

Annexure - 10.53

EXECUTIVE SUMMARY OF THE STUDY REPORT ON VERIFICATION OF BORROWERS AND END USE OF FUNDS UNDER GOVERNMENT SPONSORED SCHEMES BY THE NATIONAL INSTITUTE OF RURAL DEVELOPMENT (NIRD), HYDERABAD

1.1. Directions of the Local Board

As per the suggestion of the Local Board (Western Area) in its Meeting held on October 4, 2006 on engagement of external agencies for undertaking/verification of the status of the borrowers and end use of funds to evaluate the efficacy of the Government Sponsored Scheme, the National Institute of Rural Development (NIRD), Hyderabad was engaged for the study. The ambit of the study was confined to the Central Government sponsored schemes viz. Swarnajayanthi Gram Swarozgar Yojana (SGSY), Prime Minister's Employment Generation Programme (PMEGP), Swarna Jayanti Shahari Rozgar Yojana (SJSRY), Differential Rate of Interest Scheme (DRI Scheme) and Scheme for Liberation and Rehabilitation of Scavengers (SLRS)/ Scheme for Rehabilitation of Manual Scavengers (SRMS).

2.1. Methodology

The study was divided into:

- (i) Five zones viz. Northern, Western, Southern, Eastern and North-Eastern Zones.
- (ii) Two States from each zone i.e. total 10 States
- (iii) Two districts were selected from each State i.e. 20 districts
- (iv) Two blocks from each selected district i.e. 40 blocks.

NIRD undertook data collection for the questionnaires (prepared by them and approved by us) through extensive field visits covering the districts. Both primary data collected from the villages and primary and secondary data collected from the branches of commercial banks were used. Approximate sample of two commercial bank branches in each block were considered with a total coverage of 80 branches for the whole study.

2.2. Sampling Technique

Simple Random Sampling technique was used for selection of respondents from forty blocks of twenty districts in ten different States. Total of 17000 questionnaires were collected from ten states, each state comprising of 1700 questionnaires. Segment – wise details of questionnaire collected from the states in respect of the various Government Sponsored Schemes are detailed below:

Name of the Scheme	Number of States	Number of Questionnaires from each State	Total Number of Questionnaires
SGSY	10	1200	12000
PMEGP and other individual borrowers	10	300	3000
SJSRY	10	160	1600
DRI	10	20	200
Different authorities such as DRDA Officials, Municipal Officials and Branch Managers of local banks	10	20	200
Total			17000

3. Findings

The finds of the NIRD study are as under:

3.1. Swarnajayanti Gram Swarozgar Yojana (SGSY)

The Scheme Swarnajayanti Gram Swarozgar Yojana (SGSY) is the Flagship Program of the Government of India for Poverty Alleviation. The study in respect of the SGSY covered 10 States viz. Andhra Pradesh, Assam, Haryana, Karnataka, Maharashtra, Meghalaya, Orissa, Rajasthan, Uttar Pradesh and West Bengal encompassing in all 20 districts. The sample size of the study comprised 12000 beneficiaries in group approach and 3000 under individual category.

3.2. Findings in respect of SGSY

- (i) Lack of clarity on the part of implementing agencies with regard to selection of beneficiaries, adherence to eligibility norms to enrol into the program;
- (ii) Non-adherence to norms of ensuring greater representation for SC, ST and women resulting in targets not being fulfilled;
- (iii) Formation of heterogeneous groups by mixing beneficiaries from various social and economic strata putting a strain on the downtrodden in decision making and inculcating the banking habits to take advantage of the developments taking place in the economy;
- (iv) No guidance with regard to key activities, their economics and the possibility of taking up by the illiterate beneficiaries;
- (v) No guidance from the development functionaries as well as bankers, beneficiaries left to fend for themselves by choosing an activity with their limited knowledge which led to taking up non-remunerative/unviable activities whose capability to generate surplus income was limited;

- (vi) Surplus income generated from Income Generating Activities (IGA) was meagre and more than 1/3rd of the beneficiaries were able to generate a paltry sum of less than Rs. 5000/- per annum and an additional 50% of the sampled beneficiaries between Rs. 5000-Rs.10000/-;
- (vii) Low capability of the IGA to generate meaningful surplus resulted in beneficiaries concluding that the activities taken up by them are not sustainable and cannot provide them livelihood on a sustainable basis;
- (viii) Such low incomes out of the IGA taken up under SGSY and with burden of loan resulted in beneficiaries losing interest in the activity and quite a large number of them are not willing to continue the same activity any more;
- (ix) Not exposing the poor and illiterate farmers to basic orientation as well as skill oriented training despite having budgetary provision had dissipated the spirit behind this program aimed at alleviation of poverty and upliftment of the poorest of the poor through group approach and social collateral for getting the bank loan;
- (x) This program having multiple controls and weak monitoring mechanism to look into the efficacy of its implementation has not put adequate controls over bankers which led to the half hearted implementation. NIRD have suggested that a Project Report should be prepared for each activity and for each block separately.

3.3. Prime Minister's Employment Generation Programme (PMEGP)

Prime Minister's Employment Generation Programme (PMEGP) is a credit linked subsidy programme of the Government of India introduced by merging the Prime Minister's Rozgar Yojana (PMRY) and the Rural Employment Generation Programme (REGP) launched on August 15, 2008. The scheme is implemented by the Khadi and Village Industries Commission (KVIC), Mumbai, a statutory body created by the Khadi and Village Industries Commission Act, 1956, which is the single nodal agency at the national level. At the State level, the Scheme is implemented through State Directorates of KVIC, State Khadi and Village Industries Boards (KVIBs) and District Industries Centres in rural areas. In urban areas, the Scheme is implemented by the State District Industries Centres (DICs) only. However, when NIRD had commenced the study, the erstwhile PMRY was still prevalent. Hence, in their study nomenclature used is PMRY.

The study was conducted in 10 States viz. Andhra Pradesh, Assam, Haryana, Karnataka, Maharashtra, Meghalaya, Orissa, Rajasthan, Uttar Pradesh and West Bengal covering 20 districts. The samples size of the study was large approx. 3000 beneficiaries. The Scheme is basically aimed at creating self employment avenues to the educated unemployed youth. Guidelines of the Scheme specify that women should be given proper and proportional representation depending on the availability of the candidates. The Scheme has a positive impact with regard to establishment of self employment ventures, catering to the demands of the market and also sustainability.

3.4. Findings in respect of PMEGP

- (i) Program implementers in all the states have taken adequate care in selection of the beneficiaries drawn mainly from Below Poverty Line (BPL) category;
- (ii) Women representation was not proportional to their share in population;
- (iii) In most of the cases and especially in the southern states, coordination among implementing departments and banks have been very good since the beneficiaries have got adequate amount of loan to start lucrative or beneficial or profitable ventures.
- (iv) Services units and small business ventures dominated the venture profile and the activities undertaken are very diverse and demand driven;
- (v) Investments in the units are adequate and banks have given loans generously to set up viable units in their areas of operation;
- (vi) Compared to other schematic programmes, units are generating reasonably high surplus incomes which entrepreneurs are continuing their respective activities despite hurdles;
- (vii) The overall impression of the program is that it has met the deliverables expectations of the planners.

3.5. Swarna Jayanti Shahari Rozgar Yojana (SJSRY)

The study in respect of the Swarna Jayanti Shahari Rozgar Yojana (SJSRY) was conducted in 10 States viz. Andhra Pradesh, Assam, Haryana, Karnataka, Maharashtra, Meghalaya, Orissa, Rajasthan, Uttar Pradesh and West Bengal covering 20 districts. The sample size of the study was approx. 1600 beneficiaries.

3.6. Findings in respect of SJSRY

- (i) Urban unemployed/ underemployed are in possession of some skills, both technical and managerial and able to run their enterprises;
- (ii) Many of the beneficiaries are reasonably literate and are in a position to gauge the market situations before setting their business;
- (iii) Most of the beneficiaries are already in some small business or services and know the ins and outs of the business they are carrying out; hence, it is more likely that they plunge in the field they are comfortable with;
- (iv) Since the borrowers are all residents of urban areas, they have houses or some form of fixed asset whose value can be realized in the event of the enterprise turning sick;
- (v) Bankers are involved from the very beginning and are concurrently evaluating the worth of the beneficiaries which helps them to take positive decision at the time of extending new loans under the Scheme;
- (vi) Since urban areas have huge markets and the enterprises set up with SJSRY are going to produce market driven products as per the demand, it is easier to extend such advances;

- (vii) Extending higher amount of loan to promising beneficiary with a viable business proposition is easy and also paying to the bank. This commercial sense of business has tilted many bankers towards extending sufficient finance to the SJSRY enterprises;
- (viii) In majority of cases, it is observed that there is basic adherence to stipulated criteria for selection of beneficiaries of the Scheme;
- (ix) Proper guidance is provided by the implementing agencies as well as by the bankers in selection of activities in majority of the cases.
- (x) As choice of enterprise is left to the beneficiaries depending on the market and the demand for the product, it actually provides leverage to the beneficiaries;
- (xi) Another very important aspect is the sufficiency of investments made for creation of IGA. Sufficiency in investment is due to bankers' positive orientation for the urban enterprises and their involvement since the selection of the Scheme;
- (xii) Large number of members have previous experience of running some business or enterprise; therefore, running the SJSRY unit successfully is not a difficult proposition'
- (xiii) Further, in majority of the cases both loan as well as the subsidy amount was released in time which led to creation of viable units;
- (xiv) Though the skill development initiatives were found to be missing, departmental efforts to impart some skills had helped the entrepreneurs to great extent.

NIRD have further stated that if profitability is the hallmark to judge the success of the Scheme, SJSRY should be declared as a highly successful program since more than 70% of the beneficiaries surveyed could get surplus anywhere between Rs.10,000-Rs.50,000 or beyond.

3.7. Differential Rate of Interest (DRI) Scheme

The Differential Rate of Interest (DRI) Scheme was introduced in 1972 by the Government of India. Under this Scheme, all Scheduled Commercial Banks are required to fulfil the target of lending at least one per cent of total advances outstanding as at the end of the previous year to the poorest of the poor of the society at an interest rate of four per cent per annum. The Scheme covers poor borrowers having a family annual income of not more than Rs. 18000/- in rural areas and Rs. 24000/- in urban and semi urban areas and not having more than 2.5 acres of unirrigated or one acre of irrigated land. They are given credit support of Rs. 15000/- as term loan and working capital loan for productive ventures. In addition to the term loan, SC/ST beneficiaries satisfying the income and land holding criteria under the Scheme can also avail of housing loan upto Rs.20,000/- per beneficiary.

The study in respect of the DRI Scheme was conducted in 10 States viz. Andhra Pradesh, Assam, Haryana, Karnataka, Maharashtra, Meghalaya, Orissa, Rajasthan, Uttar Pradesh and West Bengal covering 20 districts. The sample size of the study was approx. 200 beneficiaries.

3.8. Findings in respect of DRI Scheme

- (i) DRI Scheme by definition is meant only for BPL category beneficiaries;
- (ii) Awareness of scheme needs to be publicized;
- (iii) Majority of the beneficiaries selected are from the occupational status of agricultural labour. Most of the beneficiaries were from poor strata of society and were illiterate;
- (iv) Despite the efforts of various agencies, majority of the beneficiaries informed that they were not aware of the Scheme till they were given some kind of loans under this Scheme;
- (v) It was inferred from the field interview that majority of the borrowers have used the loan for their consumption needs and invested a very small amount in income generating activities.

4. Major Observations of the Study

NIRD have stated the bottlenecks for successful implementation of the various Schemes as under:

- The outreach challenges still exist when it comes to reaching out to people in remote areas or with low economic and social status.
- The portfolio quality of the credit delivered through SHGs is good as delinquency rate in this category normally fall below five percent.
- Subsidy oriented programmes are inefficient in alleviating poverty and often cornered by the people who are above the poverty line.
- There is general institutional resistance among the bankers for lending to the small borrowers because of low recovery.

5. Suggestions made by NIRD

Given the initiatives already taken by SHGs, MFIs and Banks, the existing credit assistance to the poor has improved considerably. NIRD is of the opinion that the total financial assistance given to the poor cannot be serviced by the prevailing structure. Instead, some strategic intervention like public-private partnership is needed to make noticeable changes throughout the country. There is a greater need to take a fresh look in to the credit requirement of the people living in rural areas to meet their consumption and personal needs though based upon the household income criteria. All banks should make consistent efforts to develop the micro and rural credit sector by expanding their outreach and increasing coverage through credit for the larger benefit of the poor households.

6. The Committee of the Central Board is requested to take on record the study report and pass the following resolution:

“RESOLVED that the Executive Summary of the Study Report on Verification of Borrowers and End Use of Funds Under Government Sponsored Schemes by the National Institute of Rural Development (NIRD), Hyderabad be, and is hereby, taken on record”.