

ESTIMATES COMMITTEE

(1999-2000)

(THIRTEENTH LOK SABHA)

FOURTH REPORT

MINISTRY OF FINANCE

**(Department of Economic Affairs -
Banking Divisions)**

**Role of Public Sector Banks in Self-Employment
Schemes Including PMRY**

Presented to Lok Sabha on 28.4.2000

Lok Sabha Secretariat, New Delhi

April, 2000/Vaisakha, 1922(S)

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INTRODUCTION I, the Chairman of the Estimates Committee having been authorised by the Committee to submit the report on their behalf present this Fourth Report on the Ministry of Finance (Department of Economic Affairs- Banking Division)- Role of Public Sector Banks in Self-Employment Schemes including PMRY.

2. The Subject was selected for detailed examination by the Estimates Committee (1996-97). The Estimates Committee (1997-98) considered the replies given by the Ministry of Finance (Department of Economic Affairs- Banking Division) to a detailed questionnaire issued on the subject and other material received from the Public Sector Banks during the study tours. The

Estimates Committee (1997-98) took evidence of the representatives of the Ministry of Finance (Department of Economic Affairs- Banking Division), Department of Small Scale Industries and Agro and Rural Industries, Department of Rural Employment and Poverty alleviation and Reserve Bank of India on 9th September, 1977. The Committee wish to express their thanks to the officers of the concerned Ministries for placing before them the detailed written notes on the subject and for furnishing information desired in connection with the examination of the subject. The Committee also appreciate the frankness with which the officers/representatives shared their views, perceptions and constraints with the Committee.

3. The Committee would like to express their gratitude to the Estimates Committee (1996-97 and 1997-98) for the able guidance and right direction provided by them in obtaining information and taking evidence for an in-depth and comprehensive study of the subject.

4. The Report was considered and adopted by the Committee at their sitting held on 25th April, 2000.

5. The Committee have inter alia made the following important observations/recommendation: i] Although PMI-UPEP Scheme, launched in November, 1995 with the objective of attacking the root causes of urban poverty in an integrated manner so as to eradicate poverty from targeted urban areas along with SUME was replaced by a unified urban alleviation scheme called the Swaran Jayanti Rozgar Yojana (SJSRY) with effect from December 1, 1997, no physical targets have been fixed and the matter has been left to be decided by the State Governments in conformity with the guidelines of the Scheme and result of the house-to-house survey which is being conducted. There has been low allocation for poverty reduction in urban areas under SJSRY Scheme. In order to provide a substantial impetus to poverty reduction activities in the urban areas of the country, allocation of funds under SJSRY needs to be enhanced considerably. There is also need for timely utilisation of funds allocated under the scheme.

ii] Despite the pivotal role the banks play in all these Government sponsored employment generation and poverty alleviation schemes, they have only a very limited role or no role at all in the selection of beneficiaries of various schemes. Therefore, Government should revise their guidelines in such a manner as to enable the banks to have an increased participative role in the selection of beneficiaries in these Government sponsored self-employment and poverty alleviation schemes.

iii] The Ministry of Finance/RBI should exercise their authority upon the Public Sector Banks to ensure greater commitment among the bank officers for a more sincere and dedicated performance in the discharge of their responsibility. Any dereliction of duty in this regard should be viewed seriously. Only officers of proven integrity and repute should be allowed to handle sanctioning and disbursement of loans to the borrowers under various self-employment schemes.

iv] Concerted efforts need to be made by the banks to improve their performance under the DRI Scheme in view of the fact that their performance has declined year after year during the last six years. Quarterly review of the implementation of the DRI Scheme to be carried out by the CMD/Chairman of the Bank. The Ministry of Finance should take concrete remedial measures for improving the performance of the banks under this Scheme.

v] The factors responsible for banks' performance not being upto the mark in regard to implementation of various self-employment schemes and poverty alleviation programmes should

be identified and all out efforts should be made by the Government/RBI and Public Sector Banks so that more and more poor unemployed youth having low level of education and lack of skill should be covered under the various Government sponsored self employment schemes and poverty alleviation programmes.

vi] The Government/RBI should issue necessary instructions/directions to the banks to make concerted efforts to achieve targets laid down/stipulated under various employment generation schemes.

vii] Close cooperation and necessary assistance by the State Government/bank authorities to the borrowers in completing the formalities is essential for speedy and effective implementation of the country's most important self-employment programmes i.e. PMRY and IRDP and now the Swarnajayanti Gram Swarozgar Yojana (SGSY). As such there should be standing instruction to DIC/DRDA/Bank authorities to render all possible assistance by taking up the matter with the concerned State Government authorities for giving clearance/licence necessary for starting the self-employment venture under PMRY.

viii] 16 State Governments have so far enacted legislation on the lines of the 'Model Bill' for speedy recovery of dues of the banks. The remaining State Governments should also be persuaded by the Central Government to enact such legislation with necessary changes/modifications required for the purpose.

ix] The Government should take corrective measures for stopping wilful default, which include a mechanism to circulate list of defaulters among bank branches making the list public through the media, banning defaulters from holding any public position and taking help of the revenue department in effecting recovery in difficult cases. Swift and effective penal action on the erring borrowers/officials connected with any default in repayment of loans should be taken.

x] The existing machinery for redressal of grievance should be suitably strengthened and separate data be maintained both at Headquarters and Regional Offices regarding receipt, consideration and disposal of complaints and that such complaints be disposed of promptly and to the satisfaction of complainants with a view to eradicating corruption prevalent in the process of sponsoring of loan applications and disbursement of loans to the beneficiaries.

6. For facility of reference, the observations/recommendations of the Committee have been printed in bold type in the body of the report and have also been reproduced in consolidated form in Appendix of the Report.

UMMAREDDY VENKATESWARLU,
Chairman, Committee on Estimates

New Delhi;

26 April, 2000

Vaisakha 6, 1922(S)

REPORT
SELF EMPLOYMENT SCHEMES
AND
POVERTY ALLEVIATION PROGRAMMES

Objectives

1.1 The creation of employment through self-employment schemes is sought to be achieved by providing a package of financial assistance in the form of bank credit and subsidy provided by the Government. These schemes are basically meant for weaker sections of the society who because of low level of education and lack of skill cannot compete for jobs with others. Some of the Government schemes envisage provision of training appropriate to the activity sought to be undertaken by the prospective beneficiary. These schemes seek to provide an outlet to the unemployed youth belonging to poor families for undertaking self employment ventures. A large number of persons are expected to avail of the benefit of self-employment schemes to generate income.

Schemes/Programmes

1.2 The following are the schemes of self-employment/poverty alleviation sponsored by the Government wherein the role of the Public Sector Banks is involved:-

1. Prime Ministers Rozgar Yojana (PMRY)
- * 2. Prime Ministers Integrated Urban Poverty Eradication Programme (PMI-UPEP)
- * 3. Scheme of Urban Micro Enterprises (SUME)
4. Differential Rate of Interest (DRI) Scheme
- @ 5. Integrated Rural Development Programme (IRDP)
6. Scheme of Liberation and Rehabilitation of Scavengers (SLRS)l. **Prime Ministers**

Rozgar Yojana (PMRY)

Background

1.3 The Scheme was launched on 2nd October, 1993 and was operative during Eighth Five Year Plan. Government of India have since decided that the scheme will continue in the Ninth Five Year Plan. The objective of the scheme is to provide sustained employment to about 10 lakh educated unemployed youth in Micro Enterprises during the VIII Plan period through industry, service and business routes. Initially the scheme was implemented in urban areas (as defined in the 1991 census) during 1993-94 and from 1.4.1994 it is being implemented both in urban and rural areas throughout the country.

Project Limit

1.4 Under the scheme projects costing upto Rs. One lakh can be financed. Two or more eligible persons can form a partnership and get loan for higher project cost provided the share of each person in the project cost is Rs. One lakh or less subject to the condition that subsidy amount per borrower does not exceed Rs. 7500/-. The Government of India provide subsidy at 15 per cent of the project cost subject to a ceiling of Rs. 7,500/- per entrepreneur. The subsidy will be kept in fixed deposit in the name of the borrower. The beneficiary would have to contribute 5 per cent of the project cost as margin money.

Training

The scheme envisages stipendary training and other entrepreneurial development for borrower for a period of 15 to 20 working days for industry sector and 7 to 10 working days for service/business sector after loan is sanctioned. Training is compulsory component for industrial and service ventures.

1.5 The Ministry have also decided that from the financial year 1999-2000 projects upto a cost of Rs.2 lakh (other than business sector, where the limit continues at Rs.1 lakh) shall be financed and, in cases of youth forming partnership projects costing upto Rs.10 lakhs could be taken up. Under the scheme, preference is given to weaker sections including women. The scheme envisages 22.5% reservation for SC/ST and 27% reservation for Other Backward Classes (OBCs).

Eligibility Criteria

1.6 Youth between 18 years and 35 years who are matric passed or failed or ITI passed or undergone Government sponsored technical courses for a minimum duration of 6 months and whose annual family income does not exceed Rs.24,000/- and upto Rs.24,000/- per annum are eligible to be assisted under the scheme. In view of the extra-ordinary circumstances prevailing in the North Eastern Region the scheme has been recently (1998-99) revised by raising the age limit to 40 years, income limit upto Rs.40,000 per annum and by covering all viable activities such as horticulture, piggery, poultry, fishing and small tea gardens. The applicant should also have been a permanent resident in the area at least for 3 years. The District/Block Level Task Forces after scrutiny sponsor the applications to banks.

Identification Procedure

1.7 Procedure for identification and selection of beneficiaries for PMRY for extending loan is that the Task Force would invite applications in the prescribed form from eligible persons.

These applications will be screened by the Task Force and would be recommended to the concerned bank branches. The number of applications recommended would be 1.5 times more than the target fixed for the branch to take care of rejections at the bank level. The names of the beneficiaries approved by the Task Force should be displayed on the Notice Board in the office of the Chairman of Task Force immediately after the meeting. All the cases received by the Branch Manager of the bank after recommendation by the Task Force Committee would be disposed off expeditiously.

Identification and selection of beneficiaries and scheme implementation at the district level is the responsibility of the District Level Task Force Committee. Besides, State/UT Governments have been asked to constitute Sub-Divisional/Block Level Task Force.

Role of the Bank

1.8 The role of bank in implementing the scheme is given below:-

1. The name of the beneficiaries approved by Task Force Committee will be considered for loans by the bank under PMRY Scheme.
2. All cases received by the Branch Manager of the bank after recommendations by the Task Force Committee would be disposed of expeditiously.
3. Bank would consider to provide composite loan (working capital + term loan) to an extent of Rs.1 lakh.
4. The rate of interest applicable to such loans under Reserve Bank of India Guidelines.
5. Repayment schedules would range from 3 to 7 years after an initial moratorium of 6 to 18 months.
6. The loans would not require any collateral guarantee. Only assets created out of the loan amount under the scheme would be hypothecated to the Bank.

7. Beneficiary should not be defaulter to any nationalised bank, cooperative bank and financial institution.

8. Recovery of the loan is the responsibility of the bank concerned.

Performance

1.9 Performance of Banks under PMRY Scheme during the 8th Plan Period i.e., target/sanction/disbursement, etc., year-wise is as under:-

It may be observed from the above statement that banks have sanctioned about 7.69 lakh cases during the period and disbursements have taken place only in respect of 5.70 lakh borrowers. Government of India and RBI have noted with concern the wide gap between sanction and disbursement and have initiated number of measures to improve the disbursement level in this year and in the coming years. Survey reports show that on an average, a Unit set up has given employment to 2 persons.

1.10 In regard to measures initiated by the bank management to ensure credit delivery, the Ministry have stated that there is a gap of about 12% to 15% between the sanction and disbursement level. The cutoff date for completion of disbursement for 1996-97 is 1.2.98. Some banks are yet to report the actual disbursement level through the quarterly statement. These delays arise due to the delay in submission of data by their branches. The cut off date for completion of disbursement for 1997-98 is 1.1.99 and it is satisfying that in 55.38% cases disbursements have already been completed. It is expected to end the year with a disbursement level of about 80% by 1.1.99.

1.11 According to the Annual Report of the Ministry of Small Scale Industries and Agro and Rural Industries (1999-2000), during the Eighth Plan period (1993-94 to 1996-97) a total of 7.75 lakh cases were sanctioned and out of these sanctioned cases loans were reported to be disbursed in 6.52 lakh cases as reported by the RBI. The PMRY is continuing in the 9th Plan. The progress as reported by RBI for 1997-98 against a target of 2.20 lakh beneficiaries a total of 2.63 lakh cases were sanctioned and 2.09 lakh cases disbursed loans. During the year 1998-99, against a target of 2.20 lakh beneficiaries as many as 2.62 lakh cases were sanctioned and 1.45 lakh cases disbursed as per the available reports from RBI. The disbursements for the sanctioned cases of 1998-99 are continuing and progress would increase.

The target envisaged for 1999-2000 is 2.20 lakh beneficiaries. Against this target 1,14,587 cases have been sanctioned and with disbursement in 59,845 cases as reported up to the month ending December, 1999.

II Prime Ministers Integrated Urban Poverty Eradication Programme (PMIUPEP)

Background

1.12 The programme launched in November, 1995 has two components involving bank credit viz., Self-Employment through setting up Micro Enterprises (SES) and Shelter Upgradation Scheme (SUS). The foremost objective of this programme was to attack the root causes of urban poverty in an integrated manner so as to eradicate poverty from targeted urban areas by the turn of the century. The programme was being implemented in over 400 Class II urban agglomerations and District-towns of North East, Sikkim, Jammu and Kashmir, Himachal Pradesh and Garhwal and Kumaon Regions of Uttar Pradesh with a population ranging between 50,000 and one lakh as per

1991 census.

Project Limit

1.13 The programme envisages under-employed and unemployed urban poor youth setting up small enterprises relating to servicing, petty business and manufacturing through skill development. The maximum project cost is placed at Rs. one lakh, with a subsidy of 15% of the project, subject to a ceiling of Rs. 7,500/- per beneficiary. The beneficiary was required to contribute 5% as margin money and 95% of the project cost will be given as loan.

1.14 Training is a compulsory component under SES Scheme. The programme envisaged financial support to the urban poor for shelter upgradation with a loan component of Rs. 10,000 to be arranged from HUDCO/any other financial institution including commercial banks subject to the condition that the beneficiary holds a title to the land. A subsidy of 25% subject to a ceiling of Rs. 2,500/- per unit under SUS was also given.

Eligibility Criteria

1.15 Urban poor who had got education upto IX standard and were living below the "Urban Poverty Line" with an annual household income below Rs. 11,850/- including those living in slums, pavement dwellers and street/ destitute children were to be assisted under the slums, pavement dwellers and street/ destitute children were to be assisted under the programme. There was no age limit or minimum educational qualification prescribed under the scheme.

Identification Procedure

1.16 House to house survey in low income neighbourhoods to identify genuine beneficiaries i.e., the poorest of the poor was carried out by community based organisation (CBOs)/NGOs/Research Institutes/ Organisations in the Government and private sector under the guidance of Town UPE Cell. Non-income parameter and economic criteria were applied in identifying and preparing the priority list of beneficiaries from which Town Task Force finally identified the beneficiaries.

Role of the Bank

1.17 Banks are included as representatives in Town Task Force (TTF) which finalises the list of genuine borrowers from the priority list prepared on the basis of house to house survey and on the basis of criteria indicated in the scheme. The applications sponsored by the TTF were processed at branch level and sanction and disbursement of loan were effected by bank branches. Inspection of units assisted, follow up regarding recovery, rescheduling of loan installments wherever necessary, submission of monthly/quarterly data to the appropriate authorities were the responsibilities of the banks. Project cost less the margin money and subsidy amount is financed by banks under the scheme. Loans granted under the PMI UPEP charged interest as per Interest Rate Directives of Reserve Bank of India. Under SES no collateral was to be insisted upon. Only assets created out of loan amount would be hypothecated/mortgaged/pledged to the banks. However, under SUS, appropriate guarantees as required by the loaning authorities was required to be given. Under SES, repayments of loan in installments was spread over 3 to 7 years after an initial moratorium of 6 to 18 months. Under SUS, the repayment was spread over a period of 10 years.

Target

1.18 5 million urban poor have been targeted to benefit under the programme during the 5 year programme period (1995-96 to 1999-2000).

Performance

1.19 The achievements under PMIUPEP till 30.11.1997 were as follows:- (Rs. in lakhs)

| | Applications Received | Sanctioned | | Disbursed | |
|------------------------|--------------------------|------------|-----------|-----------|---------|
| | | No. | Amt. | No. | Amt. |
| | 1. | 2. | 3 | 4 | 5. |
| Self- Employment | | | | | |
| 1996-97 | 13056 | 5582 | 1671.92 | 3135 | 894.87 |
| 1997-98 | 13889 | 6047 | 2555.57 | 3852 | 1479.48 |
| Shelter Upgradation | | | | | |
| 1996-97 | - | Not | Available | | |
| 1997-98* | 9704 | 4223 | 1238.67 | 3271 | 922.87 |

*Provisional

III Scheme of Urban Micro Enterprises(SUME)

Background

1.20 The Scheme of Urban Micro Enterprises(SUME) introduced in 1990 aimed at assisting the urban poor in upgrading their skills and setting up self-employment ventures.

Project Limit

1.21 A subsidy was provided towards setting up the micro-enterprises upto 25% of the project cost with a ceiling of Rs.5000/- for SC/ST/Women beneficiaries and Rs.4000/- for general beneficiaries. The remaining amount of the project cost was available from banks as a loan upto a maximum of Rs.15,000/- for SC/ST/Women beneficiaries and Rs.12,000/- for general category beneficiaries. Thus, projects costing upto Rs.20,000/- in the case of SC/ST/Women beneficiaries and upto Rs.16,000/- in the case of other borrowers can be financed under the scheme. This scheme was applicable to all urban settlements.

Eligibility Criteria

1.22 Unemployed urban poor living below the poverty line (family income less than Rs.11,850/- per annum as per criterion of urban poverty during Eighth Plan), residing in metropolitan areas, cities and towns, not covered by IRDP for more than 3 years were eligible for assistance. The other conditions for eligibility were as under:-

1. The applicant's name should appear in the ration card given to him/her or to the family of which he/she is a member.
2. The applicant should have the necessary skill in the case of activities requiring skill and aptitude for undertaking the activity.
3. The applicant should not be a borrower from any bank/credit institution under similar schemes of the Government of India, State Governments or State-owned Corporations for assistance to the poorer sections of the society. A declaration to this effect should be obtained along with the loan application. In respect of a loan for any other purpose from any bank/credit institutions, the applicant should not be a defaulter.

Identification Procedure

1.23 The eligible borrowers were identified by a Task Force and applications were sponsored to banks for sanction of loan.

Role of the Bank

1.24 Banks are associated with the process of identification of borrowers. On receipt of applications sponsored by Task Force, banks are required to satisfy themselves regarding the viability and bankability of the project. On being satisfied with its feasibility the banks sanction/disburse the loan and subsidy to the borrowers. No collateral/third party guarantee is necessary. They are responsible for deciding repayment schedule within a period of 3 to 5 years inclusive of grace period not exceeding 6 months and for effecting the recovery. They also monitor the maintenance of assets created as well as the activities of the borrowers.

Performance

1.25 Details of amount sanctioned and disbursed under the scheme during the period from 1993-94 to 1995-96 are given below:-

| PERIODS | TARGET | APPLICATIONS NO. | (Rs. in Lakhs) | | |
|---------|----------|---------------------|----------------------|---------------------|---------------------|
| | | | SANCTIONED AMOUNT | APPLICATIONS NO. | DISBURSED AMOUNT |
| 1993-94 | - | 182878 | 12892.45 | 149085 | 10375.32 |
| 1994-95 | 1,20,070 | 145972 | 11136.08 | 120345 | 8625.53 |
| 1995-96 | 1,17,223 | 127050 | 10513.67 | 102076 | 7893.51 |

1.26 According to the Annual Report of the Ministry for 1997-98, during 1997-98 1.08 lakh beneficiaries have been assisted and 0.43 lakh persons have been trained till 30.11.97. During the previous financial year 1996-97, 1.29 lakh beneficiaries were assisted to set up micro-enterprises and 0.46 lakh persons were given training.

IV. Swarna Jayanti Shahari Rozgar Yojana (SJSRY)

Background

1.27 A new unified Urban Poverty Alleviation Scheme called the "Swarna Jayanti Shahari Rozgar Yojana (SJSRY)" replaced the existing three schemes with effect from 1st December, 1997 viz.

1. Prime Ministers Integrated Urban Poverty Eradication Programme (PMIUPEP)

2. Scheme of Urban Micro Enterprises (SUME)

3. Urban Basic Services for Poor (UBSP)

1.28 SJSRY is funded on a 75:25 basis between Centre and the States. The scheme is being implemented in all urban towns in India.

The Swarna Jayanti Shahari Rozgar Yojana consists of two special schemes viz.

1. Urban Self-employment Programme (USEP)

2. The Urban Wage Employment Programme (UWEP)

1.29 The Committee enquired the reasons for replacing the existing Schemes with SJSRY. The Ministry informed that the scheme of Prime Ministers Integrated Urban Poverty Eradication Programme (PMIUPEP) and Nehru Rozgar Yojana (NRY) launched at different times had overlapping features. They also suffered from some contradictions and there were variations in their vital ingredients which resulted in unequal benefits being extended to beneficiaries in different areas. Hence, after a thorough review both the schemes were discontinued and replaced with the comprehensive scheme of SJSRY.

1.30 Urban Self-employment Programme (USEP) has three distinct parts :

1. Assistance to individual urban poor beneficiaries for setting up gainful self-employment ventures.

Under-employed and unemployed youth whose annual family income is below the poverty line and who have got education up to ninth standard are to be assisted under the Scheme

2. Assistance to group of urban poor women for setting up of gainful self-employment ventures.

This sub-scheme is called Development of Women and Children in the Urban Areas (DWCUA).

The scheme envisages special incentive to urban poor women who decide to set up self-employment ventures in a group. Such groups consisting of at least 10 urban poor women may take up any economic activity suited to their skill, training aptitude and local conditions and they are eligible for a subsidy of Rs. 1,25,000/- or 50% of the cost of project whichever is less

3. Training of beneficiaries, potential beneficiaries and other persons associated with the urban employment programme for upgradation and acquisition of vocational and entrepreneurial skills.

Target Groups

1.31 The percentage of women beneficiaries under SJSRY is not less than 30%. SCs/STs must be benefited at least to the extent of the proportion of their strength in the local population. A special provision of 3% is made for the disabled.

Loans under the scheme carry interest as per the directives on interest rates issued by Reserve Bank of India from time to time.

Identification Procedure

1.32 List of borrowers is prepared by house to house survey and non-economic parameters are also applied in addition to the economic criteria. Community structures like the Community Development Societies (CDS) are involved in this task under the guidance of the Town Urban Poverty Eradication Cell (TUPEC)/Urban Local Bodies (ULBs).

Project Limit:

1.33 The maximum limit of the Scheme is Rs.50,000/- per beneficiary.

If the unit is organised and set up by more than one beneficiary, the project would increase in the multiple of project assistance for single beneficiary.

Subsidy shall be restricted to 15% of the project cost subject to maximum of Rs.7,500/- per individual. If the unit is by a group of beneficiaries, the subsidy will be 15% of the project cost or multiple of Rs.7,500/- per individual, whichever is less. The borrowers are required to bring in 5% margin money.

1.34 The scheme rests on foundation of community empowerment and therefore relies on establishing and promoting community structures/organisations to provide supporting and facilitating mechanism for local development.

The organisation/structures are :

1. Neighbourhood Groups
2. Neighbourhood Committees
3. Community Development Society

Targets

1.35 According to Annual Report of the Ministry of Urban Employment and Poverty Alleviation for the year 1999-2000, no physical targets have been fixed and this matter has been left to be decided by the State Governments in conformity with the guidelines on the Scheme and result of beneficiary survey. This has been done to ensure adequate flexibility of operation of the scheme.

Allocation of funds

1.36 The funds remaining unspent in respect of Nehru Rozgar Yojana (NRY), UBSP and PMIUPEP with various States/UTs as on 30.11.97 were the opening balance for incurring expenditure under the new scheme. In addition, Central funds of Rs.98.63 crore & 158.47 crores had been released for 1997-98 and 1998-99 respectively and allocation of Rs. 176.35 (Ba) crores has been made for 1999-2000 out of which till 31.12.99 a sum of Rs.40.47 crore has been released to the States/UTs.

Performance

1.37 The physical and financial performance of the Scheme as per Annual Report of the Ministry are as follows :-

Urban Self-Employment Programme (USEP)

Financial Achievements (till 31.12.99)

Rs. in lakhs

1. Amount of subsidy sanctioned and disbursed to
2. Amount of subsidy sanctioned to DWCUA

Physical Achievements (till 31.12.99)

1. No. of beneficiaries assisted to set up Micro enterprises = 150530
2. No. of DWCUA Groups formed = 5960
3. No. of women beneficiaries assisted (Under DWCUA)

Urban Wage Employment Programme (UWEP)

Financial Achievements (till 31.12.99) Rs. in lakhs Expenditure reported under

UWEP = 23041.84

Physical Achievements (till 31.12.99)

No. of mandays generated from completed/Ongoing work = 143.10 lakhs

1.38 The performance of banks during 1997-98 and 1998-99 and 1999-2000 upto June 1999 are given below:-

| Year | Sanction | | Rs. in lakhs | |
|---------------------------|----------|---------|--------------|---------|
| | No. | Amt. | No. | Disburs |
| 1997-98 | 2105 | 403.59 | 1196 | 214.36 |
| 1998-99 | 73270 | | | |
| 18901.28 | 41736 | 9982.39 | | |
| 1999-2000* | 7159 | | | |
| 1856.16 | 4792 | 1183.37 | | |
| (provisional upto June99) | | | | |

V Differential Rate of Interest (DRI) Scheme

Background

1.39 The Scheme was introduced in 1972 by Government of India and implemented through all Scheduled Commercial Banks throughout the country. The scheme seeks to provide bank finance at a concessional rate of interest of 4 per cent annum to the weaker sections of the society for engaging in productive and gainful activities in order to improve their economic conditions.

Loan Limit

1.40 The maximum amount of assistance per beneficiary available under the scheme for productive purposes is Rs.6,500/-. In addition to Rs.6,500/-, a house loan of Rs.5,000/- per beneficiary can be granted under the scheme to the members belonging to SCs/STs provided they satisfy the income criteria of the scheme. Physically handicapped persons engaged in gainful activities can be granted financial assistance to the maximum extent of Rs.5,000/- per beneficiary for acquiring aids, appliances, equipments, etc. provided they are eligible for assistance under the scheme. This assistance is in addition to the loan of Rs.6,500/- available for productive endeavours.

Under the scheme, no security, margin money, etc. have been prescribed.

1.41 Persons of modest means engaged in gainful activities in agriculture and/or allied activities, cottage and rural industries, vocations etc., and whose annual family income does not exceed Rs.7,200/- in urban or semi-urban areas and the borrower for being eligible for assistance, should not own any land or in case he owns any land, his land holdings should not exceed 1 acre in the case of irrigated land and 2.5 acres in the case of un-irrigated land. The land holding criteria is not applicable to borrowers who belong to SCs/STs.

Identification Procedure

1.42 Based on the eligibility criteria laid down by Government of India, the banks themselves are required to identify the eligible borrowers for DRI Scheme.

Target

1.43 Under the Scheme banks are required to lend minimum of 1% of their aggregate advances as at the end of the previous year. Further, 40% of the total DRI advances are required to be granted to SC/ST beneficiaries. In order to ensure that the weaker sections in rural areas derive the maximum benefit, banks are required to ensure that not less than 2/3rd of their advances under the Scheme are routed through their rural and semi-urban branches.

Role of Banks

1.44 The entire responsibility of implementation of the scheme vests with the banks. They have to identify eligible borrowers, assess their suitability, examine the viability of the productive endeavours sought to be undertaken by the borrowers. After the loan is disbursed, they are expected to monitor the end-use of the credit and also to effect recovery. The banks also associate themselves with the different fora such as District Consultative Committee (DCC), State Level Bankers Committee (SLBC) etc. where the implementation of the DRI scheme is reviewed. Loans granted under this scheme are required to be repaid within five years inclusive of grace period not exceeding two years.

1.45 The DRI Scheme seeks to provide bank finance at concessional rate of interest to the weaker sections of the society whose annual family income does not exceed Rs.7200 in urban or semi urban areas and Rs.6400 per annum in rural areas. The present income criteria was fixed in September, 1986. In this context, the Committee enquired whether the Government was considering to revise the income criteria keeping in view inflation and increasing cost of living. The Ministry in their reply have informed that it is the view of the Government that any increase in the family income limit of DRI Scheme will only result in encouraging the bank manager to choose better place beneficiaries and thus it would dilute and defeat the very purpose of the scheme. As such, the Government are not in favour of increase in the income of the DRI Scheme.

1.46 During study tour of the Committee to various parts of the country, the officers of various Banks suggested some modifications/revisions in the guidelines of this scheme to suit the present circumstances. The Committee wanted to know the comments of the Government on the views/suggestions for modification given by the bank managements to the Government for improvement in the performance of the scheme. The Ministry in their reply stated that the State Level Bankers Committee (SLBCs) for the various States e.g., Tamil Nadu, Kerala, Karnataka, Punjab, Rajasthan, etc., in the recent past, suggested modifications in the DRI Scheme. Bank of Baroda and Punjab National Bank had also requested for a review of the DRI Scheme. The suggestions made by the SLBCs and the banks were of the following nature :-

1. The present income ceiling stipulated in the DRI Scheme at Rs. 6,400/-p.a. in rural areas and Rs.7,200/- p.a. in urban/semi-urban areas need to be suitably raised.
2. The quantum of loan fixed at Rs.6,500/- maximum per borrower may also be increased.
3. If the loan amount available under DRI Scheme cannot be increased, the beneficiaries under the DRI Scheme may be made eligible for assistance under the Government's other sponsored programmes.
4. Continuance of DRI Scheme may be reviewed.

1.47 The aforesaid suggestions have been examined by the Reserve Bank of India/ Government of India. In so far as increase in income ceiling is concerned, the Government of India are not in

favour of the same. Regarding increase in the quantum of loan, it may be stated that the loans granted under DRI Scheme carry a concessional rate of interest of 4% p.a. Considering the interest cost and transaction and service cost of servicing small loans and the raising deposits vis-à-vis, the return on DRI advance, the banks are required to subsidise the assistance granted under DRI Scheme. As such, Reserve Bank of India is not in favour of increasing the quantum of loan at the present rate of interest of 4% p.a. under DRI Scheme.

Under the present arrangements, in order to ensure that the benefits of the Government's poverty alleviation programmes are availed of by as many persons as possible, the beneficiary of DRI Scheme has been made ineligible for assistance under any other programme. Other programmes launched by the Government provide for loan and capital subsidy to the borrower. It would not be advisable to allow a borrower to avail of dual benefit of concessional rate of interest under DRI Scheme and subsidy under other programmes.

Performance

1.48 Data on implementation of DRI Scheme by public sector banks for the last six years is as under :

(Accounts in lakhs & Amt. Rs. in crores)

| Year ended March | Total DRI advances | | Of which to SC/ST | | % of adv. to SC/ST to Total DRI adv. | % of total DR adv. to total adv. of the previous year |
|---------------------|--------------------|--------|-------------------|--------|---|--|
| | No. of A/cs | Amount | No. of A/cs | Amount | | |
| 1993 | 29.50 | 704.60 | 13.82 | 359.23 | 50.98 | 0.63 |
| 1994 | 26.14 | 694.09 | 12.38 | 378.93 | 54.59 | 0.52 |
| 1995 | 22.99 | 701.84 | 11.56 | 420.79 | 59.96 | 0.50 |
| 1996 | 20.41 | 681.91 | 10.39 | 424.92 | 62.31 | 0.40 |
| 1997 | 15.81 | 648.95 | 7.52 | 413.08 | 63.65 | 0.35 |
| 1998 | 14.07 | 575.79 | 6.47 | 384.47 | 66.77 | 0.30 |
| 1999* | 10.98 | 507.97 | 5.09 | 324.29 | 63.84 | 0.23 |

*Provisional

The Ministry have added that though the banks overall performance under DRI Scheme continues to lag behind the targetted level, their assistance to SCs/STs is well above the sub-target of 40% of total DRI advances. As there is a tendency on the part of borrowers to avail benefits under other subsidy linked programmes, this may be a cause of non-fulfilment of targets under the DRI Scheme. The banks are being advised to improve their performance under the DRI Scheme.

VI Integrated Rural Development Programme (IRDP)

Background

1.49 With the main objective of improving the asset base of the poor and to involve the poor in the production/income generation processes of the economy, Integrated Rural Development Programme (IRDP) was initiated in 1978. IRDP was taken up initially in 2300 blocks and has been extended to all rural areas/blocks of the country since 2nd October, 1980.

Programme

1.50 IRDP aims at providing income generating assets and self-employment opportunities for the rural poor. Assistance under IRDP is given to a target group of rural poor belonging to families below Poverty Line (BPL), in the form of subsidy by the Government and term credit by financial institutions.

Eligibility Criteria

1.51 Under IRDP, assistance is given to target group which consists of families of small and marginal farmers, agricultural labourers, rural artisans, etc. whose family income is below Rs.11,000/- per annum. According to Annual Report of the Ministry of Rural Areas and Employment for the year 1998-99, the target group consists of families of small and marginal farmers, agricultural labourers and rural artisans etc. whose per capital monthly expenditure does not exceed the poverty line ₹ (ranging between Rs.216.65 and Rs.327.48 for different States/UTs) as estimated by the Planning Commission. The poverty line is fixed by the Planning Commission for each plan period. The Planning Commission also estimates the population below the poverty line. The beneficiaries under IRDP are selected from the list of families below the poverty line, identified through a census (BPL Census). Currently, the Below Poverty Line census is being carried out in all the States and the revised poverty line will be used to categorise BPL families. Within the target group, special safeguards have been provided by reservation of

- 50% benefits for SCs/STs,
- 40% for women and
- 3% for physically handicapped persons.
- Priority is also to be given to women headed households, assignees of surplus land, freed bonded labourers and acceptors of small family norm. However, this should not in any way adversely affect the safeguards provided for SCs/STs women and physically handicapped persons.
- The flow of financial assistance (subsidy + credit) to the categories described above should be commensurate with the percentage of the physical coverage.

Pattern of Subsidy

The pattern of subsidy of project cost is

- 25% for small farmers;
- 33 1/3% for marginal farmers, agricultural labourers, and rural artisans; and
- 50% for SCs/STs beneficiaries and physically handicapped persons.

The ceiling on subsidy in respect of individuals is

- Rs.4000 in normal areas;

- Rs.5000 in DPAP/DDP areas;
- Rs.6000 for SC/ST families and physically handicapped persons;
- Rs.7,500 or 50% of the project cost, whichever is less for unemployed educated youth; and
- For activities involving at least 5 persons, the ceiling has been fixed at Rs.1.25 lakh or 50% of the project cost, whichever is less.

1.52 Although lending under the scheme is project based, banks generally restrict the amount to two/three times the available subsidy. Interest on the loan amount is charged as per directive on interest rate issued by Reserve Bank of India from time to time. As regards security, for loans upto Rs. 25,000/- hypothecation/pledge of assets created out of bank loan forms the security. For loan amounts between Rs.25,000/- and Rs.50,000/- in addition to the pledge/hypothecation of assets created out of bank loan, obtention of mortgage of land/margin money etc. may be considered at the discretion of banks without however asking for any collateral security. Where there are genuine difficulties in mortgage of land, banks may take third party guarantee (IRDP Manual). For loan amount above Rs.50,000/- in addition to the security cover under (i) and (ii) above collateral security in the form of insurance policy, marketable security, deeds of property etc. may be furnished/obtained at the discretion of the bank (such cases under IRDP are very few). Minimum repayment period stipulated is 5 years. The banks also provide initial moratorium wherever required. Sub-targets have been stipulated for borrowers under various categories viz. SC/ST at least 50%. Women at least 40%, Physically handicapped persons 3% in relation to the total credit disbursed. Prior to 1995-96, these sub-targets were in relation to the physical targets i.e. number of families to be assisted.

1.53 In addition to the existing three categories namely (i) small farmers, (ii) marginal farmers and agricultural labourers and (iii) SC/ST and physically handicapped people, another category of educated unemployed rural youth belonging to families below the poverty line who have read upto class VIII (pass or fail) has been included. They will be entitled to a subsidy of Rs.7500/- or 50% of the project cost whichever is less. Under the existing IRDP guidelines, community minor irrigation schemes carry 50% subsidy without any ceiling on project cost. It is decided to extend this concept to all types of group ventures under IRDP with subsidy amount to Rs.1.25 lakh or 50% of the project cost, whichever is less. The group should consist of a minimum of 5 persons belonging to families below poverty line families.

Identification Procedure

1.54 (i) A comprehensive survey of the rural poor is undertaken by the village and block authorities/functionaries.

(ii) A list of the poor families, called Below Poverty Line (BPL) list is prepared by the block authorities.

(iii) The Village Panchayats which include SC/ST, Women members consider and approve these lists at their regular meetings. Bank officials, School Teachers; Village Post Masters, NGOs and other prominent elders in the village are invited to the meeting.

(iv) The list so approved by the panchayats are displayed at prominent places such as Panchayat Office, Post Office, Village Chopals and Bank Branches.

(v) The approved list is placed before the Gram Sabha after a minimum waiting period of 15 days and after giving advance and wide publicity.

(vi) The BPL list is finally approved by the Gram Sabha. The DRDA sponsor the applications to banks received from the persons included in the approved list.

Implementing Agency

1.55 District Rural Development Agency/Zilla Parishad is the implementing agency for this programme. The Governing Body at the district level provides guidance and directions to DRDAs. It includes local MPs, MLAs and Chairman of Zilla Parishad. Heads of District Development Departments and representatives of SCs/STs, women and NGOs. At the grassroots level, the programme is carried out by Block Development Officer, and the other block staff with the help of the village level functionaries.

IRDP is financed on a 50:50 cost-sharing basis by the Centre as well as by the States. The funds are released directly to the DRDAs.

Role of the Banks

1.56 Banks provide organisational and institutional support with the basic objective of enabling rural poor to cross the poverty line through additional employment and income generation. They provide credit support to IRDP borrowers and also provide loans for acquisition of land under IRDP. Banks have been permitted to select the beneficiaries/borrowers from BPL list. They monitor and verify the end use of credit besides effecting recovery.

Banks actively participate in consultative arrangements for credit under IRDP. They are the members in various committees such as High Level Committee on Credit (HLCC), State Level Bankers Committee (SLBC). District Level Consultative Committee (DLCC). They provide Orientation Training Programmes for IRDP beneficiaries. They finalise targets in respect of IRDP under Service Area Plans (SAP). They fix realistic repayment schedules and provide for gestation period wherever required.

Performance

1.57 Number of beneficiaries and credit and subsidy disbursed under the scheme during Eighth and Ninth Plan is as under:

| Year | No. of Families Assisted (No. in lakhs) | Subsidy Disbursed (Rs. in crores) | Credit Mobilisation (Rs. in crores) | Total Investment (Credit+ Subsidy) | Per family investment (Rs.) |
|---|---|-----------------------------------|-------------------------------------|------------------------------------|-----------------------------|
| Performance During the Eighth Five Year Plan | | | | | |
| 1992-93 | 20.69 | 579.68 | 1036.80 | 1616.48 | 7889 |
| 1993-94 | 25.39 | 800.82 | 1408.44 | 2209.26 | 8746 |
| 1994-95 | 22.15 | 818.30 | 1450.58 | 2268.88 | 10313 |
| 1995-96 | 20.89 | 870.20 | 1701.33 | 2571.53 | 12310 |
| 1996-97 | 19.24 | 905.94 | 1969.16 | 2874.10 | 14943 |

Performance During the Ninth Five Year Plan

| | | | | | |
|----------|-------|--------|---------|---------|-------|
| 997-98* | 17.07 | 863.11 | 1996.64 | 2859.75 | 16753 |
| 998-99** | 7.82 | 407.98 | 980.72 | 1389.69 | 17771 |

* Provisional

** Upto Nov., 1998

VII Swarnjayanti Gram Swarozgar Yojana

1.58 A new self-employment programme namely Swarnjayanti Gram Swarozgar Yojana (SGSY) has been launched w.e.f. April 1, 1999. As a result, the erstwhile programmes viz. Integrated Rural Development Programme (IRDP), Development of Women and Children in Rural Areas (DWCRA), Training of Rural Youth for Self-Employment (TRYSEM), Supply of Improved Toolkits to Rural Artisans (SITRA), Ganga Kalyan Yojana (GKY) and Million Wells Scheme (MWS) ceased to be in operation. It may be pointed out that SGSY has been devised keeping in view the positive aspects and deficiencies of the earlier programmes.

Swarnjayanti Gram Swarozgar Yojana aims at establishing a large number of micro-enterprises, building upon the potential of the rural poor. One of the weaknesses of the erstwhile self-employment programmes was that there was no linkage with marketing and technology. These aspects assume significance under SGSY.

The year 1999-2000 is the first year of SGSY's implementation. The programme being process oriented, lot of detailed preparatory work and planning have to be completed for the successful implementation.

VIII Scheme of Liberation and Rehabilitation of Scavengers (SLRS)

Background

1.59 The scheme was introduced in 1993 and is continued in VIII Five Year Plan. The Scheme is being implemented by all Public Sector Banks except RRBs. The objective of the scheme is to liberate and rehabilitate scavengers and their dependents from their existing hereditary and obnoxious occupation of manually removing night soil and filth and to provide them with alternative and dignified occupation. The scheme covers all scavengers and their dependents (both Scheduled Caste scavengers and non-Scheduled Caste scavengers) in the country.

Project Limit

1.60 Under the scheme, projects costing upto Rs. 50000/- can be financed. Subsidy is available to borrowers at 50% of the project cost subject to a maximum of Rs. 10000/-. The borrowers can also avail margin money assistance at 15% of the project cost at 4% rate of interest from State Scheduled Castes Development Corporations. All loans upto Rs. 6500/- will be treated as DRI loan at concessional rate of 4%. However, where the amount of loan exceeds Rs. 6500/- the entire loan will carry interest as per RBI directive on interest rates. Security for the loan will be only hypothecation of assets created out of the loan/subsidy in favour of the banks. The State Scheduled Caste Development Corporation will have second charge/pari-passu charge over the assets to cover their margin money loan assistance. The loans shall be repaid within a period of 3 to 7 years (inclusive of grace period not exceeding 6 months) depending on the life of the assets created and repaying capacity of beneficiaries.

1.61 The State Scheduled Caste Development Corporation(SCDC) has been given the responsibility of identification of beneficiaries.

Government of India have identified about 4 lakhs scavengers in the country and they are to be rehabilitated during the VIII Plan period.

Role of the Bank

1.62 Role of banks is to receive the applications which are sponsored by the National/State level SC/ST Financial and Development Corporation/District Level/Local level implementation agencies and scrutinise/sanction and disburse loan.

Performance

1.63 Details of number of applications sponsored, loan sanctioned and disbursed under the scheme are indicated below:

| (Rs. in Lakhs) | | | | | |
|----------------|-------------------------------|----------|-------------------|----------|------------------|
| Year | No. of applications Sponsored | Loan No. | Sanctioned Amount | Loan No. | Disbursed Amount |
| 1993-94 | | 12389 | 1420.78 | 6834 | 751.11 |
| 1994-95 | 50192 | 30593 | 3560.86 | 22147 | 2273.48 |
| 1995-96 | 88292 | 55362 | 6355.09 | 41626 | 4535.79 |
| 1996-97 | 74897 | 46629 | 5326.88 | 32957 | 3779.28 |
| TOTAL | 213381 | 144973 | 16663.61 | 103564 | 11339.66 |

According to Annual Report of the Ministry of Finance for 1999-2000, the performance of banks during 1997-98 and 1998-99 and 1999-2000 (upto June 1999) are given below:

(Rs. Lakhs)

| | Total Sanction No. | Total loan Disbursement Amount | No. | Amount |
|------------|--------------------|--------------------------------|--------|---------|
| 1997-98 | 31410 | 3977.48 | 246.77 | 2735.49 |
| 1998-99 | 20455 | 2740.92 | 15228 | 1899.57 |
| 1999-2000* | 2225 | 229.88 | 1846 | 167.88 |

*Provisional upto June, 1999.

1.64 It is planned to abolish manual scavenging and to train and rehabilitate the scavengers in other vocations by the end of IX Five Year Plan. Till the end of 1996-97, under the Scheme of Liberation and Rehabilitation of Scavengers and their dependents 1,13,757 scavengers had been trained and 1,62,421 had been rehabilitated in other vocations for training and rehabilitation out of

a total of 5,77,028 identified Scavengers. In addition to this, during 1997-98, 43,500 Scavengers were to be trained and 77,000 were to be rehabilitated. However, the physical and financial achievement for the year has not yet been received from the State Governments/Union Territories. For the remaining year of IX Plan, the physical and financial target fixed are :-

| Year | Physical | Financial (Rs. in Crores) |
|-----------|----------|------------------------------|
| 1998-1999 | 1,30,000 | 199.73 |
| 1999-2000 | 1,30,000 | 199.73 |
| 2000-2001 | 1,30,000 | 199.78 |
| 2001-2002 | 53,000 | 77.78 |

1.65 As per the RBI guidelines at present, the rate of interest for advances under DRI Scheme and for loans upto Rs.6500/- granted under the Scheme of Liberation and Rehabilitation of Scavengers (SLRS) is 4 per cent per annum. As far as other schemes are concerned including PMRY the rates of interest to be charged are as per the directives issued by the Reserve Bank of India on lending rates from time to time. At present the rates of interest charged by the banks are according to the size of the loans and they do not vary according to the schemes or category of borrowers. The present rates of interest effective from 18.10.1994 to be charged by the banks on their loans are indicated below:-

Delay in Sanction/Disbursement of Loans

1.66 Guidelines for advances to priority sector issued by RBI to banks envisage that all loan applications upto a credit limit of Rs.25,000/- should be disposed of within a fortnight and those for over Rs.25,000/- should be disposed of within 8 to 9 weeks.

The issue relating to timely disposal of loan applications received by banks came up in a meeting the Government of India had with the Chief Executives of banks. In pursuance thereto RBI have again advised the banks reiterating their instructions to ensure that the prescribed time schedule for disposal of loan applications is strictly adhered to.

1.67 With regard to specific instances that come to notice where banks had shown non-adherence to the guidelines issued by the RBI, the Ministry have stated that during sample studies/evaluation studies undertaken by Reserve Bank of India/Government instances of the banks not adhering to some of the guidelines have been reported. These cases on non-adherence are of the following type:-

- Loan applications not being disposed off within the prescribed time schedule.
- Insistence on collateral security/guarantee under schemes where no such security/guarantee is required to be furnished by the borrowers.
- Insistence on margin money deposits from borrowers where there is no provision for the same under the schemes.

1.68 The Committee pointed out that some of the Banks asked for collateral guarantee from the applicants not required as per guidelines of RBI. The Additional Secretary, Ministry of

Finance (Department of Economic Affairs-Banking Division) during evidence explained as under:-

1.69 The adherence of the banks to the various guidelines issued in connection with implementation of self-employment programmes etc., is monitored by Reserve Bank of India/Government through sample study/inspection of the branches/concurrent evaluation by Government agencies etc. Besides this, banks internal inspecting machinery also ensure that the guidelines are adhered to by the bank branches. Apart from the above the borrower has an access to banks Vigilance Cell/Banking Ombudsman for redressal of his grievance against the banks violating the guidelines. According to the Ministry/RBI, the existing mechanism appears to be adequate to ensure compliance with the Guidelines by banks.

Complaints/Grievances

1.70 As per guidelines on priority sector advances issued by RBI, the banks have been advised to maintain a machinery at their Regional Offices:

- to entertain complaints from the borrower if the branches do not follow these guidelines and
- to verify periodically that these guidelines are implemented by the branches in actual practice.

The names and addresses of the officers with whom complaints can be lodged are required to be displayed on the noticeboard of every branch.

1.71 The Committee desired to know the types of complaints generally received regarding malpractices in distribution of loans by the banks. The Ministry in their reply stated that the complaints contain various allegations against banks viz. Non-sanctioning of loans, delay in sanctioning of loans, inadequate credit facilities sanctioned, non-adherence to the guidelines on Priority Sector Advances issued by Reserve Bank of India, demanding collateral security/third party guarantee even though the scheme does not provide for security/guarantee, soliciting fixed deposits, non-cooperation by the bank staff and charging of interest rates which are not in accordance with the RBI directives.

1.72 When asked about the number of complaints received in each of the banks during the last three years and action taken to dispose them off, the Ministry stated that as regards complaints received in Central Office of Rural Planning and Credit Department, Reserve Bank of India, the information was as under:-

All complaints received are followed up vigorously with the concerned banks at appropriate level depending upon the nature and seriousness of the complaint for remedial measures.

1.73 The complaints are also referred to respective Regional Offices for detailed verification/investigation by visiting the concerned banks/branch. If necessary the comments from the banks are also called for. On receipt of the report from Regional Offices, complainants/banks are suitably advised in the matter. As regards complaints of non-payment of subsidy, the matter is referred to respective banks for disposal.

Involvement of MLAs and MPs

1.74 Enquired whether Non-Government Organisations (NGOs), the MLAs and MPs are associated in implementation of Self Employment Scheme especially in selection, training of beneficiaries/entrepreneurs and preparation of projects, the Ministry stated that MLAs and MPs are not associated in the implementation of the scheme. IRDP is implemented through District Rural Development Agencies (DRDAs). In the governing bodies MPs and MLAs of the district are

members. However NGOs play a vital role in identifying and training the beneficiaries.

1.75 Asked about the mechanism available in the banks to satisfy itself regarding genuineness of loans, the Ministry stated as follows:-

Self-Help Group Scheme

1.76 Asked whether Government was considering to start Gramin Banks to provide loans to self help groups, the Additional Secretary, Ministry of Finance (Department of Economic Affairs-Banking Division) during evidence stated as under:-

On being asked to give specific views on the response of the banks in implementation of self-employment schemes the Ministry have stated as follows:-

"IRDP

Implementation of IRDP by banks has been fairly good since its inception. They have provided a total credit of Rs.16798 crore to 495 lakh families till the end of September, 1996. The percentage of credit disbursement to the target has been more than 80% in the last 3 years. Notwithstanding this achievement, Reserve Bank of India has advised the banks to make every effort in achieving the credit target fixed by Government of India and in the matter of providing timely and adequate credit.

PMRY

Banks are perceived to be reluctant to finance self-employment schemes sponsored by Government agencies, though in the aggregate and as per targets a reasonable level of achievement exists.

DRI

Although banks are required to lend at least 1% of their aggregate advances to borrowers under DRI Scheme banks have not been able to attain this target in the recent past. As at the end of March, 1996, public sector banks performance in implementation of the scheme had fallen to 0.40% of their total advances as against the stipulated target of 1% though they had exceeded the target stipulated for DRI advances to SCs/STs (their advances to SCs/STs as at the end of March 1996 was to the extent of 62.31% of the total DRI advances as against the stipulated target of 40%).

The main reasons advanced by banks for their low performance are as under:-

- Loan amount of Rs.6500/- is considered insufficient to acquire quality assets for generating sufficient income to cross poverty line as well as to make repayment of loan.
- Government of India have introduced many Capital Subsidy Linked Schemes like IRDP which are more attractive to the poor than the DRI.
- DRI, IRDP and SEPUP are mutually exclusive. Hence there are few takers for assistance under DRI.

SLRS

During VIII Five Year Plan, about 4 lakh scavengers identified by the Government are to be rehabilitated. However, it is observed that upto September, 1996 about 2 lakh applications have been sponsored and 1.16 lakh beneficiaries have been sanctioned loans. Unless more applications are sponsored and viable proposals are submitted target can not be achieved.

SUME

The response from the banks in the implementation of the scheme was good and the target has been achieved under the scheme.

PMIUPEP

The scheme is different from other schemes as no specific targets are fixed. The parameters for selection of beneficiaries are different. The poorest of the poor are the targeted beneficiaries. The scheme has not yet taken off. Hence, it is premature to assess response of banks."

Dedicated Role by Banks

1.78 The Committee pointed out that as per their observation, Bank officials are not rendering honest, dedicated and diligent service required in discharge of their responsibilities for upliftment of the poorer and deserving sections of the society. Instead malpractices and corruption have pervaded in sanction and disbursement of loans by the bank authorities under the various schemes of the Government. With rise in corruption in the system, the pace of upliftment of the targeted poor is fast coming to a standstill. The Bank officials under the cover of "borrowers inability to comply with the requirements of the banks" are demanding a fixed cut, say, 10% of the loan amount for sanction/release of loan amount. Such cases are also frequently surfacing in newspapers as also are being brought to the notice of public representatives by the beneficiaries.

The Committee enquired:

- What monitoring mechanism/system the Government propose to introduce in the banks to obviate delay in the sanction/disbursement of loan on the pretext of "borrowers inability to comply with the requirements of the banks" as also ensure faster sanction/disbursement of loans for timely achievement of targets fixed under the scheme?
- What specific measures the Ministry of Finance propose to initiate to raise fervour and commitment among the Bank officers for diligent performance in discharge of their responsibilities for sanction/disbursement of loans under Self-Employment Schemes for people living in abject poverty.

In their reply the Ministry have stated as follows:-(a) Advances granted under poverty alleviation/self employment schemes are treated as part of priority sector advances. The guidelines on priority sector advances issued by Reserve Bank of India to all banks stipulate the time schedule for disposal of loan applications received from the borrowers. Banks internal machinery for inspection is expected to ensure that sanction/disbursement of loan are not delayed without any justifiable reason. Besides, evaluation study/concurrent evaluation undertaken by Reserve Bank of India/agencies authorised by the Government also look into this aspect. Rejection of applications of SC/ST is to be done by the next higher authority than the sanctioning authority.

As regards corruption, each bank has a vigilance cell which deals with complaints having vigilance angle. Further, complaints received from members of the public by the banks concerned/Reserve Bank of India are probed into and remedial action taken wherever necessary. Under the Banking Ombudsman Scheme 1995 the borrowers can seek redressal of their grievances.

(b) Officials of the banks are exposed to specific training programmes conducted by the banks themselves/Reserve Bank of India, etc. In these programmes, apart from focusing on the officers efficient discharge of their responsibilities importance is also given to create necessary motivation amongst them so that they are in a position to have a proper perspective and appreciation of the need of the category of persons to whom the government sponsored schemes are meant for and expedite processing of applications and sanction of loans to such borrowers."

IX Monitoring Mechanism

1.79 As part of post lending follow-up, the banks are expected to make field visits to the units of the beneficiaries assisted to ensure that the credit made available to the beneficiaries is properly utilised. Evaluation studies, sample surveys etc. are also undertaken to assess whether the benefits of the scheme have really reached the people for whom the schemes are intended. Also senior level officers of the banks are expected to pay periodical branch visits to ensure the proper implementation of the various schemes. The branch level staff also visit the beneficiaries periodically and in particular on non-public business working days. Further, Government has set up various fora such as BLCC, BLBC/DLCC to review the implementation of various Government sponsored poverty alleviation schemes. With a view to ensuring that the benefit under PMRY reaches the people for whom it is intended. The scheme is monitored at various levels, as per details indicated below.

The Scheme will be monitored at district level by District PMRY Committee, at State/UT level by State/UT PMRY Committee and at Central level by High Powered Committee under the Chairmanship of Secretary (SSI&ARI).

1.80 Asked about the monitoring mechanism introduced by the banks to ensure that funds disbursed under the Government sponsored schemes are really translated into assets, the Ministry in reply stated that the following procedure is followed by the banks to ensure the end use of funds disbursed under the Government sponsored schemes:

- List of suppliers of standard assets required by the borrowers for their activities is made available to the bank branches.
- Borrowers are advised to select the supplier and asset with a brand name with a reputation and payments are made direct to the suppliers for grounding of assets.
- Even in schemes like IRDP where cash disbursements are made borrowers are guided to purchase quality assets from reputed suppliers. Borrowers are required to produce cash receipts, delivery challan etc., for purchase of assets.
- Bank officials make a visit for physical verification of acquisition of the asset and also check the specification of assets.
- Periodical visits are made to the units of the borrowers to check the proper maintenance of the assets and activities of the borrower. The periodicity of such visits is related to nature of assets required.
- Borrowers are also advised to submit periodical statement of their sale turnover/stock position and fund requirements.

1.81 RBI has reported that it should be possible for the banks from the above procedure to ensure acquisition of quality assets by borrowers and also functioning of the unit on a profitable basis. However, RBI has further reported that in practice because of existence of several schemes involving large number of small borrowers with no commensurate increase in their staff strength it becomes difficult for the bank staff to adhere to the time schedule of periodical visits to the units/scrutiny of statements received from them. Under the present information system, data on capital creation as a percentage of the disbursements made under Government sponsored self-employment scheme is not being generated. This aspect of acquisition of quality assets out of the loans disbursed is looked into while undertaking evaluation study/concurrent evaluation on the

various schemes.

X. Sample Field Studies

1.82 A Monitoring Cell to monitor the progress of PMRY and IRDP was set up in 1995 in Reserve Bank of India (RBI) under the Chairmanship of Deputy Governor. The Cell was constituted to monitor the progress of the schemes on a continuing basis. Eight meetings were held which were preceded by 5 quick field studies conducted through the regional offices. The findings of the Studies had been conveyed to Government and the Banks for necessary action. The Committee desired to know the findings of the Studies conducted and details of action taken or proposed to be taken by the Government/Banks in this regard. The Ministry in their reply stated that in the sample field studies conducted through RBI initially the emphasis was given to verify whether the implementing agencies were following the guidelines of the scheme and organisational set up for implementation/monitoring of the scheme was in place. It was observed that:-

(i) District PMRY Committees were not constituted in some of the districts. (ii) Task Force Committees were not meeting frequently.

(iii) Quality applications were not being sponsored by agencies.

(iv) Delay was noticed in clearing the applications both at TFC and branch level.

(v) Branch Managers sanctioning power was limited as it was restricted to Rs.50,000/-

(vi) Adequate training facilities were not available in most of the States.

(vii) DICs set their sight only on sponsoring 200% of target, without any consideration for eligibility/nature of activity/potential of the area etc. (viii) Bunching of applications in the last quarter.

1.83 The above mentioned problems were discussed at the meetings of Monitoring Cell and High Power Committee on PMRY and the following remedial actions have been initiated:-

(i) Agencies were advised to sponsor applications for 150% of target for each year and that too in a phased manner i.e. 25% in the first quarter, 100% in the second quarter and 150% in the third quarter.

This will improve the quality of applications sponsored and reduce the number of rejections at bank branch and also totally eliminate bunching of applications which puts undue pressure on banks in the last quarter.

(ii) Banks have been advised to increase the limit set for sanction of loan by the branch managers so that loans under PMRY could be sanctioned at branch level.

(iii) Government of India have advised State Governments to involve training institutes in the private sector as also NGOs in the process of imparting training to PMRY borrowers so as to avoid the delays involved in providing the training by DICs. Since completion of training is a pre-requisite for disbursement of loan amounts sanctioned these steps would help the borrowers to avail the loan early and start the activity.

(iv) TFCs were set up at block level and sub-divisional level to reduce the work-load on TFC at district level and also to eliminate the delays in selection/scrutiny of applications under the scheme.

1.84 In the last two sample studies emphasis was focused on (a) type of applications sanctioned (b) category of beneficiaries (c) quantum of loan amount (d) income generation capacity of the borrowers (e) strengthening of DICs (f) position of recovery under the scheme (g) level of cooperation between agencies and banks in implementing the scheme (h) assistance given to

borrowers by agencies and banks and (i) delays in disbursement of sanctioned loans.

1. Sanctions in service and business sectors were more than 80%. Hence to improve the share of industry sector, Office of the Development Commissioner (SSI) has circulated 5 volumes of project profiles to all the implementing agencies and training materials/cassettes are also distributed to improve the quality of training.
2. Applications from SC/ST (22.5%), OBC (27%), women were not received in required number to meet the target. States/UTs were advised to conduct short-term orientation programmes so that their participation is increased under the scheme.
3. States have been advised that allocation of additional targets under the scheme would be based on their assurance and plan of action for improving the recovery under the scheme. In States wherein the recovery is less than 20% there is a proposal to suspend implementation of the scheme.
4. In all the meetings/fora where participation of State Government representatives/bank officials was available, it was impressed upon them by RBI/Government of India that they should extend necessary assistance to the borrowers in completing the formalities to avail the loan without any delay and they should conduct joint recovery camps to improve the recovery in their States.

XI. Review of Performance

Prime Ministers Rozgar Yojana (PMRY)

1.85 Explaining the reasons for huge shortfall in achievement of targets under PMRY Scheme, the Ministry of Finance in their reply have stated that, "sponsoring of inadequate number of quality applications by the Government agencies and inadequate approval at the task force level". The Committee further desired to know the specific efforts made to achieve the actual targets fixed. The Ministry in their reply stated that initially Government agencies were required to sponsor applications 200% of target set for each programme year. Hence, their objective was only completion of the target number of cases to be sponsored without looking into the economic feasibility and viability of project/activity etc. This has resulted in the following:-

1. Number of applications were sponsored for the same activity without any consideration for the potential of the area.
2. Applications whose projects were non-viable due to inflated project costs were being sponsored.
3. Even eligibility criteria of the applicants were overlooked.
4. Bunching of applications was noticed in the last quarter to exceed 200% of target.

In view of the above, large number of applications were rejected at bank branch level and quality applications formed only a small percentage of applications received. In 1996, to overcome the above deficiencies the agencies were advised to sponsor applications only @ 150% of target in a year, thereby enabling them to concentrate on quality of application. To avoid bunching of applications in the last quarter of the year they are now required to sponsor 25% in the 1st quarter, 100% in the 2nd quarter and 150% in 3rd quarter (progressive). It is expected that under the present system, banks would be receiving applications at uniform pace, giving them enough time and the required number of quality applications for sanction.

In addition banks are also allowed to receive application directly from eligible borrowers for sanction of loan. They are advised to scrutinise such applications and forward them to DIC with

their remarks for formal sponsoring to the same branch.

The above initiatives have resulted in improvement and achievement of sanctions for above 85% of target during 1996-97.

1.86 Task Force Committees have also been constituted at block level and sub-divisional level to reduce the workload on the Task Force Committee (TFC) at the district level. Banks have been advised to participate in the meetings of the TFC held for the selection of borrowers and allotment of activities to them so that eligible borrowers are screened and selected and banks can see the economic viability and bankability of the project at the time of initial screening of applicants.

1.87 In regard to improvement in the quality of applications being sponsored by agencies, the following suggestions were made :-

1. Ministry of Industries have identified number of activities that could be covered under the Scheme. The restriction placed on Agricultural and allied activities is also likely to be removed which will widen the scope and ambit of the scheme.
2. Hashim Committee has suggested a shift from individual to group approach and applications from group should be encouraged.
3. Development of infrastructure to facilitate "cluster" approach would benefit all borrowers both individual and group and is also necessary to ensure the overall success of the Scheme.
4. Banks are now allowed to receive some applications directly. However, their involvement in sponsoring of applications is negligible. Their active participation in this process would lead to improvement in the quality of applications sanctioned.
5. Relaxation in age/income level etc. will also result in the availability of more number of eligible applicants aspiring to be covered under the scheme with quality proposals.
6. DICs should be strengthened to handle large volume of work and without sacrificing quality. DICs should build a data bank of viable project profiles. PMRY applicants can be provided with a range of activities/projects they can select.

1.88 The Ministry advanced the following reasons for the delay in disposing of loan applications at bank branch level :

1. Inability of the borrowers to complete the pre-sanction/predisbursement formalities within a reasonable period.
2. Lack of co-operation in certain cases on the part of State Government Departments in giving clearance/licences necessary for starting the activity.
3. Borrowers losing interest in availing the loan amount in the procedures/formalities prescribed for sanction of loan.

1.89 As regards the specific efforts made by Government to sort out such type of difficulties, the Ministry informed that applications sponsored by agencies to banks are scrutinised to see the viability of the project/activity prior to sanction of loan. Borrowers, however, have to comply with certain other formalities at pre-disbursement level. Generally, the following documents are required to be submitted to the banks:-

1. Allotment letter relating to sheds/proposed place etc., for the business/activity.
2. Approval from the appropriate authorities.
3. Copy of licences/sanction of power connection, etc.

1.90 PMRY guidelines provide for establishment of District PMRY Committees which have been entrusted inter-alia with the work of assisting borrowers for getting necessary clearance speedily from the authorities concerned and also determining the avocation/activities for each of the entrepreneur.

Government of India have also recently fixed cut off dates for lapsing of sanction/completion of disbursement. Accordingly, cases sanctioned in a programme year would lapse at the end of 6th month in the next financial year and disbursement should be completed by the end of 9th month.

These steps initiated by Government of India have put pressure on the borrowers/Government Departments/banks for expeditious completion of all formalities to enable borrowers to avail of loan before the sanction lapses. State Governments must also respond positively towards the implementation of the Scheme by :-

1. Giving preference in issue of licences/allotment of sheds, power connection etc., to PMRY borrowers.
2. "Single window" concept for all approvals should also be considered.
3. Concessions in Sales Tax/marketing facilities, etc., offered to the beneficiaries under the Scheme may serve as an added incentive to them for continuing the activity on a profitable basis.

Integrated Rural Development Programme (IRDP)

1.91 To improve credit delivery under IRDP, most of the recommendations of the Expert Committee on IRDP (Mehta Committee ^B) have been accepted by Reserve Bank of India/Government of India and banks were advised to implement these recommendations which include the following:

1. Subsidy is to be made available for working capital financing.
2. Infrastructure expenditure limits have been raised to 25% of the budgetary allocation at DRDA level in the North Eastern States including Sikkim and to 20% in other parts of the country.
3. Bank officials and NGOs will participate in the panchayat meeting for finalising BPL limit.
4. Group activities are to be encouraged. Subsidy for group activities will be available at Rs.1,25,000/- or 50% of the project cost whichever is less.
5. No mortgage would be required for all activities under IRDP upto Rs.25,000/-. No collateral for loans upto Rs.50,000/-. Banks have been given freedom to select beneficiaries from BPL list on a pilot basis.
6. Land based activities including minor irrigation as also in ISB sector are to be given priority and credit facilities have been extended to non-farm tiny/small enterprises and service sector.

1.92 The data relating to credit flow under IRDP for the last three years (i.e. 1995-96 to 1997-98) is furnished below :- (Rs. in Crores)

| Year | | Target | | Achievement |
|----------|---------|-----------|------------|-------------|
| | | Financial | Percentage | |
| 1995-96 | 1930.00 | 1701.33 | 88.15 | |
| 1996-97 | 2142.20 | 1969.16 | 91.92 | |
| 1997-98* | 2700.00 | 1994.33 | 73.86 | |

*Provisional

It may be observed from the above that the achievement at 88.15% during the year 1995-96 has improved to 91.92% during the year 1996-97. The achievement during 1997-98 indicated at 73.86% is provisional. Going by the earlier trend, it is expected that the final position will be better.

Scheme of Liberation and Rehabilitation of Scavengers (SLRS)

1.93 The Task Force constituted by the Planning Commission in July 1989 in its report submitted on 21st March, 1991 has estimated the number of scavengers at 4,00,999. According to the Ministry during Eighth Five Year Plan about 4 lakhs scavengers were required to be rehabilitated but 256026 persons are yet to be assisted and rehabilitated under the scheme. Asked about specific efforts being made to rehabilitate the remaining scavengers in the States/UTs, the Ministry in their reply informed that it is planned to abolish manual scavenging and to train and rehabilitate the scavengers in other vocations by the end of Ninth Five Year Plan. Till the end of 1996-97, under the Scheme of Liberation and Rehabilitation of Scavengers and their dependents 1,13,757 scavengers had been trained and 1,62,421 had been rehabilitated in other vocations for training and rehabilitation out of a total of 5,77,028 identified Scavengers. In addition to this, during 1997-98, 43,500 Scavengers were to be trained and 77,000 were to be rehabilitated. However, the physical and financial achievement for the year has not yet been received from the State Government/Union Territories.

1.94 The efforts made to rehabilitate the remaining scavengers are as under :

- (i) Self-employment and income generating projects/schemes are being financed by National Safai Karamcharis Finance and Development Corporation through State Channelising Agencies so as to train the remaining scavengers in other occupations and rehabilitate them.
- (ii) Under the scheme for Liberation and Rehabilitation of Scavengers and their dependents, projects/schemes are being financed by providing financial assistance at concessional rates at the maximum project cost of Rs.50,000/- with the break-up, as below:-

| | | |
|-----------------------------|---|-------------|
| Subsidy | - | Rs.10,000/- |
| Margin Money loan from SCDC | - | Rs. 7,500/- |
| Loan from banks | - | Rs.32,500/- |

1.95 Modifications/clarifications as detailed below were issued in April, 1996:-

1. Only those persons and their dependents engaged in manual scavenging would be covered under the scheme.
2. Cluster approach should be adopted in training and rehabilitation programme.
3. Project cost should be such that it is viable within the ceiling of Rs.50,000/-.
4. Assets created out of the loan/subsidy would only form the security for the loan.
5. Cases where the loan amount is upto Rs.6500/- such loans would be treated as loan under DRI Scheme and concessional rate of interest of 4% p.a. would be charged.

1.96 It is pertinent to mention here that in the Scheme of National Scheme of Liberation of Scavengers and their dependents, the Central and State Governments participate in the ratio of 51:49.

Unless the State Government identifies particular scavengers for training and rehabilitation and also provides for its share, Central Government cannot release its share. Therefore, it is difficult to provide for state-wise targets for IX plan.

For the remaining years of Ninth Plan the physical and financial targets fixed are :-

| Year | Physical | Financial |
|-------------|-----------------|------------------------|
| | | (Rs. in Crores) |

| | | |
|-----------|----------|--------|
| 1998-99 | 1,30,000 | 199.73 |
| 1999-2000 | 1,30,000 | 199.73 |
| 2000-2001 | 1,30,000 | 199.78 |
| 2001-2002 | 53,000 | 77.78 |

Misuse of Funds

1.97 The various studies conducted by the Reserve Bank of India and Government of India in regard to implementation of poverty alleviation programmes such as IRDP, PMRY, SUME, etc., have revealed that in a few cases funds were utilised for purposes other than for which they were sanctioned. No data relating to actual number of cases has, however, been compiled. These cases are treated as overdues and recovery measures are initiated.

Measures against Misutilisation of Subsidy

1.98 Under IRDP, PMRY and PMIUPEP where back-end subsidy has been introduced, the borrower becomes eligible for subsidy only after he repays the entire loan amount and subject to his maintaining the assets in good condition. As a result chances of misutilisation of subsidy/misappropriation of assets get minimised. As regards SUME, the subsidy is released by banks to borrowers simultaneously along with the loan amount in advance by debit to S.B. A/c of ULBs.

Under IRDP, a Bond/Pronote is taken from the beneficiary to guard against misutilisation of subsidy and mis-appropriation of assets. State Governments may make this Bond/Pronote enforceable under provisions of local law/Revenue Recovery Act or Public Demand Recovery Act to enable recovery of the misutilised/misappropriated amount from the erring beneficiaries.

1.99 When asked about the safeguards/provisions laid down against misutilisation/misappropriation of assets in respect of Self-Employment Schemes, PMRY, PMIUPEP, SUME, etc. the Ministry stated that where misutilisation or wilful default is noticed banks initiated legal steps to recover their dues on the basis of the Bond/Demand Promissory Note retained with them. The Talwar Committee had recommended that in order to prevent misutilisation of loan amount/wilful default by borrowers overdues under the self-employment schemes should be covered by State Revenue Recovery Act. Andhra Pradesh, Gujarat and Karnataka States have already invoked the provisions of the Revenue Recovery Act and other States are likely to follow suit. It was reported during the IV Sample Field Study conducted by Reserve Bank of India through Regional Offices that in cases where misutilisation of loan amount and subsidy by borrowers were noticed joint FIR has been filed by some State Government authorities and banks to initiate criminal proceedings against defaulting borrowers.

Recoveries

1.100 The Committee enquired about the recovery performance of the various public sector banks under the various Government sponsored self-employment schemes. In reply the Ministry furnished the following table :

| Schemes | % of recovery to demand |
|--------------|--------------------------------------|
| i. IRDP | 30 |
| ii. PMRY | 47.7 |
| iii. PMIUPEP | The scheme has been recently started |

| | | |
|-----|------|-------|
| iv. | SUME | 29.17 |
| v. | SLRS | 38.00 |
| vi. | DRI | 40.33 |

1.101 When the recovery becomes irregular, the Committee enquired as to what measures are taken by the banks to recover their dues. The Ministry in their reply stated that Banks generally take recourse to the following measures wherever recovery becomes irregular:-

1. rescheduling the repayment terms;
2. issuing recall notices;
3. filing suits in courts of law
4. after obtaining decree from courts, getting those executed; and
5. compromise proposals.

1.102 Asked about the difficulties faced by the various banks to effect recoveries, the Ministry in their reply stated that the banks face following difficulties in recovery of loans:-

1. Lack of support from the State Government machinery in the matter of recovery;
2. Some of the borrowers wilfully default in the repayment of loans in expectation of getting relief by way of interest waiver/write off by the State Governments;
3. There is delay in the disposal of recovery cases lodged by the banks;
4. Further, even where decrees are obtained by the bank against the borrower, the execution becomes difficult due to local influence; and
5. Inadequate staff

1.103 The following were the reasons for poor recovery of loans :-

1. Inadequate appraisal of projects
2. Wrong identification of activities
3. Insufficient income generation
4. Defective and poor quality of assets
5. Lack of training
6. Absence of forward and backward linkages
7. Inadequate follow up and monitoring of the activities financed
8. Misutilisation and diversion of income generated out of investments
9. Lack of integrated approach to lending, supported by arrangements for supply of other inputs, technological support and extension services;
10. Unsatisfactory marketing arrangements resulting in borrowers getting lower than the expected prices for their produce;
11. A substantial section of borrowers wilfully defaulting;
12. Natural calamities such as drought and floods etc; and
13. Waiver of loans adversely affecting the recovery climate.

1.104 The Ministry have given the following suggestions for recovery of loans:-

- Overdues under Government schemes may be included under Revenue Recovery Act (RRC) by State Governments and recoveries effected;
- State Government machinery should actively assist bank staff in effecting recovery of the loan instalments;

- Borrowers who are wilful defaulters should be debarred permanently from availing of benefits of the bank credit and also Government subsidy;
- In some States FIR has been filed with police, jointly by Government agencies and banks against wilful defaulters. This has the desired impact on wilful defaulters.

Recovery performances under IRDP

1.105 In reply to a question furnished by the Ministry, percentage achievement under IRDP Scheme was more than 80% during the year 1993-94, 1994-95 and 1995-96, but the recovery performance under IRDP Scheme was only 30%. The Committee desired to know the specific efforts made to improve recovery performance of Banks under this scheme. The Ministry in their reply informed that following steps have been taken by RBI/GOI for improving recovery under IRDP:-

1. Mehta Committees recommendations have been conveyed to banks by RBI for implementation.
2. Instructions on back-end subsidy system have been issued to Banks by RBI.
3. Government of India in the "Draft Report of the Working Group on self-employment programme for the Ninth Plan" has initiated the following steps towards better recovery performance:-
 1. Loan waivers are not to be declared.
 2. Allocation of subsidy could be linked to recovery.
 3. In case of non-achievement of recovery targets, Government could direct subsidy allocation to other areas where recovery is higher.
 4. Lending could be linked to a minimum level of recovery of say 40% at the village level.
1. All public sector banks (excluding RRBs) have been advised to furnish the half-yearly recovery statement to the RBI as at the end of March/September every year.
2. Banks have been advised by RBI to furnish up-to-date lists of defaulters and overdue amounts to DRDAs.
3. RBI has advised the Government that instead of giving incentive in the form of rebate for prompt repayment (which might be misconstrued as partial waiver of interest) disincentive in the form of penal interest could be considered for defaulters.
4. Banks have been advised by Government to lend directly to beneficiaries of choice out of BPL list.
5. Banks have been advised to encourage cluster approach and support loaning to group activities and self help groups for improving recovery.

1.106 Besides this, the Ministry of Rural Areas & Employment has also issued instructions to the States/UTs to take action on the following :-

1. Enforcement of Model Bill as recommended by the Talwar Committee for recovery.
2. Appointment of Special Recovery Officer (APO Credit)
3. Appointment of Utilisation-cum-Recovery Facilitator.
4. Organising joint recovery camps by block officials and bank officials.

In addition to above, it is proposed to further strengthen the DRDAs with experts in the field of project formulation, management, audit and accounts etc. With the strengthening of DRDAs, the quality of implementation will improve thereby improving the recovery performance.

1.107 The Committee desired to know as to whether the Government have written to State Governments to enact such laws which help in recovery of loans. The Additional Secretary,

Ministry of Finance (Department of Economic Affairs) during evidence informed the Committee that RBI had recommended to the State Governments to make laws which will help in recovery of bank loans from borrowers. Some of the States have made laws so that bank dues are recovered from the borrowers.

1.108 Enquired whether there was any proposal under consideration of Government to stress upon the State Governments that the Revenue Recovery Acts may be strictly enforced by them for better recovery of bank dues in respect of Government sponsored schemes, the Ministry in their reply stated that Expert Committee on IRDP, in its Report (Para 8.3 and 8.4) has emphasised the need for State Governments support to bankers in the matter of recovery. The Committee has made further observation as under "only 16 States have so far enacted that model bill as recommended by the Talwar Committee for recovery of dues to commercial banks. The remaining should be asked to enact such legislation. Even in States where the model bill has been enacted, the existing revenue officers are unable to handle the bank due cases, due to their pre-occupation with multifarious work. Hence special recovery officers with complement of staff should be appointed at district level by State Governments exclusively to recover the bank dues."

Integration and Rationalisation of Schemes

1.109 Government of India have for some time been considering rationalisation of Schemes of poverty alleviation and employment generation. A Committee headed by Prof. S.R. Hashim, Member, Planning Commission submitted its report on this subject in April, 1997. The Committee of Secretaries in its meeting held on 3.6.1997 deliberated upon the report of the Hashim Committee and was of the view that Ministries/Departments concerned prepare their Cabinet Notes for approval of the Cabinet in pursuance of the recommendations of the Committee. Based on the deliberations and recommendations of implementing agencies i.e., State Governments, Banks as well as Expert Committee and on the basis of experience gained in the implementation of the Scheme, modification in certain parameters (like age limit, family income, etc.) of the Scheme is proposed. These proposed modifications shall in due course be submitted for appropriate approvals (PER-July, 1998).

1.110 The Additional Secretary, Ministry of Finance (Department of Economic Affairs Banking Division) during evidence added: "In terms of the experience of this scheme in regard to implementation, there was study conducted by the Reserve Bank of India and also Hashim Committee in the Planning Commission who was of the view that over the years because of number of objectives of different schemes, there is perhaps a multiplicity of schemes and it creates certain practical problems at the ground level, at the field level, because the beneficiary has a number of schemes to choose from the criteria. The bank people at the local level also have a little confusion with regard to components of various schemes. One of the initiatives, taken by the Reserve Bank and by the Planning Commission, is to rationalise the centrally-sponsored schemes. They broadly come under two categories. One is development and poverty alleviation and the other is employment generation. Some recommendations in this regard have been made and in regard to the IRDP, some recommendations have also been made.

"So, some suggestions have been made in the Hashim Committee Report (submitted to Government of India in April, 1997) which have been considered and some recommendations have been accepted. The basic objective is to simplify the schemes, reduce the multiplicity of schemes

so that the implementation at the ground level is made easier.

"The Planning Commission is now trying to incorporate some of these suggestions into the Central Plan Scheme because each of them is a Central Plan item and different Ministries have their Plan allocations and budgetary allocations for implementing different schemes."

1.111 In their latest reply dated 18 April, 2000, the Ministry of Finance (Department of Economic Affairs Banking Division) have informed as follows :- "There are a large number of Self Employment generation schemes approved by various Ministries/Departments of Government of India. It was considered necessary to rationalize and simplify these schemes to reduce overlap as also to make them more beneficiary.

Based on the recommendations of Hashim Committee set up under the Planning Commission, the Ministry of Urban Employment and Poverty Alleviation in December 1997 launched the Swarna Jayanti Shahari Rozgar Yojana for Urban Poverty Alleviation. This scheme incorporates earlier schemes like Nehru Rozgar Yojana/Jawahar Rozgar Yojana, PMIUPEP were merged in SJSRY which is operative in urban areas. The Ministry of Rural Development have also launched a new programme known as Swarnajayanti Gram Swarozgar Yojana (SGSY) by restructuring the existing scheme namely Integrated Rural Development Programme (IRDP), Training Rural Youth for Self Employment (TRYSEM), Development of Women and Children in Rural Area (DWCRA), Supply of Improved Tool Kit to Rural Artisans (SITRA), Ganga Kalyan Yojana (GKY), Million Wells Scheme. The SGSY scheme is operative from 1st April, 1999 in rural areas of the country."

OBSERVATIONS/RECOMMENDATIONS

1.112 The Committee note that at present there are six schemes viz. Prime Ministers Rojgar Yojana (PMRY), Prime Ministers Intergrated Urban Poverty Eradication Programme (PMI-UPEP), Scheme of Urban Micro Enterprises (SUME), Differential Rate of Interest (DRI) Scheme, Integrated Rural Development Programme (IRDP) and Scheme of Liberation and Rehabilitation of Scavengers (SLRs) sponsored by the Government of India, wherein the role of the Public Sector Banks is involved. These Scheme are basically meant for weaker sections of the society, who because of low level of education and lack of skill cannot compete for jobs with others, and for generation of self-employment/poverty alleviation for rural and urban areas in the country by providing a package of financial assistance in the form of bank credit and subsidy by the Government.

The Committee further note that PMI-UPEP Scheme, launched in November, 1995 with the objective of attacking the root causes of urban poverty in an integrated manner so as to eradicate poverty from targeted urban areas along with SUME was replaced by a unified urban alleviation scheme called the "Swaran Jayanti Shahari Rozgar Yojana (SJSRY)" with effect from December 1, 1997.

A new self-employment programme, namely Swarnajayanti Gram Swarozgar Yojana (SGSY) which aims at establishing a large number of micro-enterprises building upon the potential of rural poor has been launched with effect from April 1, 1999. As a result, the erstwhile programmes, viz. IRDP, DWCRA, TRYSEM, SITRA, GKY and MWS ceased to be in operation. One of the weaknesses of the erstwhile self-employment programmes was that there was no linkage with marketing and technology. These aspects assume importance under SGSY. The Committee desire

that detailed preparatory work and planning should be completed within the stipulated time frame for its successful implementation.

1.113 The Swarna Jayanti Shahari Rojgar Yojana (SJSRY) consists of two special schemes viz. Urban Self-Employment Programme (USEP) and Urban Wage Employment Programme (UWEP). USEP seeks to provide assistance to individual urban poor, groups of urban poor women for setting up gainful self-employment ventures and training of beneficiaries, potential beneficiaries and other persons associated with the urban employment programme. The Urban Wage Employment Programme (UWEP) seeks to provide wage employment to beneficiaries living below the poverty line within the jurisdiction of urban local bodies by utilising their labour for construction of socially and economically useful public assets. The SJSRY is funded on a 75:25 basis between the Centre and the States. However, no physical targets have been fixed and this matter has been left to be decided by the State Governments in conformity with the guidelines of this Scheme and result of the house-to-house survey which is being conducted.

Central funds to the tune of Rs. 295 crore have been released to the States/Union territories under this Scheme during 1997-98, 1998-99 and 1999-2000 (upto 31.12.99). Out of this only Rs. 111 crore have been utilised for sanction and disbursement of subsidy to beneficiaries under USEP and DWCUA including training and infrastructure support and assistance given to Thrift and Credit Societies. The Committee are not satisfied with this low allocation for poverty reduction in urban areas under SJSRY Scheme. The Committee desire that in order to provide a substantial impetus to poverty reduction activities in the urban areas of the country, allocation of funds under SJSRY needs to be enhanced considerably. They also stress upon the timely utilisation of funds allocated under the Schemes.

1.114 The Committee note that under PMRY Scheme, the names of the beneficiaries approved by the Task Force Committee are recommended for loans by the banks. Banks are included as representatives in Town Task Force (TTF) under PMIUPEP Scheme, which finalises the list of genuine borrowers from a priority list. In regard to SUME, banks are associated with the process of identification of borrowers. On receipt of applications sponsored by the Task Force, banks are required to satisfy themselves regarding the viability and bankability of the project. The entire responsibility of implementation of DRI Scheme vests with the banks. As far as IRDP Scheme is concerned, banks provide organisational and institutional support with the basic objective of enabling the poor to cross the poverty line through additional employment and income generation. Under SLRS Scheme, the role of banks is to receive applications which are sponsored by the National/State level SC/ST Financial and Development Corporation/District level/local level implementing agencies and scrutinise, sanction and disburse the loan. The Committee are surprised to find that although the banks have a pivotal role to play in all these Government sponsored employment generation and poverty alleviation schemes like providing the essential inputs of loans, they have only a very limited role or no role at all in the selection of beneficiaries for various schemes. In the opinion of the Committee, this is a major flaw in the schemes. The Committee, therefore, desire that the Ministry of Finance and other concerned Ministries should revise their guidelines in such a manner as to enable the banks to have an increased participative role in the selection of beneficiaries in these Government sponsored self-employment and poverty alleviation schemes.

1.115 Guidelines/instructions from RBI to public sector banks are quite clear and explicit that only the assets created out of loans should be treated as security and banks should not ask for any collateral guarantee. The Committee have, however, been informed that during sample studies/evaluation studies undertaken by RBI/Government, some instances have come to their notice that banks insisted on collateral security/guarantee under schemes where no such security/guarantee is required to be furnished by the borrowers. The Committee consider it as a serious divergence from the guidelines/instructions of the Ministry/RBI. They, therefore, desire that appropriate action should be taken against such banks which are flouting the guidelines/instruction of the Ministry/RBI in this regard. They further desire that these guidelines/instructions should be communicated to all the public sector banks along with instructions for their strict compliance. The Committee also desire that banks should not be allowed as a rule to reject an application merely on the ground that the borrower is not in a position to offer any collateral security.

1.116 Guidelines for advances under priority sector issued by RBI to banks envisage that all loan applications up to a credit limit of Rs.25,000/- should be disposed off within a fortnight and those for over Rs.25,000/- should be disposed of within 8 to 9 weeks. In this connection, the Committee note that during sample studies/evaluation studies undertaken by Reserve Bank of India/Government, it was found that loan applications were not being disposed off by banks within the prescribed time schedule. The issue relating to timely disposal of loan applications received by banks came up in a meeting the Government of India had with the Chief Executives of banks. In pursuance thereto, Reserve Bank of India have again advised the banks reiterating their instructions to ensure that the prescribed time schedule for disposal of application is strictly adhered to. The Committee are of the view that when the borrower has fulfilled all the requirements for sanction/disbursement of loan, the banks should disburse the loan amount within a specified time-frame. Banks should also render all possible cooperation, assistance and proper guidance to the applicants in completing the required formalities to eliminate delays, if any, in this regard. In the opinion of the Committee an essential pre-requisite for success of any self-employment scheme/poverty alleviation programme of the Government is the provision of timely and adequate credit. The Committee desire that the Ministry of Finance/RBI should exercise their authority upon the Public Sector Banks to ensure greater commitment among the bank officers for a more sincere and dedicated performance in the discharge of their responsibility. Any dereliction in this regard should be reviewed seriously. They also desire that only officers of proven integrity and repute should be allowed to handle sanctioning and disbursement of loans to the borrowers under various self-employment schemes.

1.117 To use credit productively, skills are required and the poor and illiterate people often lack these. PMRY Scheme envisages compulsory entrepreneurship development training for a period of 15 to 20 working days for industry sector and 7 to 10 working days for service and business sectors to provide necessary inputs to the candidates for undertaking the projects. The Committee note that no qualifying standard has been laid down for the training to judge whether the beneficiary has acquired the requisite proficiency during training to undertake the project. However, a feedback is taken to judge the effectiveness of the training on conclusion of the training. As per sample survey conducted in some States/Union territories, over 80% of the beneficiaries reported training as useful in terms of content and methodology. The Committee, however, feel that as

training plays a very important role in instilling confidence and improving the entrepreneurial capabilities of the beneficiaries, a sample survey was conducted to evaluate the content of confidence and the skill imparted to the beneficiaries by the training obtained during the brief duration. This should be done with a view to assessing the real effectiveness of the training and the need for further training.

1.118 Under DRI Scheme banks are required to achieve the targets of one per cent of the aggregate advances prescribed for the entire country. The Committee are unhappy to observe that the overall performance of banks under DRI Scheme continues to lag behind the targeted level. The main reason advanced for the banks failure to achieve the target is the preference of the targeted groups for subsidy linked programmes. Repeated advice to the banks by RBI to improve their performance under the DRI Scheme has had little effect. In fact, their performance has declined year after year during the last six years. The Committee desire that concerted efforts need to be made by the banks to improve their performance under the DRI Scheme, Quarterly review of the implementation of the DRI Scheme may also be carried out by the CMD/Chairman of the Bank. As the entire responsibility of the implementation of the scheme vests with the banks, the Ministry of Finance should not remain a mute spectator to the poor performance of the banks under the DRI Scheme. The Ministry should take concrete remedial measures for improving the performance of the banks in this Scheme.

1.119 The Committee note that the creation of employment through self employment schemes and poverty alleviation programmes is sought to be achieved by providing a package of financial assistance in the form of bank credit and subsidy provided by the Government. These schemes are basically meant for weaker sections of the society because they have low levels of education and they lack in skills and as such cannot compete for jobs with others. These schemes provide opportunities to the unemployed youth belonging to poor families for undertaking self employment ventures. It is commendable that a large number of persons have availed and are availing the benefit of various self employment schemes and poverty alleviation programmes and are deriving benefits by improving their economic condition. The Committee further observe that due to a variety of reasons, the fulfilment of the objectives has not been upto to the desired level. They are of the opinion that the success of schemes depend upon the proper selection of beneficiaries, economic viability of the projects, adequate loan amount, timely disbursement of loan, reasonable repayment schedule, etc. and for that banks play a very important and responsible role. The Committee feel that the Government/RBI should identify the factors responsible for banks performance not being upto the mark in regard to implementation of various self employment schemes and poverty alleviation programmes and recommend that all out efforts should be made by the Government/RBI and Public Sector Banks so that more and more poor unemployed youths having low level of education and lack of skill should be covered under the various Government sponsored self employment schemes and poverty alleviation programmes.

1.120 The Committee note that under each of the self employment schemes and poverty alleviation programmes eligibility criteria and procedure for identification of beneficiaries have been laid down. During their tour to Andaman and Nicobar Islands, the Study Group of the Estimates Committee was informed by the representatives of SBI at Port Blair that as per PMRY Scheme, income of the family is limited to Rs.24,000/- per annum for the beneficiary to be eligible under the

scheme. Most of the candidates who intend to avail the benefit under the scheme are sons/daughters of Government servants. Due to restriction of the income ceiling the budding entrepreneurs become ineligible to benefit from the scheme. After the implementation of Fifth Pay Commission the salaries of Central Government employees have gone up considerably. The Committee, therefore, recommend that income ceiling of the family should be increased to a reasonable level under this scheme so that loan applications of deserving beneficiaries in Andaman and Nicobar Islands are not rejected and the benefit reaches the targeted disadvantaged section of the society.

1.121 The Additional Secretary, Ministry of Finance (Deptt. Of Economic Affairs) during evidence informed the Committee that Gramin Bank type of loan is basically given to a self help group in rural areas which is quite similar to the Scheme in Bangladesh. Hundred per cent finance is given and the scheme is doing quite well. The Committee are of the opinion that there is need to form self help groups by the beneficiaries for the purpose of creating and maintaining assets so that such assets may be capable of generating sufficient income for their users and would enable the self help groups to liquidate the loan within a reasonable period. The Committee are happy to note that Government have already permitted urban poor women for setting up self-employment ventures in a group. The Committee, recommend that Banks should encourage self help groups and channelise more credit assistance to the poor in both urban and rural areas through them. The group responsibility would entail obligation on all the members of the group, thereby ensuring accountability.

1.122 As part of post lending follow up, banks are expected to make field visits to the units of beneficiaries to ensure that credit made available to them is properly utilised. The Committee desire that there should be periodical evaluation of performance of the schemes with a view to assessing their impact on poverty alleviation and employment generation.

1.123 The PMRY scheme is monitored at district level by District PMRY Committee, at State/UT level by State/UT PMRY Committee and at Central level by a High Powered Committee under the Chairmanship of Secretary, Deptt. Of Small Scale Industries and Agro and Rural Industries. RBI has reported that a number of steps have been taken by the banks to ensure acquisition of quality assets by borrowers and also for functioning of the units on a profitable basis. RBI has further reported that, in practice this is because of existence of schedule of periodical visits to the units and scrutiny of statements received from beneficiaries. The Committee feel that the existing monitoring system need to be further strengthened. They, therefore, recommend that senior level officers of the banks while paying periodic visits to the Branches should review and ensure proper implementation of the various Government sponsored self employment schemes by making surprise visits to units and random scrutiny of statements received from the beneficiaries.

1.124 The Committee note that the Government have been giving considerable importance to priority sector lending particularly in view of the need for quicker upliftment of the weaker and the down-trodden sections of the society. With a view to achieving this objective, the present credit policy aims at channelising greater flow of credit to priority sector/weaker sections of society. Banks have been urged to step up priority sector lending so that they may respond effectively to the challenges before the nation for meeting the social concerns. The performance of public sector banks has improved with outstanding priority sector lending increasing from Rs. 91,319 crore

(41.85 percent of NBC) as on the last Friday of March, 1998 to Rs. 1,07, 319 crore as on last Friday of March, 1999, constituting 43.5 per cent of NBC. However, the scheme-wise fulfilment of targets was far from satisfactory during the years from 1994 to 1999. The Ministry/RBI have enumerated various reasons/factors responsible for non-achievement of targets under these schemes. In case of PMRY Scheme, the reason for huge shortfall in achievement of targets was stated to be sponsoring of inadequate number of quality applications by the Government agencies and insufficient number of approvals at the task force level. The Committee, therefore, desire that the Government/RBI should issue necessary instructions/directions to the banks to make concerted efforts to achieve targets laid down/stipulated under various employment generation schemes.

1.125 The Committee find that there have been large gaps between sanctions and actual disbursements, particularly in the case of PMRY scheme. According to the Ministry, the reasons are the inability of borrowers to complete the pre-sanction/pre-disbursement formalities, lack of co-operation in certain cases on the part of State Government Departments in giving clearance/licences necessary for starting the activity and borrowers losing interest in availing the loan amount because of the procedures/formalities prescribed for sanction of loan. In this connection, certain remedial measures are stated to have been taken by the Ministry/RBI/Banks which would put pressure on the borrowers/Government Departments/banks for expeditious completion of all formalities to enable borrowers to avail of the loan before the sanction lapses. The Committee hope that these steps would culminate in positive results and help in bridging the gap between sanctions and disbursements. In their view, this would also enable the intended beneficiaries to reap the fruits of the schemes. The Committee also feel that further simplification of procedures/formalities for availing of loan is highly desirable.

1.126 The Ministry have stated that in all the meetings/fora where participation of State Governments representatives/bank officials was available, it was impressed upon them by Government that they should extend necessary assistance to the borrowers in completing the formalities to avail the loan without any delay. The Committee feel that close cooperation and necessary assistance by the State Governments/bank authorities to the borrowers in completing the formalities is essential for speedy and effective implementation of the country's most important self-employment programmes i.e. PMRY and IRDP and now the Swarnajayanti Gram Swarozgar Yojana (SGSY). The Committee desire that there should be standing instructions to DIC/DRDA/Bank authorities to render all possible assistance by taking up the matter with the concerned State Government authorities for giving clearance/licence necessary for starting the self-employment venture under PMRY.

1.127 The Committee are constrained to note that the recovery percentage of the Government sponsored employment generation schemes and poverty alleviation programmes had been abysmally low and regrettably less than even 50%, as will be abundantly clear from the following statistics. The recovery position in respect of various schemes like PMRY, SUME, DRI, IRDP and SLRS is 47.7%, 29.17%, 40.33%, 30% and 38% respectively. These poor recoveries have been attributed by the Ministry to the various inadequacies, among others in pre-sanction appraisals and post sanction monitoring of the projects for which loans are granted to the beneficiaries of these schemes, the feeling among the beneficiaries that the loans are Government grants not

meant to be repaid and lack of support from the State Government machinery in the matter of recovery, etc. The Committee also note that certain initiatives/measures have been taken by the Ministry/RBI/Banksto improve the recovery performance of the banks, which include persuading State Governments to enact laws to help recovery of bank loans from borrowers. In this context, as recommended by the Talwar Committee, 16 State Governments have so far enacted legislation on the lines of the Model Bill for speedy recovery of agricultural dues of the banks. The Committee desire that the remaining State Governments should also be persuaded by the Central Government to enact such legislation with necessary changes/modifications required for the purpose. Besides this they also desire that concrete measures, including soliciting co-operation from State Governments, should be taken to improve the recovery position of bank dues under all the schemes and programmes. The Committee would like to be informed about the measures taken by the Government in this regard and latest recovery position under various Self Employment Schemes and Poverty Alleviation Programmes.

1.128 To enable banks to put in place effective loan recovery processes, apart from the individual initiatives of the banks, it is also important to refine legal systems and strengthen recovery powers of banks akin to those available for revenue departments, co-operative banks and development financial institutions. Also there should not be any political measures announcing loan waivers which would dampen motivation of the banks to put in place efficient recovery management practices. In respect of financing of government sponsored programmes there should be greater cohesion and co-ordination between the government agencies which recommend the loan cases and bank branches which sanction the loan facilities. The relationship between these two agencies involved in financing developmental programmes should be strengthened so as to make them effective in all areas including recovery. The Committee also feel that there is need for taking the help and expertise of non-governmental agencies in design, identification and implementation of loan programmes pertaining to government sponsored self employment schemes and poverty alleviation programmes, so that chance for the assets created with the help of the Schemes becoming unviable could be reduced.

1.129 The Committee observe that wilful default to a large extent emerges from lack of effective supervision of credit, inadequate powers banks possess to execute recovery and long drawn legal process involved in executing decrees obtained from courts. The Committee desire the Government to take corrective measures for stopping wilful defaults, which include a mechanism to circulate the list of defaulters among bank branches and making the list public through the media, banning defaulters from holding any public positions, and taking help of the revenue department in effecting recovery in difficult cases. The Committee recommend that swift and effective penal action on the erring borrowers/officials connected with any default in repayment of loans, should be taken.

1.130 The Committee note that each bank has a Vigilance Cell which deals with complaints having vigilance angles. Further, complaints received from members of the public by the banks concerned/Reserve Bank of India are probed into and remedial action taken wherever necessary. Under the Banking Ombudsman Scheme 1995 the borrowers can seek redressal of their grievances. The Committee observe that total number of complaints received from 1994 to 1996 were 354 in the Central office of Rural Planning and Credit Department of RBI. The

complaints contain various allegations against banks, viz., non-sanctioning of loans, delay in sanctioning of loans, inadequate credit facilities sanctioned, non-adherence to the guidelines on priority sector advances issued by Reserve Bank of India and demanding collateral security/third party guarantee.

The Committee are concerned to note that corruption is prevalent in the process of sponsoring of loan applications and disbursement of loans to the beneficiaries. The Committee desire that existing machinery for redressal of grievances be suitably strengthened and separate data be maintained both at Headquarters and Regional Offices regarding receipt, consideration and disposal of complaints and that such complaints be disposed off promptly and to the satisfaction of complainants.

NEW DELHI : UMMAREDDY VENKATESWARLU

April 26, 2000

Vaisakha 6, 1922(S)

Estimates.

**Chairman,
Committee on**

* Replaced by a new unified Urban Poverty Alleviation Scheme called the `Swarna Jayanti Shahari Rozgar Yojana (SJSRY) w.e.f. 1st December, 1997.

@ Replaced by Swarna Jayanti Gram Sevarozgar Yojana (SGSY) w.e.f. 1st April, 1999.

§ The poverty line is fixed by the Planning Commission for each plan period. The Planning Commission also estimates the population below the poverty line. The beneficiaries under IRDP are selected from the list of families below the line, identified through a census (BPL census).

ß Recommendations relating to Role of Banks.