in respect of which Government have furnished interim replies :

NIL

1.3 The Committee will now deal with the action taken by Government on some of their recommendations/observations.

Provision of bank finance (Sl. No. 8, Para 2.36)

1.4 Emphasising the need for concerted efforts to ensure that adequate bank finance for beneficiaries under the IRDP Programme is made available, the Committee in para 2.36 of their 112th Report had observed as follows :

“The Committee were assured during evidence that there was no shortage of bank finance. However, certain problems which needed to be tackled were : (i) lack of viable schemes which would ensure that the beneficiaries really benefit from such schemes ; (ii) reorientation of the attitude of the financial institutions in the matter of helping the rural poor and (iii) need for changing the concept of credit worthiness. It was stated that a Committee set up to review the credit arrangements for the IRDP programme under the Chairmanship of Member Secretary of the Planning Commission has already identified the problems and necessary instructions are being issued to the banks. The Committee expect that concerted steps would now be taken for effective implementation of the measures proposed by the above Committee.”

1.5 In their action taken reply*, the Ministry of Rural Development stated as follows :

“A High Level Standing Committee under the Chairmanship of Member Secretary Planning Commission was set up by the Ministry of Rural Development in August, 1981 to review the availability of credit for IRDP periodically and to improve the operational difficulties being experienced in obtaining credit. This Committee has met twice and action is being taken by all concerned on the various decisions of the Committee.”

1.6 In their 112th Report, the Committee had noted that a Committee set up to review the credit arrangements for the IRDP Programmes

*Vetted in Audit with observation for simplification. Final note awaited.

had already identified the problems and necessary instructions were being issued to the banks. The Committee had expressed the hope that concerted steps would now be taken for effective implementation of the measures proposed by the above Committee. In their reply the Ministry of Rural Development have stated that a high level Committee under the Chairmanship of Member Secretary, Planning Commission was set up by the Ministry of Rural Development in August, 1981 to review the availability of credit for IRDP periodically and to improve the operational difficulties being experienced in obtaining credit. This Committee had met twice and action was being taken by all concerned on the various decisions of the Committee.

1.7 The Committee would like to be informed of the decisions taken by the Committee in particular those relating to the redefinition of the concept of credit worthiness and the simplification of the procedure for grant of loans and the precise action taken in pursuance thereof. In view of the wide-spread complaints that persons belonging to weaker sections of society are still being denied bank finance on one pretext or the other the Committee expect the Ministry of Rural Development and the Ministry of Finance (Banking Division) not to be content with issue of instructions only but to ensure that these instructions are actually observed by banks in letter and spirit.

*Deficiencies in SFDA Programme pointed out in the
Evaluation Report*

1.8 Emphasising the need for taking follow up action on the deficiencies pointed out in the Evaluation Report of the Planning Commission and fixing of responsibilities for lapses, if any, the Committee in Para 2.68 of their 112th Report, recommended as follows :

“The Committee understand that the findings of the Evaluation Report were circulated by the Ministry of Rural Development to the State Governments in August, 1979 for necessary action. So far, comments from only 17 States/Union Territories have been received. The Committee would like the matter to be pursued actively with the State Governments/Union Territories which have not yet indicated the remedial action taken in pursuance of the findings of the evaluation study. It must be impressed upon the State

Governments that the deficiencies pointed out in the evaluation report of the Planning Commission as well as in the other evaluation studies carried out by different agencies in different States must be followed up earnestly and responsibility fixed for the lapses, if any."

1.9 In their action taken reply, the Ministry of Rural Development have stated :

"The recommendation is noted. The matter is being pursued with the State Governments. It may, however, be stated that earlier evaluation of studies on SFDA have only a limited application as the SFDA programme has been merged with the new Integrated Rural Development Programme since 2.10.1980. The IRDP already takes care of a number of deficiencies operational and conceptual, noticed during the implementation of the erstwhile SFDA programme."

1.10 In the 112th Report, the Committee had pointed out that the findings of the Evaluation Report with regard to the implementation of the SFDA programme were circulated by the Ministry of Rural Development to the State Governments in August, 1979 but replies from 17 States/Union Territories only had been received. The Committee had desired that the matter might be pursued vigorously with the State Governments/Union Territories which had not yet indicated the remedial measures taken in pursuance of the findings of the Evaluation Study. The Committee had emphasised the need for the State Governments to rectify the deficiencies pointed out in the evaluation studies earnestly and to fix responsibility for lapses, if any. In their reply, the Ministry of Rural Development have stated "that the matter is being pursued with State Governments. It may, however, be stated that earlier evaluation of studies of SFDA have only a limited application as the SFDA programme has been merged with the new IRDP since 2 October, 1980. The IRDP already takes care of a number of deficiencies, operational and conceptual noticed during the implementation of the erstwhile SBDA programme"

1.11. The Committee do not agree with this approach of the Ministry of Rural Development. The very fact that many States/Union Territories have not even cared to indicate the remedial measures taken in pursuance of the findings of the evaluation study of the

SFDA Programme clearly shows their lack of seriousness in the matter. The Committee need hardly point out that implementation is the crux of the success of any programme and in the absence of suitable remedial steps taken, there is an apprehension that these deficiencies will continue to hamper the progress of IRDP programmes also. The Committee would, therefore, like the Ministry of Rural Development to pursue the matter with the State Governments/Union Territories concerned so as to ensure that necessary corrective/remedial measures are taken by them to remove the deficiencies pointed out by the Evaluation Team without delay and that responsibility is fixed for lapses, if any, so as to be a warning to others.

CHAPTER II

RECOMMENDATIONS OR OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

The Small Farmers Development Agencies (SFDAs) and the Marginal Farmers and Agricultural Labourers Agencies (MFALs) were set up in the Fourth Five Year Plan with the specific objective of ameliorating the economic conditions of small/marginal farmers and agricultural labourers and to bring them into the mainstream of economic development. The schemes were introduced gradually on a pilot basis from 1970-71 onwards in selected areas of the country. While the main objective of the SFDAs was to ensure viability of potentially viable farmers, MFAL Development Agencies aimed at increasing participants' employment opportunities and improving their income levels. The agencies were registered as societies under the Societies Registration Act and were entrusted with the responsibility of identifying the participants, investigating into their problems, formulating economic programmes for providing gainful employment to them and also of evolving adequate institutional, financial and administrative arrangements for implementing various programmes. In October, 1980, the programme was replaced by a new one known as Integrated Rural Development Programme (IRDP).

The Committee find that as against the projected outlay of Rs. 360 crores on the SFLA/MFAL agencies during the period 1970-71 to 1979-80 (at the rate of Rs. 1.5 crores for each SFDA and Rs. 1 crore for each MFAL agency), the actual releases amounted to Rs. 236.79 crores and the amount utilised was Rs. 231.64 crores. This represents a shortfall of as much as 36% against the outlay on these schemes. Practically all the States/Union Territories failed to utilise the outlay earmarked for them. The performance of four States *viz.* Assam, Bihar, J & K and Karnataka was noticeably poor. The Ministry have explained that the shortfalls were due to non-materialisa-

tion of the expected infrastructural support, backward and forward linkages and constraints of credit which could not be anticipated while drawing up the project Reports. Lack of unified administrative control frequent transfers, inadequacy of staff, lack of orientation of the Government officials were some of the other specific shortcomings which hampered the proper implementation of the programme.

[S. No. 1, Paras 2.27 & 2.28 of 112th Report of the PAC
7th L.S.]

Action Taken

Recommendation noted.

[Min. of Rural Development O.M. No. 20012/401/82—SFDA
(A) dated 18-11-1982].

Recommendation

In their 90th Report on Food for Work Programme the Committee have drawn attention to the imperative need to strengthen the administrative infrastructure at the block and district levels and to ensure that the staff entrusted with the responsibility of executing such innovative programmes are adequately trained and oriented for the responsibilities to be shouldered by them.

[S. No. 2, Para 2.29 of 112th Report of the PAC 7th Lok
Sabha].

Action Taken

The IRDP is to be implemented by the District Rural Development Agencies (DRDAs). These agencies are to be strengthened by a Planning Team consisting of an Economist/Statistician, Credit Planning Officer and a Rural Industries Officer, a monitoring cell consisting of one A.P.O. (Monitoring) and some Investigators and also an Accounts cell consisting of one Accounts Officer and other staff. While some States have already placed in position the entire complement of staff, some are yet to do this. This is being pursued with the concerned State Governments.

Action has already been taken to strengthen the block machinery which has been eroded of late due to a number of factors. The Government of India have offered 50% assistance for the strengthening

of the block machinery to ensure a minimum complement of 10 VLWs and the Extension Officer (Industry), the extension Officer (Credit) and the Extension Officer (Women & Children Programme). As the position varies from State to State, it was decided that each individual proposal will be considered by a Central Sanctioning Committee on which Planning Commission and the Ministry of Finance are represented. The State Government Representative will also be present. The Strengthening of block machinery under the scheme have been approved in respect of 14 States/UTs. 7 more proposals are under different stages of consideration. The Jammu & Kashmir and Chandigarh (UT) have reported that they do not require any strengthening of the existing block machinery.

As regards training, a massive programme has been initiated at the national, district and block level. The D.R.D.As have been advised to conduct training courses for the district and block level staff engaged in the implementation of these developmental programmes. At the national level, the Ministry of Rural Development is also arranging orientation workshops for the district level officers. Over 800 district level officers and bankers have already participated in the workshops organised by this Ministry during the last two years. Apart from this, a large number of officers have participated in the seminars/workshops being organised by this Ministry at the National Institute of Rural Development at Hyderabad, College of Agricultural Banking at Poona, Indian Institute of Public Administration at New Delhi and other institutions. The State Governments have been advised to hold orientation and training programmes at the State/district level for the benefit of District Collectors, Project Officers of the District Rural Development Agencies, Block Development Officers and other concerned. Similarly, the district officers have been advised to organise training programmes at the block level for B.D.Os, Extension Officers, Village Level Workers, Branch Managers of the Banks and others.

[Min. of Rural Development O.M. No. 20012/401/82—SFDA (A)
dated 18-11-1982]

Recommendation

The Committee find that the emphasis so far has been more on achieving the financial targets rather than on streamlining the adminis-

trative infrastructure, reorienting the attitude of both the administrative and banking institutions and drawing up viable schemes based on the felt needs of the rural poor. The result has been that the lot of the rural poor has hardly improved.

(S. No. 3, Para 2.30 of 112th Report of the PAC 7th L.S.)

Action Taken

Recommendations noted. Under the new IRD, considerable emphasis has been laid on formulation of viable schemes streamlining of the administrative Machinery at the State/Distt. and block levels and also training of functionaries at all levels. A number of steps have also been taken to improve the credit support.

[Min. of Rural Development O.M. No 20012/401/82—SFDA (A)
dated 18-11-1982]

Recommendation

The Committee have been informed that with effect from 1 April, 1979 the funding of the SFDA programme is shared with State Governments on 50 : 50 basis and that the block level planning has been made applicable to SIDAs also. The representative of the Ministry, however, lamented before the Committee that there was still no unified control in the States over the various programmes of rural development. In more than 50% of the States, the SFDA/MFAL agencies (now District Rural Development Agencies) were controlled by departments other than those which controlled the Block Development administration which itself was stated to be in disarray after the discontinuance of the schematic budget at the end of the Third Five Year Plan. It has now been decided by the Central Government to provide matching assistance for strengthening the block machinery.

[S. No. 4 Para 2.31 of 112th Report of PAC 7th Lok Sabha]

Action Taken

Under the Scheme of strengthening of block machinery, proposals in respect of 14 States/U.Ts have been approved. Proposal from 6 States/U.Ts. are under processing. J&K and Chandigarh have reported that they do not require any strengthening of their

blocks. In the case of Punjab, the State Govt. have been asked to place the Blocks under the control of the D R.D.A. before the proposal is considered. In the case of 2 States, the proposal has been kept in abeyance pending the operationalisation of I.R.D.P. 6 States have not sent any proposal.

[Min. of Rural Development O. M. No. 20012/401/82—SFDA (A) dated 18.11.1982]

Recommendation

The Committee regret to observe that it has not so far been possible to provide an integrated structure from the blocks to the State level for implementation of the various rural development schemes launched by the Central and State Governments. The Committee need hardly emphasise that a vertically integrated administrative structure alone can ensure speedy and effective implementation of such innovative schemes, keep the staff costs within limits and facilitate monitoring.

As the States are now required to provide finances for the programme on a sharing basis, the Committee expect that effective steps would be taken without delay to reorganise the administrative set up at the District/block level so as to achieve the stated objectives.

[S. No. 5 Paras 2.32 & 2.33 of 112th Report of PAC 7th Lok Sabha]

Action Taken

A number of steps have been taken to streamline the administrative machinery at State/District and block levels for the effective implementation of Integrated Rural Development Programme.

At the State level, it has been suggested to the State Governments that all Rural Development Programmes like the IRD, DPAP, Special Livestock Production Programme and the Programme of Women and Children should be dealt with by one Deptt., which has the control over the block machinery. There should be a separate post of the rank of Commissioner for dealing with all special programmes. This officer should be suitably assisted by middle level officers of the rank of Joint Secretary/Dy. Secretary. Since the programme envisages involvement of a number of departments, corporations and financial institu-

tions at the state level and field level agencies, DRDAs also require guidance from time to time. It is necessary to have at the State headquarters an inter-disciplinary cell consisting of officers drawn from various concerned departments in assisting the Commissioner/Secy. in effective implementation and monitoring of the programme. The Government of India have agreed to bear 50% cost of such a monitoring Cell at the State level consisting of one economist/Statistician and one or two Technical Officers of the grade of Joint Director. Some States like Rajasthan have a Special Scheme Organisation equipped with experts drawn from other disciplines. The Government of Gujarat have also recently set up a Commission rate of Rural Development on the lines of the special scheme organisation of Rajasthan. Monitoring Cells have been set up/approved under the scheme mentioned above in the case of 14 States .

At the district level, DRDAs have been set up for dealing with all rural development programmes. This agency is headed by the Collector/Chief Executive Officer of the Zilla Parishad. It has planning team, subject-matter specialists and monitoring and accounting staff. Representation is provided on the governing body of the agency to MLAs' MPs of the area, financing institutions, the weaker sections and also women. In order to give to the Project Director effective control over the BDO, it has been suggested to the State Government that the post should be manned by Senior Officers of the IAS or State Civil Service who should also be declared as *ex-officio* Additional Dy. Commissioners.

At the block level, it was found that the block machinery has been completely eroded over the years in most of the States due to more than one reason. A scheme has therefore introduced to strengthen the block machinery so as to ensure a minimum complement of 10 VLWs Extension Officers for Industry, Women's and Children's Programme, and cooperation and a progress assistant. Where were the existing EO, Cooperation, is over-loaded with statutory duties, it has been decided to provide one E.O. (Credit) for all the blocks. One post of Jr. Accountant has also been approved for all the blocks. Since the position varies from State to State individual proposal for strengthening the block machinery will be obtained from the respective State Governments and considered by a Sanctioning Committee consisting of the representatives of the Planning Commission and Finance The State Govt. represen-

tative will also attend the meeting. The proposals for strengthening of the block machinery have been approved in the case of 14 States/Uts. Proposals from 7 States/Uts are under consideration. The State Govt. of J & K and Chandigarh Administration have stated that they did not require any strengthening of the block machinery. In order to bring the entire block team under the control of the BDO, the State Governments have been requested to consider the upgradation of the post of BDO under the scheme of strengthening of the block machinery. One of the conditions for assistance under the scheme of strengthening of the block machinery is that the concerned department of the State, DRDAs and the block should be in one direct line of hierarchy.

[Min. of Rural Department O. M. No. 20012/401/82-SFDA (A)
dated 18.11.82]

Recommendation

The total institutional finance for the SFDA/MFAL agencies by the cooperative sector and the commercial sector was of the order of Rs. 200 crores in 1980-81 and is expected to reach a level of Rs. 300 crores in 1981-82. The Committee find that the assistance rendered amounts to only Rs. 600 to Rs. 700 per beneficiary which is totally inadequate. It has been recognised that a family must be given at least Rs. 4000—5000 by way of subsidy and loan amount to enable it to rise above the poverty line. Considering the performance so far, the Sixth Plan target of Rs. 3000/- crores (*i. e.* Rs. 600 crores per annum) would therefore appear to be very difficult to achieve unless a massive effort is made without delay to clear the bottlenecks impeding the flow of institutional finances to the rural sector.

[S. No. 6 Para 2.34 of 112th Report of PAC 7th Lok Sabha]

Action Taken

The I.R.D. Programme has emerged as a major economic instrument for poverty amelioration in the VI Plan and a Plan allocation of Rs. 1500 crores (including State Share) has been made for it during the VI Plan period 1980—1985. The programme which covers the entire country has been so designed that subsidy from the Govt. and institutional credit are to play complementary roles. On a modest estimation, the requirements for institutional finance for a programme of this dimension would be of the order of Rs. 3,000 crores, for the plan period.

Thus, on an average, total credit to the tune of Rs. 600 crores per year would be required for implementing this programme. During 1980-81, an amount of Rs. 236.63 crores was made available as term credit by all credit institutions for IRD Programme. During 1981-82, the term credit mobilised increased to Rs. 484.65 crores (provisional). The per capita available of credit which was Rs. 850 in 1980-81 rose to Rs. 1713 in 1981-82 (both provisional) shows a considerable improvement. With a view to further stepping up the flow of credit for this programme and to attend to all other related matters, detailed instructions have been issued by the Reserve Bank of India and this Ministry to all concerned. Block Level and District Level Consultative Committees of bankers and State Govt. Officials have been constituted in the States. There are also State Level Coordination Committees which *inter alia* discuss Credit support for IRD Programme. A High Level Standing Committee under the Chairmanship of the Member-Secretary Planning Commission was set up by the Ministry of Rural Development in August 1981 to review the availability of credit for IRDP periodically and to devise ways and means to improve the operational difficulties being experienced in obtaining credit. This Committee has met twice and action is being taken on the various decisions of the Committee.

Credit support from banks for IRDP in individual States/Union Territories is frequently reviewed during meetings at various levels and visits of officers of the Ministry of Rural Development to the States. Operational problems and solutions are discussed in seminars and workshops organised by this Ministry and attended by officers of the State Govts. Union Territories Administration, Reserve Bank of India/NABARD and representatives of Commercial, Cooperative and Regional Rural Banks etc. The current branch licensing policy of the Reserve Bank of India is oriented towards branch expansion in rural and semi-urban areas. This Ministry is also represented on various high level Boards/Committees concerned with credit mobilisation for agriculture and rural development. It is hoped that as a result of the various steps being taken at all levels, the problems coming in the way of the flow of credit for IRDP will be overcome to a large extent.

[Min. of Rural Development O.M. No. 20012/401/82 SFDA (A)
dated 18-11-1982].

Recommendation

The Committee note with deep concern that in the matter of providing institutional credit the agricultural labour have had a very raw deal so far. Their share in the total loans advanced till 1973-74 was only about 1%. Latest figures in this regard have not been made available to the Committee. The Secretary, Ministry of Rural Development, however, admitted that 'hardly anything has been done for agricultural labour'. The Committee would urge that earnest efforts should be made hereafter to rectify this situation. The Committee would like to be apprised of the specific steps taken in this regard.

[S. No. 7, Para 2.35 of 112th Report of PAC 7th Lok Sabha]

Action Taken

The erstwhile SFDA programme was mainly crop-husbandry based. Hence its scope for covering the assetless was inherently limited. This constraint has now been removed by extending the scope of Integrated Rural Development Programme to all the three-primary, secondary and tertiary-sectors. Secondly, there was no income criteria for selection of beneficiaries under SFDA. The Integrated Rural Development Programme provides that only families with annual income not exceeding Rs. 3500/- per annum will be eligible to be identified. Besides, the selection of beneficiaries has to be made from the bottom decile, based on household survey and the list should also be placed before the gram-sabha. These provisions safeguard against the benefits being cornered by the better-off sections. Thirdly, since 1973-74 a number of measures have been taken for liberalizing the flow of credit to the weaker sections amongst which may be mentioned the doings away with landed security for loans upto Rs. 5,000/- for the weaker sections. It is observed that loans outstanding against identified landless labourers and others allotted surplus land, oral share croppers in respect of public sector banks stood at Rs. 99.00 crores and Rs. 135.60 crores as at the end of December 1980 and 1981 respectively representing 2.88% and 3.01% of the total loans outstanding. Further perusal of a few Integrated Rural Development banking plans prepared by the Lead Banks for 1981-82 have revealed that major share in the banking plans has been allocated to non-land based activities. A few instances are given below :—

District	State	Banking No. of units	Plan(1981-82) Amount (lakhs)	Of which non-land based activities		Percentage	
				Units	Amount		
1	2	3	4	5	6	7	8
Kurukshetra (Haryana)		3448	129.48	3448	129.48	100	100
Rajouri (J&K)		1304	60.80	1004	48.17	77	79
Thanjavur (Tamil Nadu)		27556	534.88	25388	478.56	92	89
Pudukkottai (Tamil Nadu)		9318	228.21	7477	154.71	82	67
• Surendra Nagar (Gujarat)		3264	73.97	2864	57.61	88	78

[Min. of Rural Development O.M. No. 20012/401/82—SFDA (A) dated 11.1.1983]

Recommendation

The Committee were assured during evidence that there was no shortage of bank finance. However, certain problems which needed to be tackled were : (i) lack of viable schemes which would ensure that the beneficiaries really benefit from such schemes (ii) reorientation of the attitude of the financial institutions in the matter of helping the rural poor and (iii) need for changing the concept of credit worthiness. It was stated that a Committee set up to review the credit arrangements for the IRDP programme under the Chairmanship of Member Secretary of the Planning Commission has already identified the problems and necessary instructions are being issued to the banks. The Committee expect that concerted steps would now be taken for effective implementation of the measures proposed by the above Committee.

[S. No. 8, Para 2.36 of 112th Report of PAC 7th Lok Sabha]

Action Taken

A High Level Standing Committee under the Chairmanship of Member Secretary Planning Commission was set up by the Ministry of Rural Development in August, 1981 to review the availability of credit for IRDP periodically and to improve the operational difficulties being experienced in obtaining credit. This Committee has met twice and action is being taken by all concerned on the various decisions of the Committee.

[Min. of Rural Development O.M. No. 20012/401/82—SFDA(A)
dated 11.1.1983]

Recommendation

The Committee are inclined to agree with the suggestion made by the representative of the Planning Commission that performance of the bank managers should be evaluated not with reference to total lending but with reference to the number of poor people of weaker sections to whom loans have been given. The Committee attach great importance to the need for giving proper orientation to the commercial staff in the rural branches of the banks towards the problems of the weaker sections. The Committee trust that the training institutions for bank staff would address themselves to this task in all earnestness.

[Sl. No. 9, Para 2.37 of 112th Report of PAC 7th Lok Sabha.]

Action Taken

Reserve Bank agree with the suggestion of the Planning Commission. Similar recommendation has been made by CRAFTICARD and we are considering issue of suitable instructions to banks. This aspect is also under consideration of the Working Group set up by Reserve Bank of India in November 1981 to review the working of the Lead Bank Scheme. As regards the need for giving proper orientation to the commercial banks staff in the rural branches most of the banks in their training colleges have programmes on rural financing. However the above Working Group is also examining and reviewing the existing arrangements for training of all officials concerned with the work relating to Lead Bank Scheme with particular reference to the District Credit Plan. The Working Group is considering what further improvement would be necessary in this regard.

[Min. of Rural Development O.M. No. 20012/401/82—SFDA(A)
dated 11.1.1983]

Recommendation

The Committee regret to observe in this connection that inspite of clear instructions given by Reserve Bank of India that no security should be insisted for loans upto Rs. 5000. The Banks continued to insist on security with the result that it has not been possible to make full use of the subsidy amount being made available by Government for uplift of the rural poor—the subsidy being linked to the grant of loans by Banks in the first instance. The shortfall in utilisation of the total subsidy amount earmarked by Government for this purpose has been attributed mainly to the non-availability of loans from banks for this purpose. When this fact was brought to the notice of the Committee, they decided to summon and examine the representatives of various lead banks. The representatives assured the Committee that the instructions issued by the Reserve Bank of India in this behalf would be scrupulously followed and every effort would be made to advance loans to the weaker sections of society under these schemes so that they may not be deprived of the subsidy amount which is linked with the availability of bank loan. The Committee trust that this assurance given to them would be fulfilled.

(S.N. 10, Para 2 38 of 112th Report of PAC 7th Lok Sabha)

Action Taken

Following the Report of the Working Group (December 1978) appointed by the Government of India under the chairmanship of Shri Baldev Singh, the Reserve Bank of India had advised, in 1979, all the Scheduled banks to adopt simplified loan application forms as suggested by the Working Group and liberalised lending procedures for financing the agricultural sector particularly with regard to security norms and margin requirements with a view to bringing about uniformity in this regard among different banks in the country. In the case of RRBs such simplified forms and liberalised lending procedures were to be introduced right from their inception.

Notwithstanding these instructions, there were complaints that these instructions were not being uniformly and scrupulously followed by different banks at the field level. Hence, with a view to finding out the actual position obtaining at the operating units level a study of the lending procedures of selected branches of commercial banks/RRBs was undertaken by Reserve Bank of India between October 1980 and May 1981. For the purpose of the study 93 branches of commercial banks and 14 branches of RRBs in 11 districts of Bihar, Kerala, Haryana, Maharashtra, Orissa, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal were covered. The study revealed that earnest attempts were not made by many banks to ensure, through regular follow-up and systematic monitoring that the guidelines promptly percolated to the rural branches.

The above fact was, therefore, brought to the notice of the concerned banks *viz.* Union Bank of India, Central Bank of India, Bank of India, Allahabad Bank, State Bank of India, Indian Overseas Bank and United Commercial Bank in a D.O. letter dated 14 September 1981 addressed by the Deputy Governor, Reserve Bank of India Shri M. Ramakrishnayya. These banks were also asked to advise the Reserve Bank of India about the remedial action taken by them in this regard. These banks have reported that necessary action has been taken to ensure that the instructions issued by Reserve Bank of India are meticulously followed by the branches.

Again in a meeting of the Chief Executives of public sector banks and Chief Secretaries/representatives of some of the State Govern-

ments held on 21st November 1981 at New Delhi to review the flow of credit from the public sector banks to the weaker section of the community, particularly with reference to Integrated Rural Development Programme some of the representatives from State Government pointed out non-observance of security norms and other conditions laid down by Reserve Bank of India. The Reserve Bank of India, therefore, again asked the banks vide its circular DBOD No. BP.BC. 143/C. 568A-81 dated 10 December 1981 not to insist on additional security up to specified limits as already advised and take serious view of all such instances of non-compliance by the branches.

Instances of non-compliance of Reserve Bank of India instructions with regard the terms and conditions of lending to priority sectors which are either brought to the notice of the Reserve Bank of India or manifested during inspection, DCC/SC meetings, L.D.O's visit etc, are taken up by Reserve Bank of India with the concerned Bank. After studying the field situation prevailing subsequent to the issue of its circular instructions dated the 10th December 1981, the Reserve Bank of India has issued fresh instructions on the 2nd of August 1982 making it incumbent on the senior executives of controlling offices of banks to scrutinise during their visits to the branches a percentage of sanctions made in favour of weaker sections in order to ensure that branch officials adhere to the guidelines of the Reserve Bank of India relating to security norms guarantees and margin money requirements etc. strictly. They have also been advised to undertake well-planned tours with the objective of ensuring that guidelines issued in this regard are faithfully followed by their field formations and of guiding the field staff appropriately in this regard.

[Min. of Rural Development O.M. No. 20012/401.82—SFDA(A)
dated 11.1.1983]

Recommendation

So far as the question of changing the concept of credit-worthiness is concerned, the Committee find that a high level Committee (Sivaraman Committee) appointed by the Reserve Bank of India (RBI) 1½ years ago recommended that credit should not be given with reference to the credit-worthiness of individuals but with reference to the viability of the projects proposed for these individuals. The Committee expose that RBI

would now take necessary steps to ensure that this concept is translated into practice in the field in letter and spirit.

(S. No. 11, Para 2.39 of 112th Report of PAC 7th Lok Sabha)

Action Taken

As regards the need for changing the concept of credit worthiness it is stated that with the adoption of relaxed security norms, margin money requirements etc. and the introduction of lead bank scheme, banking plans etc, this concept is fast yielding place to that of credit worthiness of the programmes and not of the borrowers. Consequently, a borrower beneficiary of the programmes like the Integrated Rural Development Programme etc. becomes eligible for a loan in view of the viability of the scheme formulated for him and not on the basis of his credit-worthiness assessed from out of his lended property, security given etc.

[Min. of Rural Development O.M. No. 20012/401/82—SFDA(A)
dated 11-1-1983]

Recommendation

The Committee consider that there is an imperative need for setting up a suitable machinery at the district level to bring about close coordination between the banking institutions and the development agencies, to undertake periodical reviews and sort out the various problems. The development agencies on their part must get closer to the people and draw up viable schemes and provide necessary supporting services to enable the borrowers to make use of the assets made available to them. The Committee regret to observe in this connection that the State Level Coordination Committee as well as District Level Coordination Committees have not been functioning actively. The Committee would, therefore, like to impress upon the Ministry the need for remedying this situation without delay. The Committee can only sound a word of caution that the poor masses would not wait indefinitely for Government agencies to wake up and become responsive to their needs. It is time that the discontent in the countryside is taken serious note of.

(S. No. 12, Para 2.40 of 112th Report of the PAC (7th Lok Sabha)

Action Taken

Steps taken to activate the State level Sanctioning Committees have been reported under Recommendation No. 30. At the District Level the District Rural Development Agencies have as part of the team, a Credit Planning Officer/APO, Credit, Consultative Committee have been constituted at the district and block level for reviewing the flow of credit to the programme constantly. Detailed instructions issued by this Ministry regarding credit support for IRD Programme may please be seen in letter No. I—12011/131/81—C&P dated 8-1-1982. (Copy attached).

[Min. of Rural Development O.M. No. 20012/401/82—SFDA (A)
dated 18-11-1982].

Annexure

No. I-12011/131/81-C&P

GOVERNMENT OF INDIA

MINISTRY OF RURAL RECONSTRUCTION

New Delhi, the 8th January, 1982

To

The Secretary,
Rural Development Department/
Secretary in-charge, IRD Programme,
All States/UTs.

SUBJECT:—*Integrated Rural Development Programme—credit support
for—*

Sir,

As a credit-linked programme, the success of the IRD programme will depend largely on the flow of credit for financing activities taken up by the beneficiaries under this programme. The flow of credit for this programme has been reviewed from time to time and the bankers have been urged at the appropriate level to step up the flow of credit for this programme and to attend to all other related matters. The state government may like to take action on the following and instruct the district rural development agencies and block level functionaries to take action on the same :—

(i) *Simplification of forms and supporting documents :*

While the Reserve Bank of India has been already issued instructions on the simplification of forms, it appears that supporting documents accompanying loan applications have not been standardised. The state government may, in consultation with senior officials of the banks operating in the state, indentify the documents required and circulate a suitable format to implementing agencies with the concurrence of bank-

ing institutions. This format may be printed and circulated to all concerned.

(ii) *Posting of Credit Planning Officer at the district level :*

According to the approval staffing pattern for DRDAs, a Credit Planning Officer is to be in position as a member of the planning team. In many states, this officer is not in position and consequently, liaison with banks is not satisfactory. This post may be filled quickly by taking suitable officers on deputation from cooperative/commercial banks. Where a Manager (Credit) is in position in the District Industries Centre, the services of that officer may be utilised for formulation of IRD projects and for liaison with banks.

(iii) *Branch expansion programme :*

Proposals for opening new branches in unbanked/under-banked areas may be formulated in consultation with the district/block level agencies. Copies of such proposals of the state government may also be furnished to this Ministry for follow up action. Wherever practicable the regional rural banks may be encouraged to open new branches.

(iv) *Regional rural banks to expand their lending operations :*

It has been pointed out that in some instances, the RRBs have been merely mobilising deposits without providing adequate loans to the areas served by them. This results in outward flow of funds from the districts where the RRBs are operating. Action has to be taken to ensure that the loaning operations of the RRBs are commensurate with their deposit mobilisation programmes.

(v) *Strengthening of branches of banks :*

It is often reported that branches of banks in the rural areas do not have adequate manpower for appraising loan applications or undertaking field visits. The district and block level agencies may be instructed to point out specific branches where such shortages of manpower are acute. At the state level, a consolidated picture of the strengthening of branches required may be obtained. This may be furnished to this Ministry so that we may take up the matter with the Banking Division and the RBI :

(vi) Consultative Committees :

District level consultative committees of banker and state government officials have been constituted in most states. Where such committees do not exist, action may be taken to constitute such committees urgently. Wherever such committees exist, action may be taken to activate them. State government officials, particularly District Magistrates, Project Officers and Sub-divisional Magistrates need to be instructed to attend these meetings. They could be of great help in removing impediments in the flow of credit for the IRD programme.

(vii) Differential rate of interest scheme and RRBs :

It appears that the facility of loans under differential rate of interest scheme is available with some RRBs. Elsewhere the RRBs are not providing finance under DRI. The practice in the state may be ascertained with a view to providing DRI advances through the RRBs.

(viii) Joint selection of beneficiaries :

BDOs and others identifying beneficiaries under the IRD Programme may be instructed to associate commercial banks right from the stage of identification of beneficiaries. Credit camps may be organised for purpose of identification and selection of activities and schemes for financing. Credit camps may be organised after due preparation and they may be conducted in a business like manner and with adequate preparation.

(ix) Monitoring credit :

The DRDAs and block level officials may be advised to obtain up-to-date information from each branch of banks in respect of number of applications received from IRD beneficiaries, number of applications sanctioned, number of beneficiaries to whom loans have actually been provided and the number of applications pending with reasons for not sanctioning them. This information should be made available to the consultative committees at the district and block level.

(x) Size of units :

The size of units of poultry, sheep, piggery etc. supplied to IRD beneficiaries varies from region to region. Though it may not be practicable to have the same size in every part of the country, efforts are to be

made to formulate viable and optimum size of units for each of these activities in the state. This may be attempted in consultation with representatives of banks. This would enable the bankers to sanction loans expeditiously.

(xi) Disposal of loan applications :

At the highest level, representatives of banks have indicated that loan applications would be disposed of within 8-10 weeks. Instances where IRD loan applications are pending over a longer period of time may be reported to District level Consultative Committees with details of the number of applications, activities covered by the applications, the name of the branch where pending etc.

(xii) Coordination with other agencies :

Currently, a number of agencies are implementing programmes for the benefit of the weaker sections. SC and ST development corporation and agencies funded under the tribal sub-plan and special component plan for SCs deserve special attention. The resources of these agencies should be taken into consideration in formulating IRD action plans and wherever possible, these inputs should be more available to the beneficiaries, in a coordinated manner.

(xiii) Bunching of applications :

It has been observed that a large number of loan applications are sent in a bunch to the banks by district and block level agencies implementing the IRD programme especially towards the close of the financial year. This practice should be discouraged and loan applications should necessarily be sent to the banks at an even pace throughout the year.

(xiv) Security cover :

Though instructions have been issued by the Reserve Bank of India to provide small loan upto Rs. 5,000 to the weaker sections without security cover, it has been noted that in many cases the branch managers insist on such security. The relevant instructions may be brought to the notice of such bank officials and specific instances of branch managers disregarding the instructions of the Reserve Bank may be reported to the District level Consultative Committee.

(xv) Provisions of jeeps :

DRDAs and blocks may make available their jeeps to the branch managers of the banks wherever feasible for facilitating visits to villages situated far away from the branches. Joint tours could also be undertaken to effect economies.

(xvi) Provision of physical assets :

The DRDAs should take adequate steps to arrange supply the physical assets needed by the beneficiaries under IRD Programme. They should also liaise with other development departments in the district to ensure the provision for improvement of the infrastructure required for the successful implementation of IRDP schemes.

(xvii) Coordination with bankers :

The Block Development Officers and the branch managers should meet at regular intervals and compare their registers of loan applications to ensure that all the loan applications are receiving adequate attention.

(xviii) Miscellaneous :

The DRDAs and the blocks should ensure that incomplete loan applications returned by the banks are reprocessed quickly and again submitted to the concerned banks after rectifying the defects.

While banks would be submitting monthly reports regarding loan applications under the IRD Programme, the classification of the loans given for various periods would have to be done in the blocks or the DRDAs.

2. A copy of the circular No. DBOD/BP.BC. 143/C.568A-81 dated 10th December, 1981 by RBI Central Office to all scheduled commercial banks regarding the role of banks in the IRD Programme is enclosed for information.

3. The contents of this circular may please be brought to the notice of all concerned.

Yours faithfully,

(P. G. Muralidharan)

Joint Secretary to the Govt. of India

Copy to :

- (i) **Executive Director, Reserve Bank of India, Central Office, Bombay.**
- (ii) **Joint Secretary (Banking Division), Ministry of Finance, Government of India, New Delhi.**
- (iii) **Joint Secretary (Credit), Ministry of Agriculture, Government of India, New Delhi.**
- (iv) **P.S. to Secy. (RR)/AS(RR)/ All Joint Secretaries in the Ministry of Rural Reconstruction.**

TELEGRAMS :

POST BOX NO, 60 9

“BANKCHALAN”

BOMBAY

RESERVE BANK OF INDIA

CENTRAL OFFICE

Department of Banking Operations and Development

“THE ARCADE”, World Trade Centre, Cuffe Parade,
Colaba, Bombay-400005.

Ref. DBOD. No. BP. BC.143/C.568A-81.

December 10, 1981

Agrahayana 19, 1903 (Saka)

To

All Scheduled Commercial Banks.

Dear Sir,

Integrated Rural Development Programme—

Role of Banks.

At a High Level meeting held in New Delhi on the 21st November 1981 (which was inaugurated by the Deputy Finance Minister and presided over by the Governor of the Reserve Bank of India) in which senior officers of the Central and State Governments and Chief Executives of the public sector banks participated, the operation of the IRDP was comprehensively reviewed.

2. The review brought out that the progress of disbursal of institutional credit in support of this Programme was not satisfactory and that the operational agencies at all level should gear up their machinery urgently if the annual plan targets under the Programme were to be achieved. Accordingly the Government of India have agreed to advise the State Governments suitably. We have decided that the banks, on their part, should take action on the following lines immediately.

(1) As already instructed in our Circular No. RPCC (RPD) C. 45.F.81/82 dated 23rd September 1981, the lead banks should ensure

that *all* the villages and families identified under the Programme for 1981-82 are allocated to specific branches of the participating banks. If some of the villages are situated at such a distance from the branch which makes supervision difficult, the Block authorities may be requested to make the block jeep available for facilitating visits and supervision. This should be settled by discussion at the level of the BDO or DRDA.

(2) The Block authorities have undertaken the responsibility for preparing the applications of the identified families and the details of the schemes selected for each of them under the Programme. The bank managers should, on their part, accept responsibility for processing *without delay* all loan applications of the identified beneficiaries with a view to sanctioning all viable or bankable schemes. The applications must be disposed of within a fortnight or so. This should be done even if this entails a modification of the AAP, as explained in our earlier circular cited above.

(3) It is for banks to judge whether particular types and numbers of schemes are viable in the context of the infrastructure existing or likely to be developed in the block or district. At the same time, it would not be right on their part to reject the types or numbers without discussion with the district development authorities. The Lead Bank should, therefore, hold immediately a meeting of the Standing Committee of the DCC where the type and number of schemes so far proposed under the Programme during the current year should be discussed and a consensus reached. The Ministry of Rural Reconstruction has already advised DRDAs to adopt a cluster approach in regard to types of activities, so as to ensure the forward and backward linkages and the services of the necessary infrastructure. The individual branch managers may then be left to dispose of the applications on the basis of this consensus. It will be the responsibility of the Lead Bank to arrange this meeting. DRDA is being instructed to ensure that adequate steps are taken for supply of the physical assets envisaged under the Programme to the beneficiaries and for improving the needed infrastructure.

(4) The Standing Committee of DCC should meet once a month thereafter to review progress and take decisions in respect of new types and larger number of schemes that may come up in future.

(5) The managers of bank branches should take care to see that the units of assets (e.g., number of animals or birds for each beneficiary) to be supplied under the scheme and cost of the units are in accordance with the guideline laid down by the higher authorities of the bank or the ARDC. Complaints have been received that the full number necessary for ensuring viability of operations is not being sanctioned by some managers on one ground or the other. All concerned are cautioned that part financing or sanction of less than the viable number of units is harmful and is likely to land the beneficiaries in unproductive debt. The unit costs, wherever necessary, may be revised in accordance with the procedure already laid down by ARDC.

(6) Some applications may have to be rejected during scrutiny. Reasons for rejection may be one or more of the following :—

- (a) The applications are incomplete. They may lack in essential details such as details of land holding, other assets owned, borrowings from others, occupation, arrangements made for acquisition of assets to be financed etc.
- (b) The borrower is ineligible. The ineligibility will be mainly on the ground that he is a defaulter in respect of some loan taken from a commercial, or a co-operative bank. It is also possible that on the basis of information readily available with the bank, the borrower may not be satisfying the income criteria prescribed for IRDP lending.
- (c) The scheme may not be suitable to the particular borrower, for instance, in case where the borrower has no experience/training in the activity proposed for him.
- (d) If the applications are for schemes whose general viability has already been agreed upon at the meeting of the Standing Committee as visualised above, it is probable that not many of the applications of the prospective beneficiaries would be rejected by the banks on grounds of non-viability. There could, however, be cases where because of the peculiar locational difficulties of a particular village or such other specific reasons a scheme which may have been considered to be generally suitable at the meeting of the Standing Committee may be found in fact non-viable in an individual case. Such

instances, however, can be expected to be comparatively rare.

Whatever the reason for rejection, it should be recorded in the application form itself under one or more general heads indicated above and relevant application should be returned to the sponsoring authorities for their information and record. The incomplete applications, of course, could be completed by the BDO and returned to the banks for further action.

(7) It is necessary for the block authorities to know from time to time that the applications submitted to the banks under the Programme are being dealt with promptly. In some States, a practice has developed for the BDO and the Branch Managers to meet at fixed intervals and compare their registers of applications. This practice is commended, as it will eliminate complaints that the applications are not properly registered in the banks or acknowledged by them and that unconscionable delays are occurring in their scrutiny and disposal.

(8) The DRDAs are required to submit monthly progress reports to the Ministry of Rural Reconstruction. For this purpose, they have been trying to obtain information from the banks. It has now been decided that for the sake of uniformity, the bank managers may furnish to BDO a monthly statement in the format given in the annexure within 15 days from the end of the month to which the statement relates. The BDOs will in turn forward the same to DRDA. To enable the BDO and DRDA to check the disposal of individual applications, apart from the name of the borrower, the statement should also contain the identity number allotted to him by the BDO.

(9) Every bank should nominate a suitable officer in the district to be liaison officer or co-ordinator for all its branches in the district in its dealings with DRDA in regard to IRDP. His duty will be essentially one of liaison.

(10) It has been repeatedly brought to our notice that though at the Government, Reserve Bank and Head Offices level of banks there is an appreciation of the fact that the procedure and norms for advances to the weaker sections should be simple and liberal, the relevant instructions issued by the higher authorities of the banks are not given effect

to faithfully at the field level. Thus, branches, it is reported, insist on additional securities guarantees margin *etc.*, though upto specified limits these should not be asked for. Banks are advised to take a serious view of all such instances of non-compliance with instructions. For this purpose, the senior executives of controlling offices must scrutinise, during their visits to the branches under their control, a percentage of the advances to the weaker sections and ensure that the branch officials adhere strictly to the guidelines in letter and spirit.

(11) It is also our intention that the programme of lending should not be hampered for want of suitable discretionary powers at the branch level. As the advances under IRDP would be normally for small amounts, banks should not have any difficulty in this regard. There should, therefore, be clear instructions to the branches that the schemes allotted under IRDP to them are disposed of at branch level. No further reference to a higher authority should ordinarily be necessary.

(12) In view of the fact that hardly four months are now left of the current financial year, it will be necessary that these guidelines are given effect to as soon as possible and observance of these guidelines in the field is properly supervised and guided by senior officers of the banks both from the headquarters as also from the regional offices. It will, therefore, be necessary that the concerned senior officers chalk out well planned tours particularly of their lead districts and of other districts where their banks have a substantial presence in order to ensure that every bank does its best in fulfilment of this very important programme which is directed towards the betterment of the weaker sections of the society and which needs, therefore, to be pursued with utmost vigour.

3. Please acknowledge receipt and supply copies of instructions issued to your offices, to us as well as to the Regional Offices of department of Banking Operations and Development.

Yours faithfully,

(W. S. TAMBE)

Executive Director

Annexure

**Data regarding IRDP applications/sanctions rejections/
Disbursement of Subsidy**

Name of the branch.....For the month of.....

Section I – Applications received

Name of the applicant	Identity No.	Amount
1.		
2.		
3.		
etc.		

(Total No. of applications received as at the end of the month.....)

Section II – Applications sanctioned during the month

Name of the applicant	Identity No.	Amount
1.		
2.		
3.		
etc.		

(Total No. of applications sanctioned as at the end of the month.....)

Section III – Applications rejected/returned

Name of the applicant	Identity No.	Amount
1.		
2.		
3.		
etc.		

(Total No. of applications rejected/returned as at the end of the month.....)

Section IV—Receipts/and adjustment of subsidy during the month

Name of the applicant	Identity No.	Amount of subsidy received	Amount of subsidy adjusted by Banks
1.			
2.			
3.			
etc.			

(Total No. of applications in respect of which

Subsidy is due from DRDA.....)

Subsidy has been received.....)

Subsidy has been adjusted to a/c.....)

Recommendation

The Committee are concerned to note that an Accounts Cell was set up in the Ministry of as late as in 1976-77 *i.e.* six years after the programme was launched, to watch utilisation of the grants by various agencies. Till then the sanctioning authority had no means of verifying whether all the accounts had been audited and utilisation certificates furnished. The Committee have been assured that the maintenance of records at the Ministry's level has since been streamlined and regular watch is now kept on the receipt of audit Reports and utilisation certificates. It is proposed to strengthen the Accounts Cell to pursue more vigorously the points emerging from the audit Report. It is unfortunate that this important work was allowed to suffer so long under a false sense of economy.

(S. No. 13 Para 2.47 of 112th Report of PAC (7th L.S.)

Action Taken

The observation of the Committee has been noted. Necessary action to strengthen the Accounts cell is being taken.

[Min. of Rural Development O.M. No. 20012/401/82—SFDA
(A) dated 18-11-1983]

Recommendation

The Committee find that as in November, 1980, utilisation certificates in respect of an expenditure of over Rs. 23 crores out of grants amounting to Rs 113.10 crores sanctioned during 1976-77, 1977-78 and 1978-79 were awaited. A test check in audit further revealed that in 21 agencies advances amounting to Rs. 4.25 crores had been reported as utilised without ensuring their actual utilisation. It is obvious that despite all instructions, it has not been possible for the Ministry to secure compliance with the financial rules of Government. The Committee consider this situation to be highly unsatisfactory and would like the Ministry to ensure that further Central assistance is withheld till utilisation certificates are received from the State Governments in respect of grants already disbursed. The practice of booking advances as expenditure in the Account books must be stopped forthwith and necessary instructions in this regard should be issued to all the concerned State Governments/Union Territories.

(S. No. 14 Para 2.48 of 112th Report of the PAC (7th Lok Sabha).

Action Taken

Categorical instructions have been issued stating that no further release of grant-in-aid will be made available to the agencies concerned unless the Utilisation certificates in question are made available vide Ministry letter No. 20012/408/82—SFDA (A) dated 14-10-82 (copy enclosed)

As regards treatment of advance subsidy as expenditure, necessary instructions have already been issued vide Shri G.L. Bailur, JS (IRD)'s D.O. No. 20012/221/81—SFDA (A) Dated 9-12-1981 (copy enclosed).

[Min. of Rural Development O.M. No. 20012/401/82—SFDA (A) dated 18-11-1983]

Annexure

D.O. NO. 20012/221/81—SFDA (A)

GOVERNMENT OF INDIA

MINISTRY OF RURAL DEVELOPMENT

G.L. BAILUR
Joint Secretary (IRD)

KRISHI BHAWAN : NEW DELHI.
DATED : 9th December, 1981.

Dear Shri

In para 30 of the report of the Comptroller and Auditor General of India for 1979-80, it has been pointed out that the Small Farmers Development Agencies have advanced large sums of money to the co-operative and the commercial banks as well as to implementing agencies as advances which have remained unutilized for long periods. Under the guidelines issued by the Government of India, such advances were to be adjusted within three months failing which they were to be withdrawn and in the case of deposits which remain with the financing institutions for more than 3 months interest had to be paid by the financing institutions. Instances have been cited where neither any interest was paid nor the money returned by the financing institution. Secondly, some of the agencies have treated such advances as expenditure and to that extent the amounts which were not actually utilized have been reported as utilized, It has also been brought out that there was no follow up procedure to watch the utilization of these advances.

2. In so far as the advances to the financing institutions are concerned it has since been clarified *vide* this Ministry's letter No. 13014/9/79—IRD-111 dated 15-10-1981 that it will not be possible to press for interest in the case of deposits, if such money has been credited by the bank to a nominal or suspense account. In order to avoid this situation it has been clearly advised that the agency should open a saving bank account in the principal branch of the bank of the district with authorisation that subsidy due may be debited to this account. Subsidy due will necessarily mean the proportionate amount

due on the basis of the actual loan disbursed. This may be followed strictly.

3. In cases where no such account can be opened due to the fact they are only isolated transactions, it is reiterated that subsidy should be released only after the loan is sanctioned in proportion to the loan sanctioned.

4. The adjustment of the subsidy should be followed up with the financing institutions every month. If the subsidy remains unadjusted for more than three months it should be either got refunded or adjusted against other loan applications sanctioned by the financing institution.

5. The accounting procedure prescribed for the purpose also contemplates a register of advances. Such advances, should be entered in this register and their utilization vigorously pursued.

6. Unless and until, the subsidy is finally utilized by the beneficiaries, it should not be treated as expenditure.

7. Instances have also been noticed where advances to the implementing agencies *e.g.* minor irrigation corporations *etc.* have been held up with for long periods. In some cases, implementing agencies have returned the advance. In some others, the agencies are not aware of the stage of implementation of the projects. Locking up of government funds unnecessarily without any public benefit is a serious irregularity. The utilization of such advances has to be vigorously pursued by the agencies and at appropriate time the matter should be brought to the notice of State Government also. This should be reviewed in the meetings of State level coordination committee.

8. In the case of advances to implementing agencies the following principles should be strictly observed :—

- (a) in regard to long gestation schemes like lift irrigation, infrastructural facilities like chilling plants *etc.*, which have been approved by the State-level sanctioning committee, subsidy should be released in suitable instalments linked to specific stages in the implementation of the project.

- (b) Subsidy should be released only for specific approved projects. In no circumstances should lump-sum subsidies be released to implementing agencies in anticipation of approval of projects.
- (c) steps should be taken to obtain utilisation certificates from the implementing agency as soon as the project is complete. In order to pursue the utilisation effectively, such advances should be entered in a separate register. The progress of the project and receipt of utilization certificate should be reviewed by the Project Director every month. In case it is found that the project is not likely to materialise steps should be taken to withdraw the subsidy forth-with.

9. A schedule is also being prescribed separately as part of the receipt and payment account for giving the age-wise break up of such advances so that the state government/Government of India will also be in a position to get an idea of the quantum of amounts held up with the implementing agencies.

10. The State Governments are requested to ensure that the district level agencies in their State follow the above instructions strictly. A copy of this has also been endorsed to all the district rural development agencies.

Yours sincerely,

Sd/—

(G. L. BAILUR)

No. 20012/408/82—SFDA (A)

GOVERNMENT OF INDIA

MINISTRY OF RURAL DEVELOPMENT

Krishi Bhawan,

New Delhi, Dated : 14th Oct., 1982.

To

The Secretary (Agriculture)/A.P.C.
All State Governments/UTs.

SUBJECT : *Submission of Audit Report and Utilisation Certificate to the Sanctioning Authority.*

Sir,

As you are aware, as per guidelines issued by the Government of India, the second instalment of grant in aid was to be released to the erstwhile Small Farmers Development Agencies only on the receipt of Audit Reports by Chartered Accountant and Utilisation Certificate in respect of the grant-in-aid released for the previous year (s). In exceptional cases however, this condition was relaxed so that work of the Agency does not suffer.

2. On review of the position it is seen that certain Agencies did not at all submit necessary audit report and Utilisation Certificate in respect of grant-in-aid obtained by them during 1976-77, 1977-78 & 1978-79. In certain cases, though the Audit Reports/Utilisation Certificates were received final action could not be taken by this Ministry as the documents were either incomplete or defective. Such agencies have been asked to furnish revised documents in conformity with the Govt. of India guidelines. Most of the outstanding Utilisation Certificates in respect of 1978-79 and 1979-80 are of this type.

3. A list showing the names of Agencies from whom Audit Reports and Utilisation Certificate in respect of 1976-77, 1977-78 & 1978-79 are still awaited is enclosed. The Public Accounts Committee *vide* their 112th Report have taken a serious view of this and has

directed this Ministry to withhold further Central Assistance till Utilisation Certificates are received in respect of grant-in-aid already disbursed. It has accordingly been decided that no further release of grant-in-aid will be made to these Agencies unless the wanting documents viz. Audit Reports/Utilisation certificates whichever is awaited are made available to this Ministry.

4. It is requested that Agencies concerned in your State may be directed to send immediately the Audit Report/Utilisation Certificate as shown outstanding in the enclosed statement. These documents may be forwarded to the following address within one month on receipt of this letters —

Shri B.D. Naithani,
Accounts Officer (SFDA)
Ministry of Rural Development,
Room No. 385-A,
Krishi Bhawan,
NEW DELHI-110001.

Yours faithfully,

Sd/-

(A.K. NARAYANAN)

Deputy Secretary to Govt. of India

Encls : As above.

COPY TO :

1. Project officer/DRDA, giving the reference of this Ministry on this subject, if already under correspondence. (List attached).
2. DS (IRD—II)/DC (MF)/RO (SF)/IRD—I.
3. B & A Section.

Sd/-

(B.D. NATHANI)

Accounts Officer (SFDA)

Encl : As above.

**NAMES OF AGENCIES FROM WHOM UTILISATION CERTIFICATE/AUDIT REPORT HAVE NOT BEEN RECEIVED
DURING 1977-78**

Where Utilisation Certificates have not been received

Andhra Pradesh :

1. Krishna
2. Khamam
3. Nellore
4. Prakasan
5. Warangal
6. Visakhapatnam

Assam :

1. Goalpara
2. Mikir Hills

Bihar :

1. Begusarai
2. Bhagalpur
3. Dhanbad
4. Gaya
5. Giridh
6. Nalanda
7. Purnea
8. Ranchi
9. Patna
10. Sasaram
11. Saran
12. Sauthal Pargana
13. Singhbhum

Gujarat :

1. Valsad

Haryana :

1. Ambala
2. Gurgaon
3. Bhiwani

Himachal Pradesh :

1. Simla
2. Sirmur

J & K :

1. Anantnag
2. Jammu Kathua

Kerala :

1. Cannanore
2. Quilon
3. Trivandrum

Karnataka :

1. Bidar
2. Gulbarga
3. Shimoga

Madhya Pradesh :

1. Jabalpur
2. Sagar
3. Satna
4. Shahdol

Maharashtra :

1. Buldhana
2. Chandrapur
3. Satara

Manipur :

Manipur

Meghalaya :

1. Garo Hills
2. K & J Hills

Orissa :

1. Balangir
2. Cuttack
3. Dhenukanal
4. Ganjam
5. Sambhalpur

Punjab :

1. Sangrur Patiala
2. Ropar

Rajasthan :

1. Alwar
2. Bharatpur
3. Ajmer
4. Udaipur

Tamil Nadu :

1. Tiruchirappali
2. Tirunelveli
3. Madurai
4. Nilgiris
5. North Arcot
6. Salem
7. Cuddalore

Uttar Pradesh :

1. Allahabad
2. Fatehpur
3. Gazipur
4. Farrukhabad
5. Mainpuri
6. Mathura
7. Meerut
8. Shahjahanpur
9. Sultanpur
10. Unnao

West Bengal :

1. Cooch Bihar
2. Darjeeling
3. Jalpaiguri
4. Malda
5. Murshidabad
6. West Dinajpur

Delhi :

1. Delhi

Sikkim :

1. Sikkim

Where Audit Reports for 1977-78 have not been received :

Andhra Pradesh :

1. Nellore

Bihar :

1. Girdih

Gujarat :

1. Valsad

Haryana :

1. Ambala
2. Bhiwani

Meghalaya :

1. Garo Hills

Uttar Pradesh :

1. Sultanpur

West Bengal :

1. Jalpai guri
2. Cooch Behar

Names of Agencies from whom Audit Reports/Utilisation Certificate for the Yr. 1978-79 have not been Recd. Where U/C not Regd.

Bihar :

1. Bhagalpur
2. Patna
3. Ranchi
4. Rohtas
5. Saran (IRDP)

Kerala :

1. Cannanore (IRDP)
2. Trichur (IRDP)

3. Trivandrum (IRDP)

Madhya Pradesh :

1. Chhindwara (IRDP)

Maharashtra :

1. Dhule

Tamil Nadu :

1. Tirunelveli

Where Audit Report for 1978-79 have not been received.

Assam :

1. Kamrup

Bihar :

1. Begusarai (IRDP)
2. Giridh
3. Saran (IRDP)

Kerala :

1. Trichur (IRDP)

Madhya Pradesh :

1. Durg (IRDP)

Maharashtra :

1. Chandrapur (IRDP)

Orissa :

1. Bolangir (IRDP)
2. Sambhalpur (IRDP)

Tamil Nadu :

1. Tirunelveli (IRDP)

Meghalaya :

1. K & J Hills

**NAMES OF AGENCIES FROM WHOM AUDIT REPORT
UTILISATION CERTIFICATE FOR THE YEAR 1976-77
HAVE NOT BEEN RECEIVED.**

Utilisation Certificate not received :

Andhra Pradesh :

1. Sri Kakulam
2. Nalgonda
3. Prakasam
4. Visakhapatnam

Assam :

1. Gopalpara

Bihar :

1. Dharbanga
2. Begusarai
3. Bhagalpur
4. Dhanbad

5. Giridh

6. Munghyr

7. Ranchi

8. Samastipur

9. Sarasam

10. Sitamarhi

Gujarat :

1. Junagadh

Himachal Pradesh :

1. Nahan

J & K :

1. Anantnag

2. Baramulla
3. Jammu Kathua

Kerala :

1. Quilon

Karnataka :

1. Bidar

Madhya Pradesh :

1. Satna

Maharashtra :

1. Chandrapur

Meghalaya :

1. K. & J Hills

Orissa :

1. Dhenkanal
2. Puri

Punjab :

1. Sangrur Patiala

Rajasthan :

1. Bharatpur
2. Ajmer

Tamilnadu :

1. Nilgiris
2. North Arcot

Uttar Pradesh :

1. Ghazipur
2. Gorakhpur
3. Meerut
4. Sultanpur
5. Unnao

West Bengal :

1. Murshidabad
2. West Dinajpur

Delhi :

AUDIT REPORT HAVE NOT
BEEN RECEIVED

Rajasthan :

1. Ajmer.

Recommendation

The Audit report has further revealed that huge amounts of subsidy advanced to Cooperatives/Commercial banks by the Agencies to encourage and advance loans liberally to the beneficiaries, remained unadjusted for long periods, and in some cases for years together without carrying any interest. The Committee find that it was as late as in December, 1980 that the agencies were advised to open Savings Banks Account with the principal district branches of the bank with authorisation to the bank to debit the subsidy due against this account under intimation to the agency, so as to obviate the need for releasing subsidy in advance to the banks. The practice hitherto had been that the amounts were credited to a nominal account and as such no interest was payable. The Committee were informed in evidence that the Reserve Bank of India have taken the view that Savings banks account should be allowed for individuals only and not for any corporate entities like the SFDA's which were in the nature of business organisa-

tions. The Committee are really surprised to note that the activities undertaken by the SFDA's should be deemed to be treated as business. While the Committee do concede that the amounts should be adjusted as quickly as possible and the banks should not normally hold on to this subsidy amount beyond the prescribed period of three months, there is no reason why the agencies should not have been given the benefit of interest on such accounts. It is unfortunate that a decision in the matter was unduly delayed.

(Sl. No. 15, Paras 2.57 & 2.58 of 112th Report of Public Accounts Committee, 7th Lok Sabha)

Action Taken

In terms of directive DBOD No. Sch BC. 347-74 dated 22nd July 1974 savings banks accounts of SFDA, MFAL agencies, DPAP, DRDA etc. were not eligible for interest, as these agencies were deemed to be "trading" or "business concerns" within the meaning of the provisions of para 8(d) of the above directive. However, the question of admissibility of interest on their savings bank account was reviewed by the Reserve Bank of India and in the light of the socially desirable purpose of their activities, among other things, to serve weaker sections of the society it was decided that the banks may open savings bank account in the name of the agencies on normal terms for payment of interest. All the scheduled commercial banks have been advised accordingly in terms of circular BOD. No. Dir. BC. 69 C.347-81 dated 9th June 1981.

[Min. of Rural Development O.M. No. 20012 401/82—SFDA(A) dated 11.1.1983]

Recommendation

The Committee find the Programme Evaluation Organisation of the Planning Commission carried out an evaluation study of the SFDA MFAL programme during 1974-75. The study covered 21 SFDA's and 13 MFALs in 17 States. The publication of the report was, however, delayed by nearly five years and the same became available only in February, 1979. About 2 years delay was caused in computerising the tables. Another 2 years were lost in getting the approval of the Planning Commission. The Committee consider it very unfortunate that there was an inordinate time lag between the collection of data from the

field and in preparation and finalisation of the Evaluation Report. Obviously much of the data which was based on experiences gained of the working of the programme during the first few years would not reflect the latest trends and more so, deprive the Administration of taking necessary rectificatory steps in time. The Committee consider that for such studies to be really beneficial it is necessary that the requisite preparatory work is planned sufficiently in advance so that the time-lag in making the findings available to the planners is reduced to the barest minimum.

(S. No. 16, Para 2.67 of 112th Report of PAC 7th Lok Sabha)

Action Taken

The delay in the preparation and finalisation of the Evaluation study of SFDA/MFAL projects caused because of unforeseen circumstances is very much regretted. The observation of the PAC in this regard however, have been very carefully noted. In fact, since then, a number of important studies such as Accessibility of the Poor to the Rural water supply, Evaluation of Food for Work Programme, Joint Evaluation Report on Employment Guarantee Scheme of Maharashtra, Evaluation of Fishing Harbour Projects, Evaluation Study of Western Ghats Development Programme etc. were completed in all respects including Publication of Study Reports well within the stipulated time.

[Min. of Rural Development O.M. No. 20012/401/82-SFDA(A)
dated 18.11.1983]

Recommendation

As stated earlier, the SFDA programme was replaced by the Integrated Rural Development Programme which was launched in October, 1980. The Committee consider that it would be in the fitness of things of a comprehensive evaluation of the working of the SFDA programme during 10 years of its existance is undertaken so as to facilitate the proper implementation of the present programme.

(S. No. 18, Para 2.69 of 112th Report of PAC 7th Lok Sabha).

Action Taken

Programme Evaluation Organisation of the Planning Commission was requested to undertake evaluation of SFDA Programme. They

regretted their inability to take up this due to pre-occupation with other works. Hence this job has been given to the National Institute of Rural Development, Hyderabad.

[Min. of Rural Development O.M. No. 20012/401/82-SFDA (A)
dated 18.11.1983]

Recommendation

The committee understand that in order to involve the State Governments in monitoring, a Monitoring Cell consisting of one economist/statistician and two Joint Directors has been sanctioned for the State Hqrs. to be funded out of the IRD funds. The Committee have elsewhere in this Report emphasised the need for activating the State Level Coordination Committees. The Committee trust that the monitoring cells at the State Hqrs. would function as the eyes and ears of these Committees and provide them the necessary feed-back for ensuring effective implementation of the programme.

(S. No. 19, Para 2.70 of 112th Report of PAC 7th Lok Sabha)

Action Taken

The Ministry shares the Committee's hope. Necessary instructions for activating the State Level Coordination Committees have been issued vide recommendation No. 30.

[Min. of Rural Development O.M. No. 20012/401 82-SFDA(A)
dated 18.11.1983]

Recommendation

The Committee find that as against a target of 101.44 lakh beneficiaries to be identified upto 31 March, 1980 the total number of beneficiaries actually identified was 79.66 lakhs. The shortfall of over 20 per cent is stated to be due to factors like lack of adequate supporting infrastructure, credit constraints etc. Some of the States/Union Territories where the performance was not satisfactory are Andhra Pradesh, Assam, Gujarat, J&K, Karnataka, Maharashtra, Manipur, Meghalaya, Punjab Nagaland, Sikkim, Delhi and Pondicherry. However, a few States viz. Himachal Pradesh, Orissa, Tamil Nadu, Tripura, U.P. and West Bengal exceeded the prescribed targets.

(S. No. 20, Para 3.10 of 112th Report of the PAC 7th Lok Sabha)

Action Taken

Observation noted please.

[Min. of Rural Development O.M. No. 20012/401/82-SFDA (A)
dated 18.11.1983]

Recommendation

Audit have point out that the work of identification of participants was not taken up by the agencies as a first task before taking up the programme for execution. Several agencies did not maintain up-to-date and proper records of participants beneficiaries; lists prepared by block officers were not test checked by the Agencies as to their correctness and that these lists were incomplete in respect of 15 Agencies. Cases of ineligible persons having been provided with benefits also came to notice. In several cases benefits in excess of prescribed rates of subsidy were extended to the participants.

The Evaluation Report of the Programme Evaluation Organisation of the Planning Commission has also confirmed that the progress of identification was slow in most of the areas and there was provision of benefits to wrong persons to the extent of about 9 per cent. The Committee have been informed that the State Governments/Union Territories have been asked to review all cases of wrong identification brought out in the report of the Programme Evaluation Organisation and to fix responsibility.

(S. No. 21, Paras 3.11 and 3.12 of 112th Report of PAC 7th
Lok Sabha).

Action taken

The short comings pointed out by the audit and the P.E.O. have been brought to the notice of the various State Governments for necessary action.

[Min. of Rural Development O.M. No. 20012/401/82—SFDA(A)
dated 18.11.1983].

Recommendation

The Committee would also like to draw attention to the observations made by the Programme Evaluation Organisation in the evaluation report that lack of precision in the definition of target groups and

absence of proper instructions from higher authorities led to the use of varying norms for identification. Consequently, bigger farmers also availed of the benefits under the SFDA programme by partitioning their holdings among the family members. The Committee expected that suitable steps would be taken by the State Governments/executive agencies concerned to ensure that benefits under the scheme are extended only to the eligible persons and that the guidelines in this regard are strictly followed.

[S. No. 23, Para 3.14 of 112th Report of the PAC 7th Lok Sabha].

Action Taken

The Ministry shares the Committee's hopes. Under the IRDP, the eligibility of beneficiaries is to be determined not only on the basis of land holding but also on the basis of total annual income of the families from all sources which should not exceed Rs. 3500/- per annum. The identification is now to be done on the basis of detailed household surveys and 600 families are to be selected per block per annum from the bottom decile. The last of the selected beneficiaries is also to be placed before the Gram Sabha.

[Ministry of Rural Development O.M. No. 20012/401/82—SFDA (A) dated 18.11.1983].

Recommendation

The Committee find that there was a wide gap between the target and achievements in several agencies whose accounts were test checked by audit. The table given in para 3.17 shows that the performance in 12 sectors was short of the targets by as much as 47%. 9 schemes in as many agencies failed due to defective planning/improper implementation and were abandoned, resulting in infructuous expenditure of nearly Rs. 42 lakhs.

[S.No. 26, para 3.41 of 112th Report of the PAC (7th Lok Sabha)].

Action Taken

The main reasons for shortfall in targets were lack of adequate supporting infrastructure and credit constraints. Cases of infructuous

expenditure pointed out by the audit have been brought to the notice of various State Govt. for necessary action.

[Min. of Rural Development O.M.No. 20012/401/82—SFDA (A)
dated 18.11.1983].

Recommendation

In the agricultural sector, over payments to the tune of nearly Rs. 30 lakhs were made in six cases due to excess assistance having been provided without—specific sanction of Government. In 19 agencies, Rs. 65.64 lakhs were spent on demonstrations but no details were maintained regarding the identity of participants or the crops grown, yield per acre etc. The agencies also failed to take follow-up action. Similarly, in respect of the schemes of dairy farming, poultry development and other subsidiary occupations it was found that several agencies did not exercise proper care in selecting the beneficiaries. In fact, most of the agencies failed to grasp the impart of guidelines in regard to such programmes. The necessary extension services and supporting facilities were also not forthcoming. As many as ten instances have been cited in the Audit Report in which subsidy of about Rs. 55.59 lakhs had been given for implementation of different schemes of animal husbandry and poultry farming but the schemes either could not materialise or failed to yield desired results. The poultry farming schemes in particular failed in most of the agencies because of non-availability of good quality feed, medical check up, inadequate training etc. The Evaluation Study has also *inter alia* pointed out that in a number of project areas, proper care was not exercised to ensure that only identified agricultural labourers and marginal farmers were employed in rural works programme. Therefore, it is doubtful whether whatever employment was generated, actually went to the target groups.

[S. No. 27, Para 3.42 of 112th Report of the PAC (7th Lok Sabha)]

Action Taken

Action on all these points has been taken. Regarding overpayment to the tune of 29.65 lakhs (Rs. 30 lakhs) a detailed reply was furnished in connection with PAC question No. 37 forwarded to the Lok-Sabha Secretariat *vide* this Ministry's O.M. No. 20012/175/81-SFDA (A) dt. 17.12.1981.

As regards expenditure on demonstration position was indicated in reply to PAC question No. 11 forwarded to Lok Sabha Secretariat *vide* this Ministry's letter No. 20012/221/81—SFDA (A) dt. 30.1.82. Reply from two Agencies *viz.* Ropar & Patiala are still awaited. The State Government has been requested to expedite this.

As regards subsidy of Rs. 55.59 lakhs granted for the implementation of different schemes detailed reply was forwarded to the Lok Sabha Secretariat in reply to PAC question No. 17 *vide* this Ministry's O.M.No. 20012/175/81-SFDA (A) dated 17.8.81 and also in reply to PAC question No. 5 forwarded to the Lok Sabha Secretariat *vide* this Ministry's O.M.No. 20012/175/81-SFDA (A) dt. 30.1.82.

The State Governments have already been requested to take action on all points contained in the PEO Reports *vide* this Ministry's letter No. 13016/15/79-TRD III dated 30-9-82 (*vide* recommendations at S.No : 17)

[Min. of Rural Development O.M.No. 20012/401/82- SFDA (A)
dated 18-11-1983].

Recommendation

The Evaluation Report has further pointed out that cases of misutilisation of input loans were detected in most of the projects. Lack of follow-up and non-availability of inputs at the required time were responsible for this situation.

[Sl. No. 28, Para 3.43 of 112th Report of the PAC (7th Lok Sabha)]

Action Taken

The State Governments have already been requested to look into the various deficiencies brought out in the evaluation report. However, under TRD Programme, the input subsidy is limited to potassic and phosphatic fertilisers only.

[Min. of Rural Development O.M.No. 20012/401/82—SFDA (A)
dated 18-11-1983].

Recommendation

The Committee find that pursuant to their decision to examine the working of the SFDA scheme, the Ministry of Rural Development

issued a circular to all the State Governments requesting them to prepare a detailed brief covering all the points mentioned in the Audit Report by convening a meeting of the agencies concerned so that a final view could be taken on the various deficiencies brought out therein. It was also emphasised that it was not only necessary to recover the excess payment from the parties concerned but also to fix responsibility for the various acts of omission and commission resulting in irregularities/excess payment by the agencies.

[S. No. 29, Para 3.44 of 112th Report of the PAC (7th Lok Sabha)].

Action Taken

The matter is being pursued with the State Governments/Union Territories. A copy of this Ministry's circular D.O. letter No. 2(012/175/81-SFDA (A) dated 14.10.82 to the State Governments is enclosed.

[Ministry of Rural Development O. M. No. 20012/401/82-SFDA(A) dated 18.11.1983].

Annexure

NO. 20012/175/81-SFDA (A)

GOVERNMENT OF INDIA

MINISTRY OF RURAL DEVELOPMENT

G. L. BAILUR

KRISHI BHAWAN, NEW DELHI.

JOINT SECRETARY (IRD)

DATED : 14-10-82

My dear

Please refer to my D.O. letter of even No. dated 21.7.81 regarding draft para on the working SFDA Scheme, included in the Report of the Comptroller & Auditor General of India for the year 1979-80 Union Govt. (Civil). It was pointed out among other things that it was not only enough to recover the excess amount from the parties concerned, but it was also necessary to fix the responsibility for the various acts of omission and commission resulting in irregularities/excess payment by the Agencies.

I shall be grateful to know the action taken by you in this regard for appraisal of the PAC.

Yours sincerely,

Sd/-

G. L. BAILUR

To

The Secretary Agri. Development Commissioner,
State Govts./Uts.

(Pb.), (Orissa), (M.P.), (Bihar), (Karnataka),
(J & K), & (Delhi).

Recommendation

The Committee consider that many of the deficiencies in the implementation of the programme could have been rectified had the States been vigilant enough in monitoring their progress. The evalua-

tion study of the Planning Commission has clearly brought out that the coordination and review committees at the State level had not been active in most of the States and had failed to provide guidance or support to the agencies. The State level Cells which were expected to exercise general supervision and ensure coordination of activities of various departments have also generally not been able to discharge their functions. The Committee have elsewhere in this Report emphasised the need for activating these Committees so as to strengthen the monitoring system.

(S. No. 30 Para 3.45 of 112th Report of the PAC 7th Lok Sabha)

Action Taken

This is noted. Suitable instructions are being issued.

[Min. of Rural Development O.M. No. 20012/401/82-SFDA(A)
dated 18.11.1983]

Recommendation

The Committee would like the Ministry to undertake a comprehensive review of the working of the SFDA Programme in the light of the detailed comments received from the State Governments and ensure that prompt and effective steps are taken to fix responsibility for the various lapses and also to recover the excess payments made by the Agencies. The Committees trust that the State Governments who are now required to provide matching funds for the new Integrated Rural Development Programme would ensure that the nation's money is well spent on ameliorating the conditions of the rural poor and the shortcomings noticed over the years are rectified without loss of time.

(S. No. 31 Para 3.46 of 112th Report of the PAC 7th Lok Sabha).

Action Taken

A comprehensive evaluation of the SFDA programme has been entrusted to NIRD, Hyderabad. Action to fix responsibility for lapses and for recovery of excess payments pointed out in the audit report is being indicated in reply to recommendation No. 29 separately. As regards the observation regarding IRDP the Ministry shares the hope of the Committee.

[Min. of Rural Dev. O.M. No. 20012/401/82—SFDA (A) dated
18-11-1983].

CHAPTER III

RECOMMENDATIONS OR OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES OF GOVERNMENT

Recommendation

The Committee would like to point out that the Report of the Programme Evaluation Organisation covered only the first two years of the operation of the scheme and as such it does not give up-to-date picture. The lacunae points out by Audit are also based on a test check only. The Committee therefore recommend that the Ministry of Rural Development should impress upon the State Governments/Union Territory administrations the need to ascertain precisely the nature and extent of the deficiencies. Agencywise, with a view to taking remedial measures. The committee would like the Ministry to report to them the result of such measures within six months.

(S.No. 22 Para 3.13 of 112th Report of the PAC 7th Lok Sabha)

Action Taken

As per the recommendations of the PAC elsewhere in the report (No. 18), steps have been initiated to undertake a comprehensive evaluation of the SFDA programme and necessary remedial action will be taken on such deficiencies as have relevance to the present IRDP with which SFDA programme has been merged with effect from 2nd October, 1980.

The new IRDP, it may be pointed out, already takes care of a number of deficiencies which came to notice during the implementation of SFDA. The following, in main, may be mentioned:—

- (a) In order to ensure that the benefits do not go to the better off sections, it has been provided that under IRDP the beneficiaries will be selected on the basis of a detailed household survey and the 600 families per year per block should be selected out of bottom decile based on income status. Be-

sides, the list of beneficiaries should be placed before the Gram Sabha.

- (b) As the SFDA was mainly a crop husbandry programme, it had intrinsic limitations to bring within its net the landless class. This has been remedied by extending the scope of the IRDP to all the three primary, secondary and tertiary sectors.
- (c) The District Rural Development Agencies under the IRDP are broader-based than the SFDA's. Representation has been provided on the governing body to all M.P.s and MLAS of the district. In order to take care of the planning deficiencies, which came to notice under SFDA, a planning team consisting of a Credit Officer, a rural Industry Officer, and an Economist/Statistician has been provided as part of the DRDA. An A.P.O. has been specifically provided for monitoring along with auxiliary staff. An Accounts Officer and supporting staff has also been provided to take care of the accounts.
- (d) In order to prevent looking up of funds with financing institutions, a new procedure for adjustment of subsidies has been introduced, according to which the District Rural Development Agencies will open a Saving Account in the principal district branch of the Banks, with an authorisation to debit this account with the subsidy due at the time of actual disbursement. This obviates the release of advance subsidy.
- (e) As the State Governments are also now contributing 50% funds for the programme they are more closely involved in the implementation.
- (f) 10% of the allocation can be utilised for filling up essential gap of infrastructural directly related to the implementation of the IRD Programme.
- (g) As the block through which programme is to be implemented are in a state of disarray due to a number of reasons a scheme for strengthening of block machinery has been introduced under which 50% assistance is provided to the State Governments for strengthening of block administration.

- (h) The monitoring arrangements have been streamlined. A Scheme for setting up of monitoring cell in State Governments has been introduced with 50% assistance from the Government of India.

In the light of the above facts, it is felt that little purpose will be served by taking stock of the deficiencies of the erstwhile SFDA agencies which have now been replaced by the District Rural Development Agencies.

[Min. of Rural Development O.M. No. 20012/401/82—SFDA (A)
dated 18.11.1983].

Recommendation

Another serious omission pointed out in the Evaluation Report is that very little attention was paid to the identification of agricultural labourers. The Committee would urge the Ministry of Rural Development to obtain special reports regarding the remedial measures since taken by the State Governments/Union Territories to rectify this omission and intimate to the Committee the progress made in this regard within six months.

(S. No. 24, Para 3.15 of 112th Report of the PAC 7th Lok Sabha)

Action Taken

Unlike the SFDA, under IRDP, an income criteria has also been fixed for identification for beneficiaries. Only those families who are below the poverty line in the sense that whose annual income does not exceed Rs. 3500/- are to be selected. Within this income limit, the beneficiaries have to be mostly assetless class viz. agricultural labourers and rural artisans. The list of selected beneficiaries is also to be placed before the Gram Sabha. No further measures appear to be necessary to ensure that the benefits under the programme accrue to the really weaker sections.

[Min. of Rural Development O.M. No. 20012/401/82 SFDA(A)
dated 18-11-1983]

Recommendation

The Evaluation Study has also shown that inspite of clear instructions, multiple benefits were availed of by some of the participants. The Committee desire that the lists of identified participants should be completed without delay and thoroughly screened with a view to eliminating persons who are not eligible for availing the benefits under the programme. These should also be inspected periodically with a view to ensuring that such situation are avoided.

(S. No. 25, Para 3.16 of 112th Report of the PAC 7th Lok Sabha)

Action Taken

As already explained in reply to Section(c) of Question No. 9 (Ist Batch) connected with Audit Para No. 49, relating to SFDA, the restrictions on multiple benefits being given to one beneficiary were totally removed *vide* extracts of the Ministry's letter No. CR/13013/3/75-A.C. dated the 26th August, 1975. According to this, the beneficiaries may be given subsidy for more than one item subject to the condition that the total subsidy paid to the individual family does not exceed Rs. 3,000/- per annum. Under the IRDP which has replaced SFDA, the aim is to provide substantial investment on the beneficiary family by giving a package of schemes, if necessary, within the subsidy limit of Rs. 3000/- in non-DPAP areas, Rs. 4000/- in DPAP areas and Rs. 5,000/- for tribal participants so as to enable it to cross the poverty line. The question of screening, periodical inspection etc. to prevent the multiple benefits does not arise in the context explained above.

[Min. of Rural Development O.M. No. 20012/401/82—SFDA(A)
dated 18-11-1983]

CHAPTER IV
RECOMMENDATIONS/OBSERVATIONS THE REPLIES OF
WHICH HAVE NOT BEEN ACCEPTED BY THE
COMMITTEE AND WHICH REQUIRE
REITERATION

Recommendation

The Committee understand that the findings of the Evaluation Report were circulated by the Ministry of Rural Development to the State Governments in August, 1979 for necessary action. So far, comments from only 17 States/ Union Territories have been received. The Committee would like the matter to be pursued actively with the State Governments/Union Territories which have not yet indicated the remedial action taken in pursuance of the findings of the evaluation study. It must be impressed upon the State Governments that the deficiencies pointed out in the evaluation report of the Planning Commission as well as in the other evaluation studies carried out by the different agencies in different States must be followed up earnestly and responsibility fixed for the lapses, if any.

(S. No. 17, Para 2.68 of 112th Report of the PAC 7th Lok Sabha)

Action Taken

The recommendation is noted. The matter is being pursued with the State Governments. A copy of this Ministry's letter No. 13016/15/79—IRD-III dt. 30-9-1982 is enclosed.

It may, however, be stated that earlier evaluation of studies on SFDA have only a limited application as the SFDA programme has been merged with the new IRDP since 2-10-1980. The IRDP already takes care of a number of deficiencies operational and conceptual, noticed during the implementation of the erstwhile SFDA Programme.

[Min. of Rural Development O.M. No. 20012/401/82—SFDA(A)
dated 18-11-1983]

Annexure

NO. 13016/15/79—IRD(I)/III

GOVERNMENT OF INDIA

MINISTRY OF RURAL DEVELOPMENT

KRISHI BHAWAN, NEW DELHI.

Dated the 30th Sept., 1982.

To

The Secretary Incharge of
IRD Programme of all States/UTs.

SUB—*Evaluation Report on SFDA/MFAL for the year 1974-75 brought out by the PEO in 1979 and other Assessment/Impact Studies—follow-up action thereof.*

Sir,

I am directed to refer to this Ministry's letter No. 13016/15/79—IRD(I) dated the 27th August, 1979 with which the copy of the Summary and conclusions contained in the Chapter VIth of the Report brought out by the P.E.O. of Planning Commission in 1979 were forwarded to you. The State Governments were requested to examine the findings of the PEO report in details and to furnish their considered item-wise comments on the various recommendations so as to enable the Government of India to take final view. While some of the State Governments have furnished their comments, others are yet to furnish the same.

2. The State Governments were also requested *vide* this Ministry's letter No. S. 11011/124/79—IRD(II), dated 31-3-1981 to examine the various studies relating to the SFDA/MFAL programme in their respective States for corrective action and suggestions for improvement.

3. The Evaluation Report of the PEO in particular and other studies were also considered by the Public Accounts Committee (7th Lok Sabha) and their recommendations/observations contained in the 112th

Report bearing on these are enclosed. It is requested that these may please be examined and itemwise comments of the State Government may be made available to this Ministry at the earliest so as to enable this Ministry to furnish a report to the Lok Sabha Secretariat on the action taken on these points.

The receipt of the letter may kindly be acknowledged.

Yours faithfully,

Sd/-

(A.K. NARAYANAN)

Deputy Secretary to the Govt. of India

CHAPTER V
RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF
WHICH GOVERNMENT HAVE FURNISHED
INTERIM REPLIES

—NIL—

NEW DELHI ;
July 23, 1983.
Sravana, 1, 1905(S).

SUNIL MAITRA,
Chairman,
Public Accounts Committee.

APPENDIX
CONCLUSIONS/RECOMMENDATIONS

Sl. No.	Para No.	Ministry/Deptt. Concerned	Recommendation
1	2	3	4
1	1.6 & 17	Rural Development	<p>In their 112th Report, the Committee had noted that a Committee set up to review the credit arrangements for the IRDP Programmes had already identified the problems and necessary instructions were being issued to the banks. The Committee had expressed the hope that concerted steps would now be taken for effective implementation of the measures proposed by the above Committee. In their reply the Ministry of Rural Development have stated that a high level Committee under the chairmanship of Member-Secretary, Planning Commission was set up by the Ministry of Rural Development in August, 1981 to review the availability of credit for IRDP periodically and to improve the operational difficulties being experienced in obtaining credit. This Committee had met twice and action was being</p>

taken by all concerned on the various decisions of the Committee.

The Committee would like to be informed of the decisions taken by the Committee in particular those relating to the redefinition of the concept of credit worthiness and the simplification of the procedure for grant of loans and the precise action taken in pursuance thereof. In view of the widespread complaints that persons belonging to weaker sections of society are still being denied bank finance on one pretext or the other, the Committee expect the Ministry of Rural Development and the Ministry of Finance (Banking Division) not to be content with issue of instructions only but to ensure that these instructions are actually observed by banks in letter and spirit.

64

In the 112th Report, the Committee had pointed out that the findings of the Evaluation Report with regard to the implementation of the SFDA programme were circulated by the Ministry of Rural Development to the State Governments

in August, 1979 but replies from 17 State/Union Territories only had been received. The Committee had desired that the matter might be pursued vigorously with the State Governments/Union Territories which had not yet indicated the remedial measures taken in pursuance of the findings of the Evaluation Study. The Committee had emphasised the need for the State Governments to rectify the deficiencies pointed out in the evaluation studies earnestly and to fix responsibility for lapses, if any. In their reply, the Ministry of Rural Development have stated "that the matter is being pursued with State Governments. It may, however be stated that earlier evaluation of studies of SFDA have only a limited application as the SFDA programme has been merged with the new IRDP since 2 October, 1980. The IRDP already takes care of a number of deficiencies, operational and conceptual noticed during the implementation of the erstwhile SFDA programme".

2

The Committee do not agree with this approach of the Ministry of Rural Development.

The very fact that many States/Union Territories have not even cared to indicate the remedial measures taken in pursuance of the findings of the evaluation study of the SFDA Programme clearly shows their lack of seriousness in the matter. The Committee need hardly point out that implementation is the crux of the success of any programme and in the absence of suitable remedial steps taken, there is an apprehension that these deficiencies will continue to hamper the progress of IRDP programmes also. The Committee would, therefore, like the Ministry of Rural Development to pursue the matter with the State Governments/Union Territories concerned so as to ensure that necessary corrective/remedial measures are taken by them to remove the deficiencies pointed out by the Evaluation Team without delay and that responsibility is fixed for lapses, if any, so as to be a warning to others.

20. Atma Ram & Sons,
Kashmere Gate,
Delhi-6.
21. J.M. Jaina & Brothers,
Mori Gate, Delhi.
22. The English Book Store,
7-L, Connaught Circus,
New Delhi.
23. Bahree Brothers,
188, Lajpatrai Market,
Delhi-6.
24. Oxford Book & Stationery
Company, Scindia House,
Connaught Place,
New Delhi-1.
25. Bookwell,
4, Sant Nirankari Colony,
Kingsway Camp,
Delhi-9.
26. The Central News Agency,
23/90, Connaught Place,
New Delhi.
27. M/s. D.K. Book Organisations,
74-D, Anand Nagar
(Inder Lok),
P.B. No. 2141,
Delhi-110035.
28. M/s. Rajendra Book Agency,
IV-D-50, Lajpat Nagar,
Old Double Storey.
Delhi-110024.
29. M/s. Ashoka Book Agency,
2/27, Roop Nagar,
Delhi.
30. Books India Corporation,
B-967, Shastri Nagar,
New Delhi.

PAC No. 966

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