

TWELFTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC ACCOUNTS
(2006-2008)**

TWENTY FOURTH REPORT

(Presented on 10th July, 2007)



**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2007**

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On

**Paragraphs relating to Rural Development Department,
contained in the Reports of the Comptroller and
Auditor General of India for the year ended
31st March 2002 (Civil)**

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INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report on their behalf, present the Twenty Fourth Report on Paragraph relating to Rural Development Department contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2002 (Civil).

The Report of the Comptroller and Auditor General of India for the year ended 31st March 2002 (Civil) was laid on the Table of the House on July 8, 2003.

The Committee considered and finalised this Report at the meeting held on May 16, 2007.

The Committee place on record their appreciation of the assistance rendered to them by the Accountant General in the examination of the Audit Report.

Thiruvananthapuram,
10th July, 2007.

ARYADAN MUHAMMED,

Chairman,
Committee on Public Accounts.

REPORT

RURAL DEVELOPMENT DEPARTMENT

Audit Paragraph

Swarnajayanthi Gram Swarozgar Yojana

Introduction

Swarnajayanthi Gram Swarozgar Yojana (SGSY) launched by Government of India (GOI) from 1 April 1999 restructuring all the erstwhile self-employment programmes* is a holistic programme covering all aspects of self-employment such as organising of the poor into Self-Help Groups (SHG), providing, training, credit, technology, infrastructure and marketing with the objective of bringing assisted families (Swarozgaris) above the poverty line in three years by providing them income generating assets through a mix of bank credit and Government subsidy. Funds under the SGSY was to be shared by Central and State Governments in the ratio of 75:25.

The scheme aimed at covering 30 per cent of the BPL families by engaging them in gainful self-employment projects as individuals and Self Help Groups (SHG) to earn a net monthly surplus income of Rs. 2000 per family and thereby cross the poverty line at the end of the third year. Fifty per cent of the individuals and the members of the groups assisted were to be SC/ST, 40 per cent women and 3 per cent physically handicapped. At the instance of the State Government, Government of India ordered (September 1999) that the existing DWCRA units comprising of non-BPL families also be considered for group assistance during 1999-2000. The scheme was implemented in the State from October 1999 due to delay in issue of detailed instruction and guidelines by the State Government.

Organisational set up

The Scheme was implemented in 14 DRDAs through 152 Blocks/Block Panchayats and 991 Grama Panchayats headed by Project Officers, BDOs/Block Panchayat Committees and Grama Panchayat Committees respectively under the overall supervision of the Commissioner of Rural Development (CRD) Secretary, Local Self Government (Rural) Department was responsible for implementation of the scheme.

* Integrated Rural Development Programme (IRDP), Training of Rural Youth for Self Employment (TRYSEM), Development of Women and Children in Rural Areas (DWCRA), Supply of Improved Toolkits to Rural Artisans (SITRA), Ganga Kalyan Yojana (GKY) and Million Wells Scheme (MWS).

Audit Coverage

The review was conducted by test check of records of the Commissioner of Rural Development (CRD), Thiruvananthapuram, 5 DRDAs*, 18 Blocks and 36 Panchayats during January-May 2002 covering the period 1999-2002.

Funding

(i) The details of funds for the scheme were as under:

(Rupees in crore)

Year	Opening balance	Funds received			Total funds available	Expenditure	Closing balance
		Central	State	Miscellaneous Receipts†			
1999-2000	15.38	20.83	6.95	0.78	43.94	25.07	18.87
2000-01	18.87	9.20	3.06	3.00	34.13	34.89	(—)0.76
2001-02	(-)0.76	10.40	3.46	3.72	16.82	19.99	(—)3.17
Total		40.43	13.47	7.50	76.78	79.95	

The explanation of the CRD as to how excess expenditure was incurred was not furnished as of December 2002. Total expenditure incurred in 5 test checked districts was Rs.30.24 crore.

Though scheme funds were to be deposited in separate bank accounts the District Collectors transferred the State share of SGSY funds to the Treasury Public Accounts of DRDAs till December 2001. In 5 test checked DRDAs State share was brought to the scheme accounts after a delay of 2 to 24 months due to treasury restrictions.

(ii) The requirement of funds for covering 3.10 lakh BPL families worked out to Rs. 236.58[‡] crore. However, the total funds (Central and State share) allocated was Rs. 65.92 crore. During 1999-2002 Government of India released only Rs. 40.43 crore (Out of the allocation of Rs. 49.44 crore) due to slow pace of spending and delay in submission of proper utilisation certificates by the DRDAs. Also no additional fund were released, as the Government of India adopted BPL figures of National Sample Survey Organisation (NSSO) for determining the incidence of poverty in the State for allocation of funds.

* Alappuzha, Ernakulam, Kollam, Kottayam, Kozhikode.

† Interest on bank deposits and undisbursed subsidy returned by banks.

‡ Worked out on the basis of actual expenditure incurred for subsidy to 67830 individuals (Rs.48.14 crore) and 21627 SHGs (Rs.17.58 crore) and projecting it to 152057 individual beneficiaries (Rs.107.93 crore) and 158263 SHG members (Rs.128.65 crore) to be covered.

Physical and financial performance

(i) The year-wise details of physical targets and achievements of the programme during 1999-2002 are given below:-

Year	Targets	Achievement	Of the achievement coverage under (Population in Lakh)					
			Scheduled Caste/Scheduled Tribe		Women		Physically Handicapped	
	State	Sample districts	State	Sample districts	State	Sample districts	State*	Sample* districts
1999-2000	1.03	0.52	0.29	0.12	0.15	0.06	345	141
2000-01	1.03	0.52	0.38	0.18	0.21	0.09	394	194
2001-02	1.04	0.51	0.22	0.08	0.14	0.06	224	86
Total	3.10	1.55	0.89	0.38	0.50	0.21	963	421

* As the number of population is below 1000, actual number is indicated

Of the total BPL families (17.24 lakh) in the State 3.10 lakh families were targeted for coverage during 1999-2002. Achievement was, however, only 29 per cent (0.89 lakh) of the targets fixed and 5 per cent of total BPL families. Position in sample districts was worse, achievement being 0.38 lakh (25 per cent) out of the target of 1.55 lakh.

Of the assisted families, percentage of coverage in respect of SC/ST and physically handicapped were only 31 and 1 respectively against 50 per cent and 3 per cent envisaged in the guidelines. On the other hand 57 per cent of the beneficiaries were women though guidelines prescribed only 40 per cent. Poor achievement of overall targets was mainly due to inadequacy of funds released for the scheme. The low coverage of SC/ST was due to the fact that of the total BPL families, only 22 per cent were SC/ST families, inadequate number of applicants with no outstanding liabilities of banks and coverage of SC/ST families under other similar schemes. The CRD stated (June 2002) that Banks were not willing to give loans to SC/ST families as most of them were chronic defaulters in earlier schemes.

(ii) As per progress reports furnished to Government of India, fund released by DRDAs to the Blocks were shown as expenditure. This was incorrect. Scrutiny also revealed that no fund was released by the DRDAs to 7 blocks in Ernakulam and Kottayam Districts during 1999-2000. Rs. 9.72 lakh released during 2000-02 to 6 Blocks in these districts remained unspent as of March 2002 though the entire amount was reported as final expenditure.

Planning

(i) Except Annual Plans of DRDAs, no annual block plans or five year perspective plans were prepared for implementation of the scheme in the test checked districts. No physical targets were fixed by the State Government for DRDAs except for formation of SHGs.

(ii) Based on Government of India guidelines (April 1997 & September 1997) BPL census figures were finalised by State Government in July 1999. However, fresh applications for inclusion of names in the BPL list were allowed by the State Government upto 15 November 2001. Though the CRD instructed (January 2002) the DRDAs to complete the census and publish the draft list before 15 January 2002, the work had not been completed as of June 2002. Thus the list published as per survey finalised in July 1999 was inconclusive.

The delay was attributed to large number of fresh applications (5.49 lakh) received till November, 2001 for inclusion in the list and 2779 objections filed against inclusion of fresh names. Scrutiny revealed that out of 41,659 fresh applications received in 12 blocks in 5 sample districts, 25,481 applications were pending scrutiny by the Panchayat sub committees as of May 2002. Thus the scheme was being implemented without any clear idea about the number of BPL families to be covered under the scheme.

(iii) The project reports on key activities were to be prepared by the BDOs in consultation with banks, line departments, NGOs, etc. But in 4 out of the 5 test checked DRDAs the reports were prepared by the Block officials who were not experienced for the job resulting in the following deficiencies.

- (a) The reports did not indicate the number of BPL families to be covered
- (b) No market survey was conducted to identify the key activities.
- (c) Some project reports did not estimate the net monthly income.
- (d) Many selected activities envisaged a net monthly income of less than Rs.2000 per family even in the third year.

In 3 districts (Alappuzha, Ernakulam and Kozhikode) involvement of banks and line departments was not on record. In Kottayam District the project reports were approved by the Lead Bank Manager. Only in one sample district (Kollam) the project reports were prepared by the Agricultural Consultancy and Technical Services of the Indian Bank (ACTS). However, out of 34 key activities prepared by ACTS the net income projected in respect of 19 activities was in the range of Rs. 250-1670 per month in the first year and in the fifth year it was only between Rs. 580-1830. The District SGSY Committee had selected 17 key activities, which were not viable even in the conceptual stage. Out of 171 beneficiaries test checked in 36 Panchayats in 18 Block in the sample districts 57 per cent (98 beneficiaries) had not been earning the net income of Rs. 2000 per month. Of this, 24 per cent (24 beneficiaries) was getting less than Rs. 1000 per month.

(iv) (a) As against 33000 SHGs to be formed, the achievement was 31207. The year-wise details were as under:—

Year	Identification of beneficiaries		Grading of SHGs			No. of SHGs (Grade I) provided with Revolving Fund
	SHGs (No)	Individuals	Grade I	Grade II	Grade III	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(a) State						
1999-2000	6761	24796	1286	539	440	657
2000-2001	12872	29571	4790	1342	756	2394
2001-2002	11574	13463	10180	2600	765	2231
Total	31207	67830	16256 (52%) ¹	4481 (28%) ²	1961 (44%) ³	5282 (32%) ⁴
(b) Sample districts						
1999-2000	3716	9987	466	420	157	112
2000-2001	6697	14840	1992	405	255	1048
2001-2002	9182	5920	4856	951	283	1085
Total	19595	30747	7314 (37%) ¹	1776 (24%) ²	695 (39%) ³	2245 (31%) ⁴

Out of 31,207 SHGs formed the percentage of groups graded into I,II &III was only 52, 28 and 44 respectively. In the five sample districts, out of 19595 SHGs formed during 1999-2002, the corresponding percentages were 37, 24 and 39 respectively. It was noticed in audit that the SHGs took 6 to 8 months for entering the second grade and 12 to 16 months for entering the third grade.

Audit observed that the role of DRDAs, Banks, line departments, NGOs, etc. in the formation of groups was not on record. It was mainly the work of Village Extension Officers and IRD officer attached to the Blocks.

¹ Percentage of Col. 4 to 2, ² percentage of Col. 5 to 4, ³ percentage of Col. 6 to 5, ⁴ percentage of Col.7 to 4

(b) Major thrust was to be placed on Group approach. But the percentage of assistance in the form of subsidy released to SHGs was poor as indicated below:—

(Rupees in crore)

<i>Year</i>	<i>Total subsidy released</i>	<i>SHGs</i>	<i>Individuals</i>	<i>Percentage of assistance to SHGs</i>
State				
1999-2000	21.69	3.70	17.99	17
2000-01	28.10	6.83	21.27	24
2001-02	15.93	7.05	8.88	44
Total	65.72	17.58	48.14	Av. 28
Sample districts 1999-2002				
Kollam	5.22	1.12	4.10	18-51
Alappuzha	5.69	1.69	4.00	14-46
Kottayam	4.57	1.30	3.27	25-44
Ernakulam	5.02	1.07	3.95	10-46
Kozhikode	4.32	1.13	3.19	17-49
Total	24.82	6.31	18.51	Av. 17-47

This showed that contrary to the guidelines there was greater thrust on individual beneficiaries as against group approach. The CRD stated (June 2002) that the reluctance of the groups in availing bank loan for economic activities was the main reason for the relatively lower coverage and that group activity was gaining momentum during 2001-02 as compared to earlier years.

Expenditure incurred on revolving fund was Rs. 5.28 crore (Rs. 2.25 crore in 5 sample districts) which was about 7 *per cent* of the total funds available (Rs. 76.78 crore) as against 10 per cent required to be spent as per guidelines. The number of SHGs provided with revolving fund were 5282 (2245 in sample districts) which was about 32 *per cent* of the SHGs eligible to receive revolving funds. Government stated (September 2002) that lesser coverage was due to inadequate allocation of funds by GOI. However, even the funds allocated were not spent.

Economic assistance

Out of 1.19 lakh application submitted to banks for assistance, 0.41 lakh applications (34 *per cent*) were pending disposal as at the end of June 2002. In 5 sample districts the pendency ranged from 18 to 39 *per cent*. In 4 blocks in 3 districts (Kollam, Alappuzha, Kozhikode) banks rejected/returned 1006 (25 *per cent*) out of 4035 applications because the projects were not viable or the beneficiaries were defaulters. This indicated the non-involvement of banks in the identification of key activities and selection of beneficiaries at initial stages. It was stated by the Project Officers that, the service area approach of the Banks and conditions for production of non-liability certificates by the beneficiary from nearby banks affected the sanctioning of loans.

Infrastructure creation

According to the guidelines, expenditure on infrastructure should be 20 per cent of the total allocation. However, only 9.55 *per cent* (Rs. 7.33 crore) of the total fund available (Rs. 76.78 crore) was spent on infrastructure during 1999-2002. In the sample districts expenditure was 10 per cent (Rs. 3.24 crore). The creation of infrastructure was confined to construction of buildings for being utilised as marketing outlets. In 4 blocks in 3 districts, the buildings constructed in Block office premises at a cost of Rs. 23.03 lakh had not been put to use as of June 2002.

GOI guidelines envisaged that the infrastructure created should be available to the entire community rather than to the individual SHGs. Contrary to this, State Government ordered (October 2000) that assistance not exceeding Rs.1 lakhs would be sanctioned to SHGs for construction of production-cum-training sheds on the plot of land to be surrendered by them to Government. A few instances are indicated below:—

(i) In 10 blocks in 3 districts, Rs. 17.17 lakh was incurred during 1999-2002 on construction of production-cum-training centre for 14 SHGs.

(ii) In Kottayam District Rs. 21.05 lakh was sanctioned in March 2001 to 10 SHGs for construction of 1 marketing centre and 9 workshed-cum-training centre in excess of the ceiling of Rs. 1 lakh prescribed by State Government out of which Rs. 8 lakh has been released in March 2001.

(iii) In Vadavucode block in Ernakulam district two marketing/sales centres were constructed at Rs. 12.50 lakh.

Though provision of infrastructure was the responsibility of the State Government in infrastructure funds under the scheme were to be utilised only as a last resort in order to fill up critical gaps in investment, full cost was met from

the scheme funds in violation of the guidelines and there was no contribution by the Block Panchayats/State Government. Government stated (September 2002) that the guidelines did not specifically give an illustrative list of works to be taken up under programme infrastructure. However, the action of the Government in providing funds to individual SHGs and meeting the full project cost was not at all covered by the guidelines.

Training and Market support

(a) Government spent Rs. 1.44 crore on training during 1999-2002 (Rs. 30.15 lakh in 5 sample districts) which was less than 3 per cent as against 10 per cent envisaged in the guidelines.

In the sample districts, training was confined to Basic Orientation Training and skill development training was not imparted except in Alappuzha. Even the basic training was not arranged during 1999-2000 in 7 Blocks in 2 District (Ernakulam and Kottayam) due to non-release of funds by DRDAs.

(b) In four test checked districts market support at DRDA/Blocks level was confined to the annual district *melas* and the functioning of District Supply and Marketing Societies (DSMS) as sales outlets of IRDP/SGSY products like garments, household appliances, food products, etc. In Erattupetta Block in Kottayam District the Block Development Officer or DRDA had not provided any marketing support to one beneficiary running a dairy unit and the unit was consequently rendered uneconomic. In Oachira Block in Kollam District the beneficiaries of dairy units could not earn any profit as the Milk Societies offered only a small price for the milk products. In Edappally Block in Ernakulam District an SHG engaged in soap making complained that in the absence of skill development training the bath soap made by them was of poor quality and another SHG engaged in food processing did not have marketability. The Block authorities had not addressed these issues.

Monitoring and evaluation

(a) The implementation of the programme was to be monitored at State, District and Block levels by the Committees constituted at the three levels. The State Level Monitoring Committee constituted in January 2000 with the Chief Secretary and the Secretary to Government, Local Self Government (Rural) Department as Chairman and Member-Secretary respectively had not met even once as of June 2002.

Two State level officers had inspected 125 self-Help Groups in 10 districts during 2001-02. But the inspection notes in respect of 104 groups (83 *per cent*) contained only the address of the group and names of office bearers and did not contain any observations on the viability of the activities undertaken.

There were delays (2 to 14 months) in constitution of Block level and District level Committees in the 5 sample districts and 18 blocks. As of March 2002 the shortfall in the monthly meetings to be held by these Committees, was 66 *per cent* (District Committees) and 77 *per cent* (Block Committees). The Banks and the Line Departments did not attend the meetings of these committees regularly; shortfall ranged between 49 to 76 *per cent*.

No schedule of monitoring was fixed and enforced in respect of officials of DRDA and blocks. But test check of work diaries of officers* at various levels in the sample districts and blocks revealed that an average of 3 to 7 SGSY beneficiaries were visited by these officers monthly.

(b) Test-check in the sample districts revealed the following details of asset utilisation

<i>Name of district</i>	<i>Number of blocks involved</i>	<i>Total number of assets</i>	<i>Number of assets verified</i>	<i>Number of assets misutilised</i>	<i>Number of assets perished</i>
Alappuzha	9 out of 12	Not available	381	68	1
Kollam	13 out of 13 (1999-2000)	2098	2098	34	11
Ernakulam	15 out of 15 (2000-01)	5171	4623	160	Nil
Kottayam	11 out of 11	2432	2200	36	5
Kozhikode	12 out of 12	2031	1863	29	98

The above data showed that close monitoring of the assets created by the beneficiaries was not done by the DRDA/Block as envisaged in the GOI guidelines.

(c) No external or internal evaluation of the implementation of the programme was conducted by the State Government as of June 2002. Only NABARD conducted evaluation study in two blocks and 5 banks in Malappuram District in November 2001.

Impact assessment

171 beneficiaries (134 individuals and 37 SHGs) were visited by the Audit

* Assistant Project Officer (P&M), Assistant Project Officer (WD), Extension Officer (WW), Extension Officer (IRD), Village Extension Officers (VEO) and Lady Village Extension Officers (LVEO).

team in 36 Panchayats in 18 Blocks in the 5 sample districts. As reported by the beneficiaries, 70 individuals and 28 SHGs (57 *per cent*) could not generate net monthly income of Rs. 2000 as envisaged in the guidelines.

[Paragraph 3.1 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2002 (Civil)].

Notes received from Government are included in Appendix II.

The Committee pointed out that at present the State Government gave much importance to micro-enterprise development and the local bodies were preparing plans for those schemes in Swarnajayanthi Gram Swarosgar Yojana pattern. Therefore, the review of the Swarnajayanthi Gram Swarosgar Yojana scheme had wider significance. The Committee observed that as per the reply furnished by Government there was inordinate delay in issuing working instructions and wanted to know the reason for the delay. The Additional Development Commissioner, Rural Development submitted that some error had occurred while preparing the reply. He clarified that the working instructions had been issued in 1999 itself and the scheme was implemented in the same financial year. When asked whether the funds transferred from DRDA to the Block Panchayat would be considered as expenditure, the witness replied that the transfer of fund of Swarnajayanthi Gram Swarosgar Yojana would not be treated as expenditure but the funds for Infrastructural development and training and that of revolving fund would only be treated as expenditure. The subsidy portion of the fund would be deposited in bank account of DRDA and the amount would be debited only at the time of disbursement of subsidy based on the actual utilisation.

2. The Committee was informed that the main responsibility of the implementation of Swarnajayanthi Gram Swarosgar Yojana programme rested on the Block Panchayats. The residual responsibilities such as selection of beneficiaries, approval of BPL family list etc. were with the Grama Panchayats. The Presidents of Grama Panchayats should be there as Members of the Committee for grading Swarnajayanthi Gram Swarosgar Yojana groups. The Committee desired to know about the grading system of the Swarnajayanthi Gram Swarosgar Yojana groups. The Additional Development Commissioner replied that grading of self help group (SHG) should be done at two stages. The 1st stage grading of groups would start only 6 months after the formation of the Groups. Under this stage it was examined whether the group attained the capacity to work collectively to maintain common account and to share the income among the members. The Groups which turn out well in the first grading were sanctioned revolving fund in the form of cash credit. In earlier days they

were given Rs.10,000 as subsidy which was now enhanced to a higher rate. In the second grading done six months after obtaining revolving fund, the capacity to carry out economic activity was appraised, based on the utilisation of revolving fund.

3. With regard to the audit observation about excess expenditure, the witness informed that, actually there was no excess expenditure. While the interest accrued was included under receipts the miscellaneous receipts were not included in the total receipts. Hence when overall receipts and expenditure was worked out there was actually savings under the scheme. Besides, the funds sanctioned for the scheme 'Ganga Kalyan Yojana' had not also been spent. Though the Committee was satisfied with the reply, it was noted that had the department shown a timely response to audit, such a comment could have been avoided in the Report of Comptroller and Auditor General.

4. The Committee observed that the State Government had not been allocated sufficient fund to cover the target. The Additional Development Commissioner informed that, as per the Government of India guidelines the target under Swarnajayanthi Gram Swarosgar Yojana was to cover 30% of the poor people in each Block. But, subsequently the Government of India dispensed with the provision and had not provided funds to assist the entire poor people who were identified and included earlier in the prescribed 30% of population. The State Government had requested for additional funds but the reply received was not positive. The Committee noticed that due to heavy opening balance during 1999-2000 in respect of six merged schemes, the State lost some Central grants. When asked whether the State Government had lost financial assistance from Government of India in subsequent years due to the failure to spend the previous 'years' allocation the witness replied that the loss was only negligible. Regarding the additional allocation of funds based on other parameters like absorption capacity and special requirement, the Committee came to know that the State obtained additional funds to the tune of Rs.10 lakhs per district.

5. Pointing out the observation in the latest Report that there was a net cut of Rs. 1.34 crores during the year 2003-04 the Committee wanted to know the exact position. The Additional Development Commissioner maintained that there was no cut in the Central assistance for Swarnajayanthi Gram Swarosgar Yojana scheme. On the other hand, the Government of India had agreed to grant additional funds, if the State Government submitted proposals. He added that the proposals submitted before Government of India was pending. When asked whether the Government of India allocated additional funds to any other state, the witness stated that the details of such allocations were not available.

6. The Principal Secretary, Rural Development Department gave a brief account of reasons for heavy opening balance and its effect on the implementation of the programme. There were only one or two accounts maintained in the DRDA and many schemes and funds were put together. At the same time the expenditure was made separately. When the opening balance of a scheme was shown, the whole balance amount remaining in an account was taken. The matter was taken up with the Central Government and the problem was sorted out. Separate accounts for each scheme were being kept at present.

7. The Committee observed that, of the assisted families under the Swarnajayanthi Gram Swaroggar Yojana Scheme, percentage of coverage in respect of Scheduled Castes and Scheduled Tribes, was only 31% as against 50% envisaged in the guidelines. The ADC informed the Committee that many of the Scheduled Castes and Scheduled Tribes Community members were individual beneficiaries of erstwhile IRDP Scheme in the State. Besides, formation of SHGs among Scheduled Castes and Scheduled Tribes was a difficult task. Pointing out the close habitats of Scheduled Castes and Scheduled Tribes, the Committee opined that formation of Groups among Scheduled Castes and Scheduled Tribes was very easy. Hence, the contention of the Department was not acceptable. The Committee understood that the major reason for non-achievement of desired goal was the refusal of bank loans to them and adjustments in the subsidy of those members of the Group who were already the beneficiaries who had received such subsidy assistance under IRDP scheme and had defaulted in loan repayments. The witness maintained that the pro-rata subsidy eligible to the members of SHGs who had dues in IRDP could be allowed only after adjusting the liability. As per guidelines subsidy would be 50% of the project cost subject to per-capita subsidy of Rs.10,000 or Rs.1.25 lakhs whichever was less. Though the department gave thrust on forming Groups solely for Scheduled Castes and Scheduled Tribes they were not able to come forward to the stage of economic activity.

8. The Committee viewed that the Swarnajayanthi Gram Swaroggar Yojana and IRDP were two different programmes. While IRDP focused on individual beneficiaries, Swarnajayanthi Gram Swaroggar Yojana assist the weaker sections of the society through group endeavour. The Swarnajayanthi Gram Swaroggar Yojana had wider perception than any other centrally sponsored schemes in which financial assistance was given for viable economic activity. The guidelines for the implementation of Swarnajayanthi Gram Swaroggar Yojana scheme did not insist on collection of the dues outstanding in respect of IRDP. The Committee opined that it was not proper to reject loans or to adjust the dues outstanding against loans granted under IRDP from the members of SHGs

who defaulted repayment of earlier loans availed in their individual capacity. The Committee disagreed with the attitude of the Department and Banks and suggested the Government to interpret the scheme liberally. The Committee also pointed out that the scheme could not be carried forward if assistance to those who failed in the proper utilisation of assistance availed under IRDP was refused. The Principal Secretary, Rural Development Department assured that the matter would be taken up with the SLBC to sort out the problem.

9. When the Committee asked about the logic of booking of funds released to Block Panchayats as expenditure, the ADC submitted that Funds released for meeting infrastructure development, training etc. was reported as expenditure by the Block panchayats. To a question regarding the non utilisation of those fund by certain Block panchayat, the Principal Secretary, Rural Development Department informed that all such problems were sorted out now. As per the present procedure the Government of India insisted Utilization Certificate from each Block. The DRDA would consolidate the statement from each Block and get them certified by the Chartered Accountant and send to Government of India. The Central Government released funds to State Government based on the above statement of expenditure. Pointing out the failure in submitting proposals for infrastructure development by 7 blocks in Ernakulam and Kottayam, the Committee wanted to know what prevented them from sending the proposals. The ADC maintained it was not mandatory to grant funds for infrastructure to every Blocks. As per the concept of the scheme the blocks should set up supportive infrastructure, training and development programmes for the key activity. When enquired whether any lapse occurred on the part of the Block Development Officers in setting up of infrastructure, the witness answered that the matter had not been examined. With regard to the percentage of Blocks which did not utilise the fund for infrastructure, the Committee came to know that there was no specific monitoring system in this regard. It was also informed that non-availability of Government land was one of main hindrance in providing buildings for infrastructure.

10. The Committee understood that the object of Swarnajayanthi Gram Swarosgar Yojana was to provide infrastructure, skill training, support, credit etc. as a package. But, half of the Blocks in the State did not consider it in a holistic manner. Most of the Blocks were of the opinion that their responsibility was over by giving financial assistance. The instances pointed out by the Audit pertaining to seven Blocks were not isolated cases, but a bench mark to the whole phenomenon. The Committee opined that it was one of the major weaknesses of the scheme and the matter should seriously be looked into and rectified.

11. At this juncture, the ADC responded that there should be land for putting up work sheds and that land should have accessibility to the groups of the 'scheme'. Normally it was rather difficult to implement the scheme by putting all these factors together. The Committee opined that the Groups had to be given some support to vehicle service for marketing. The witness responded that the GOI guidelines did not permit to provide vehicle service. But, sales outlets were arranged at Block level. The Committee noticed that though there was sufficient fund the Department was not imparting any skill training and no fund was utilised for the purpose. It was also found that no review of the scheme had been made in the State till date. The Committee urged the department to conduct a detailed review of the scheme urgently.

12. The Committee asked why annual Block plans or five year perspective plans had not been prepared and why physical targets were not fixed by the State Government for DRDAs except for formation of SHGs. The witness answered that no such direction was given in the Government of India guidelines. However, project reports were prepared based on five year perspective plan for each key activity. When enquired how achievement was monitored in the absence of target, the ADC submitted it was determined on the basis of fund utilisation. The Department was following the monitoring system as laid down in the Government of India guidelines. The number of Groups and physical number of beneficiaries were examined. The Committee observed that the present instruction in the Government of India guidelines with regard to planning did not have any specific directions on Block level perspective plans or physical targets. Due to this, the Department could not evaluate the achievement such as the additional income generated from the investment made under the scheme, the number of job days created and the number of poor people benefited. The Committee opined that there should have an input-output ratio. The Committee found that the report submitted to Government of India did not contain the details of achievement under the scheme. The ADC told that the number of Scheduled Castes and Scheduled Tribes and other who were assisted, assessment of economic activity etc. had been included in the list. When asked whether there were details regarding the functioning of SHGs assisted under the scheme the witness replied that the assets had been verified after annual physical verification. But, details regarding present position of the units as to whether they were functioning, dormant or defunct were not included. The GOI had then directed to include the number of defunct units also. The Committee opined that it would be difficult to monitor the scheme unless physical targets with regard to the assisted units are fixed.

13. As regards the finalisation of BPL list the Committee came to know that it was finalised but was not published pending final judgement in a case before the Hon'ble Supreme Court. The ADC submitted that the number of BPL families in the State, as per the poverty estimation of Planning Commission was fixed at 10.25 lakhs and Government of India directed to limit the number to that for the purpose of selection of beneficiaries under Swarnajayanthi Gram Swarosgar Yojana Scheme. If that direction was followed, many of the people included in the previous list would be eliminated from the list. The matter was taken up with the Central Government by all states who had objections against the new direction. When enquired whether the previous list was being used now the witness answered that the new survey was conducted for Tenth Plan and hence the old list could not be used. Enquired about the norms adopted for BPL survey, the witness answered that for the previous survey consumption expenditure was taken as a basis for determining BPL families. As such families having per capita income below Rs. 327.48 was included in BPL list. But under the present survey about 13 indication were given and 4 points were given for each indicator. Those families who got the least scores were included in BPL list. Relative deprivation with regard to habitat, clothing etc. were taken into account for categorising BPL families.

14. The Committee wanted to know what had been the basic objection of the Kerala Government in conducting the survey. The Principal Secretary, RDD said that the GOI put a cap (10.25 lakhs) besides giving indicators for the survey. The State Government's main objection was to avoid this precondition. At this juncture, the Committee sought the possibility of taking 10 lakhs from the lowest category as beneficiaries in BPL list provided that the Government of India put a cut off point of 10 lakhs for the list. The ADC submitted that resources were limited to Central schemes and therefore an exhaustive list could not be prepared. But, then the Centre agreed to have a higher list in future if the State had resources. The Committee opined that as far as Kerala was concerned it was not proper to cap the number of BPL families to a fixed number for the technical purpose of Rural Development Department as the BPL card was a passport to other facilities like free ration, free medical amenities etc.

15. The Committee was informed that no market survey was conducted to identify the key activities for want of expertise and fund. Besides, it was not insisted in the guidelines also. The Committee recommended that key activities should be identified and mapped and categorised in a systematic regional pattern. A State level re-check or review should be done and during the review all the aspects of actual projects, nature of each project etc, should also be

looked into. Skill training should be imparted based on the projects. At this juncture, the ADC said that state level infrastructure was not permissible. The Committee preferred it to be in the district level in a meaningful fashion. Agencies like DRDA might be entrusted with the purchase and distribution of the items required for the units in a district. The Committee learned that the net monthly income to be generated under the scheme was earlier fixed at Rs. 2000 which was unachievable for the beneficiaries. The Government of India therefore dropped it and converted into a 'substantial income' sustained over a period of time which would help the swarozgaris to cross effectively the poverty line.

16. Relating to SHG formation based on grading system under the scheme, the Committee wanted to know about the criteria fixed for awarding Grade II position. To this it was informed that assessment for fixing Grade II was done after 6 months of the disbursement of the revolving fund to the Groups. In the 2nd Grading, the matters looked into were whether the group had utilised bank loans and subsidies or not and after that they were graduated into economic activity. They were given economic assistance in the 3rd Grading stage.

17. The Committee observed that no segregation of groups in accordance with grading was made. It was seen that the groups which already crossed the first and second grades were also included in all grades resulting in multiplication of number of groups. Thus the number of groups in various grades denoted a projected figure. The Committee desired that separate list should be kept for each grade and the groups which secured higher grades should be excluded from the list of lower grade.

18. When the Committee asked whether the Swarnajayanthi Gram Swarosgar Yojana was basically aimed at micro-enterprises, the witness answered in the affirmative. The Committee viewed that the present system of forming of groups and its operations should be revamped in a logical manner. It should be restructured on activity group concept, in which groups might be formed based on activity and aptitude and the savings and credit operations could be dealt with a larger group operating in micro credit and savings. The ADC informed that though the proposal had been submitted to the Centre it was not accepted.

19. The Committee noticed that since there were many micro-credit enterprises and micro-credit units like Kudumbasree operating in the State instances of multiple memberships had become common. The defaulters of some groups under one scheme tend to form other groups for another scheme. The Committee viewed it very seriously and recommended that all these enterprises should be integrated and brought under RDD with a common structure for the

micro credit groups from which one could graduate into an economic activity. The ADC mentioned that the matter had been intimated to the Central Government.

20. As regards the lower coverage of group activity, the Committee came to know that the problem had been solved and 75% of assistance was given to group activity. Though it could be fetched out to 100% it was limited to below 100% to avoid complaints from individual beneficiaries. When asked on the non-utilisation of the allocated funds fully, the witness replied that it occurred in the first year only and now the problem had been solved. On being asked about the adequacy of funds and its prioritisation, the witness stated that the funds were not adequate. The groups were prioritised based on the marks obtained in grading.

21. The Committee observed that banks were not honouring a considerable number of applications for loans. The Committee opined that if banks were involved from the stages of group formation, project identification and training then there would not be any reluctance on the part of banks in accepting applications for loans. The ADC submitted that at present the banks were involved from the first grading itself and rate of rejections had come down remarkably. The Committee noticed that there was 25% rejection of applications by banks and urged that there should be some way in which banks got committed. The Principal Secretary, RDD informed that sometimes the application would be kept pending because of non availability of funds for giving subsidy.

22. Pointing out the instances of absence of common infrastructure, the Committee desired to know the view of Government in the matter. The witness said that Government had issued an order stating that permission to build common work sheds would be granted if the SHG would surrender the land. On being asked about the present position of the functioning of production-cum-training centre, the ADC assured that the substantial number would be furnished later.

23. With regard to the comments in the Audit Report on training the Committee observed that the beneficiary groups did not get adequate skill training due to the non release of funds from DRDAs. The Committee sought the present position of the specific cases mentioned in the para. The witness submitted that though there was a considerable increase in the number of training given, they were not considered to be satisfactorily enough. The matter was being reviewed in every meeting. It was noticed that the rate of amount sanctioned for training was meagre. The Principal Secretary informed the

Committee that the matter was taken seriously with Government of India. The Committee expressed the view that the rigid components like meagre allocation of fund for training was a major hindrance for the successful implementation of the scheme in the State. The Committee found that the position had now been relaxed by Government of India which would improve the position. The Committee also desired to be furnished with the details of specific cases commented upon in the audit paragraph.

24. Finding that no State level meeting of Swarnajayanthi Gram Swarosgar Yojana Committee was conducted since its inception 4 years back the Committee desired to know as to who were the members of the Committee. The ADC answered that it was a Committee chaired by the Chief Secretary with all Government Secretaries as members. The Principal Secretary, RDD informed that State level review Committee chaired by the Minister was convened every month. There was State level Bankers Committee also.

25. On being asked about the absence of sufficient information in the inspection notes submitted by the monitoring team, the witness could not submit a convincing reply. The Committee noted that the state level monitoring of Swarnajayanthi Gram Swarosgar Yojana was weak. There was also short fall in monthly meetings of Block and District level Committees. It was stated that meeting of Block level Bankers Committee had to be convened along with the meetings of block level Swarnajayanthi Gram Swarosgar Yojana Committee in every month. In all meeting the Bankers should be present. To bankers, to attend the meeting twice a month created much difficulties. The Committee urged the Government to change the guidelines for the meeting once in two months.

26. The Committee understood that no external or internal evaluation of the implementation of the Swarnajayanthi Gram Swarosgar Yojana programme was carried out after its inception. The Committee, therefore, recommended that the impact assessment and review of the scheme be conducted by the Department or by external institutions. The Committee desired that the present status of the assets created under the scheme, the kind of functioning and grading of the enterprises by adopting some criteria should also be taken into consideration at the time of review.

27. The Committee observed that divergence was increasing, though a lot of time was spent for the integration of Swarnajayanthi Gram Swarosgar Yojana with local level planning process. Both the Swarnajayanthi Gram Swarosgar Yojana programme and local level planning seemed to function as two separate schemes. At Block and Panchayath level, there were micro enterprises programmes functioning independently. So the Committee opined that the

Swarnajayanthi Gram Swarozgar Yojana programme should be integrated into local level planning process and there should be some planning for integration of the programmes. There was absence of integration of various micro enterprise programmes implemented by Block panchayats and Grama panchayats. The ADC submitted that directions were issued in this regard upto last year. Unless 60% of funds was utilised before December there would be cut in the Central assistance. Hence, it could not be insisted to await till the finalisation of plans of Grama Panchayaths. It was also informed that since plans had been finalised in September in the last year and was in the processing stage, such a crisis would not arise in the current year. The Committee opined that common infrastructure could be created by utilising the own fund of Block panchayats. The witness said that lack of effective integration was experienced in the implementations of other schemes also. The Committee recommended that the various programmes implemented through the Local Self Governments should be integrated.

Conclusions/Recommendations

28. The Committee understands that the Swarnajayanthi Gram Swarozgar Yojana launched in 1999, is a holistic programme covering all aspects of self-employment such as organising of the poor into Self Help Groups, providing training, credit, technology, infrastructure and marketing with the objective of bringing assisted families (Swarozgaris) above poverty line in three years by providing them income generating assets through a mix of Bank Credit and Government subsidy. The Committee points that at present the State Government gave much importance to micro enterprise development and the local bodies were preparing plans for those schemes in SGSY. In this programme assistance is provided through a mix of Government subsidy and bank loan and it is 75% Centrally Sponsored Programme.

29. The Committee observes that in SGSY programme, assistance is given collectively to a group and if any member of the group had defaulted in any of the previous programmes like IRDP, the dues due to him will be debited at the time of allotment of the loan. The Committee opines that it is not fair to club individual loan to the Self Help Groups loan as it may affect the smooth functioning of the enterprise. The Committee urges the department to examine the matter and reconsider the decision to debit the outstanding loans availed by the beneficiaries in other schemes and to take necessary steps to avoid such a situation the steps taken in this regard should be furnished to the Committee.

30. The Committee observes that as per the guidelines, 50% of the participants must be SC/ST. But in our state it is only 31%. The Committee disagrees with the contention of the department that people belonging to that

category are reluctant to form groups and in many cases the groups formed by them did not show enough potential for fruitful economic activity. The Committee opines that as they live in close habitats and have much higher kinship, it will not be a herculean task to form groups among them. The Committee, therefore, urges the department to ensure their participation as envisaged in the guidelines.

31. The Committee urges the department to examine whether there is any lapse on the part of the Block Development Officers in setting up of supportive infrastructure. Detailed report should be furnished.

32. The Committee understands that though there were sufficient funds, the department is reluctant to impart skill training. Most of the blocks think that their responsibility is over once the financial assistance is released. The Committee opines that while implementing a scheme, all aspects should be covered as envisaged. The Committee urges the department to identify and rectify the shortcomings on its part while implementing SGSY and to conduct a review of the scheme urgently.

33. The Committee observes that the present instruction in the Government of India guidelines with regard to planning did not have any specific directions on Block Level perspective plans or physical targets. At present achievement was monitored on the basis of fund utilisation. The Committee opined that there should be an input output ratio. The Committee opines that it would be difficult to monitor the scheme unless physical targets with regard to the assisted units other than group forming are fixed. So the Committee urges the department to furnish the following details regarding the functioning and achievement of the scheme at the earliest.

- (a) the number of poor people benefited;
- (b) the number of job days created;
- (c) the additional income generated from the investment made under the scheme;
- (d) category-wise list regarding the present position of the units as to whether they were functioning, dormant or defunct

34. The Committee comes to know that even though the BPL list has been finalised based on the survey conducted by the Planning Board, the list could not be published until the judgement of the Hon'ble Supreme Court is pronounced. Besides, Government of India had put a cap of Rs.10.25 lakh as cut off point for the purpose of beneficiaries under SGSY. If that direction is followed, many of the people included in the previous list would be eliminated

from the list. The Committee opines that as far as Kerala is concerned it is not proper to cap the number of BPL families to a fixed number for the technical purpose of Rural Development as the BPL card is a passport to other facilities like free ration, free medical amenities etc. The Committee urges the department to take up the matter with Government of India so that a lenient view is adopted by Government of India in the matter. The present position in this regard may be informed to the Committee.

35. The Committee makes out that no market survey was conducted to identify the key activities for want of expert hands and fund. The Committee recommends that key activities should be identified and mapped and categorised in a systematic regional pattern.

36. The Committee opines that the projects for which aid is granted and the projects started under the scheme are different. The Committee urges the department to conduct a state level re-check or review on all the aspects of actual projects, nature of each project etc. and to impart skill training based on the projects preferably in the district level. The Committee wants the department to look into the feasibility of entrusting the agencies like DRDA as the state level agency with the purchase and distribution of the raw materials and items required for units of similar nature established under SGSY.

37. Regarding the grading of groups assisted under SGSY, the Committee realises that no segregation of groups in accordance with grading was made. In the current pattern groups which have already crossed the first and second grades were also included in all grades resulting in a projected statistics. The Committee recommends that separate list should be kept for each grade and the groups which had secured higher grades should be excluded from the list of lower grade.

38. The Committee views that the present system of forming groups should be restructured on the basis of activity and aptitude and credit operations should be dealt with a larger group operating in micro credit and savings. The action taken in this regard should be intimated to the Committee.

39. The Committee opines that instances of multiple membership should be viewed seriously. The defaulters of a particular group under a scheme tend to form separate group under another scheme. The Committee recommends that in order to curb such tendency all the enterprise should be integrated and brought under Rural Development Department and the SHGs should have a common structure from which one could graduate into an economic activity.

40. The Committee notices that besides the reluctance on the part of Banks, in involving with the programme, deficiency in Government fund also lags the sanctioning of assistance under the scheme. The Committee urges the department to ensure the participation of Banks in a better way and to take necessary steps to have adequate fund for the scheme.

41. The Committee desires to be furnished with the detailed number of the production-cum-training centre functioning in the State under SGSY and their present position.

42. The Committee also desires to be furnished the present status of all the defunct units started under SGSY including those mentioned in the Audit report.

43. The Committee understands that there is no effective monitoring system of SGSY programme and that state level meeting of the Committee of Swarnajayanthi Gram Swarosgar Yojana has not been conducted since its inception 4 years back. During the examination of Audit para, the Committee was informed that the State Level Review Committee chaired by the Minister for Local Self Government and the State Level Banker Committee was convened every month. The Committee urges the department to change the guidelines regarding the convening of meeting to once in two months as it creates much difficulty for Bankers to attend the meeting twice a month.

44. The Committee observes that though a lot of time is being spent for the integration of SGSY with local level planning, the two tends to function as two separate schemes and the divergence is increasing. The Committee, therefore, recommends that the SGSY should be integrated with local level planning process and the various programme implemented through the Local Self Governments should be integrated.

45. The Committee recommends that the impact assessment and review of the scheme be conducted by the Department or by external institutions and at the time of review the present status of the assets created under the scheme, the kind of functioning and grading of the enterprises taken up by beneficiaries under the scheme should also be taken into consideration.

ARYADAN MUHAMMED,

Thiruvananthapuram,
10th July, 2007.

*Chairman,
Committee on Public Accounts.*

APPENDIX I

SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department Concerned</i>	<i>Conclusions/Recommendations</i>
(1)	(2)	(3)	(4)
1	28	Local Self Govt. (Rural Development)	The Committee understands that the Swarnajayanthi Gram Swarozgar Yojana launched in 1999, is a holistic programme covering all aspects of self-employment such as organising of the poor into Self Help Groups, providing training, credit, technology, infrastructure and marketing with the objective of bringing assisted families (Swarozgaris) above poverty line in three years by providing them income generating assets through a mix of Bank Credit and Government subsidy. The Committee points that at present the State Government gave much importance to micro enterprise development and the local bodies were preparing plans for those schemes in SGSY. In this programme assistance is provided through a mix of Government subsidy and bank loan and it is 75% Centrally Sponsored Programme.
2	29	„	The Committee observes that in SGSY programme, assistance is given collectively to a group and if any member of the group had defaulted in any of the previous programmes like IRDP, the dues due to him will be debited at the time of allotment of the loan. The Committee opines that it is not fair to club individual loan to the Self Help Groups loan as it may affect the smooth functioning of the enterprise. The Committee urges the

(1)	(2)	(3)	(4)
			department to examine the matter and reconsider the decision to debit the outstanding loans availed by the beneficiaries in other schemes and to take necessary steps to avoid such a situation the steps taken in this regard should be furnished to the Committee.
3	30	Local Self Govt. (Rural Development)	The Committee observes that as per the guidelines, 50% of the participants must be SC/ST. But in our state it is only 31%. The Committee disagrees with the contention of the department that people belonging to that category are reluctant to form groups and in many cases the groups formed by them did not show enough potential for fruitful economic activity. The Committee opines that as they live in close habitats and have much higher kinship, it will not be a herculean task to form groups among them. The Committee, therefore, urges the department to ensure their participation as envisaged in the guidelines.
4	31	„	The Committee urges the department to examine whether there is any lapse on the part of the Block Development Officers in setting up of supportive infrastructure. Detailed report should be furnished.
5	32	„	The Committee understands that though there were sufficient funds, the department is reluctant to impart skill training. Most of the blocks think that their responsibility is over once the financial assistance is released. The Committee opines that while implementing a scheme, all aspects should be covered as envisaged. The Committee urges the department to identify and rectify the shortcomings on its part while implementing SGSY and to conduct a review of the scheme urgently.

(1)	(2)	(3)	(4)
6	33	Local Self Govt. (Rural Development)	<p>The Committee observes that the present instruction in the Government of India guidelines with regard to planning did not have any specific directions on Block Level perspective plans or physical targets. At present achievement was monitored on the basis of fund utilisation. The Committee opined that there should be an input output ratio. The Committee opines that it would be difficult to monitor the scheme unless physical targets with regard to the assisted units other than group forming are fixed. So the Committee urges the department to furnish the following details regarding the functioning and achievement of the scheme at the earliest.</p> <ul style="list-style-type: none"> (a) the number of poor people benefited; (b) the number of job days created; (c) the additional income generated from the investment made under the scheme; (d) category wise list regarding the present position of the units as to whether they were functioning, dormant or defunct.
7	34	,,	<p>The Committee comes to know that even though the BPL list has been finalised based on the survey conducted by the Planning Board, the list could not be published until the judgement of the Hon'ble Supreme Court is pronounced. Besides, Government of India had put a cap of Rs.10.25 lakh as cut off point for the purpose of beneficiaries under SGSY. If that direction is followed, many of the people included in the previous list would be eliminated from the list. The Committee opines that as far as Kerala is concerned it is not proper to cap the number of BPL families to a fixed number for the technical purpose of Rural</p>

(1)	(2)	(3)	(4)
			Development as the BPL card is a passport to other facilities like free ration, free medical amenities etc. The Committee urges the department to take up the matter with Government of India so that a lenient view is adopted by Government of India in the matter. The present position in this regard may be informed to the Committee.
8	35	Local Self Govt. (Rural Development)	The Committee makes out that no market survey was conducted to identify the key activities for want of expert hands and fund. The Committee recommends that key activities should be identified and mapped and categorised in a systematic regional pattern.
9	36	„	The Committee opines that the projects for which aid is granted and the projects started under the scheme are different. The Committee urges the department to conduct a state level re-check or review on all the aspects of actual projects, nature of each project etc. and to impart skill training based on the projects preferably in the district level. The Committee wants the department to look into the feasibility of entrusting the agencies like DRDA as the state level agency with the purchase and distribution of the raw materials and items required for units of similar nature established under SGSY.
10	37	„	Regarding the grading of groups assisted under SGSY, the Committee realises that no segregation of groups in accordance with grading was made. In the current pattern groups which have already crossed the first and second grades were also included in all grades resulting in a projected statistics. The Committee recommends that separate list should be kept for each grade and the groups which had secured higher grades should be excluded from the list of lower grade.

(1)	(2)	(3)	(4)
11	38	Local Self Govt. (Rural Development)	The Committee views that the present system of forming groups should be restructured on the basis of activity and aptitude and credit operations should be dealt with a larger group operating in micro credit and savings. The action taken in this regard should be intimated to the Committee.
12	39	„	The Committee opines that instances of multiple membership should be viewed seriously. The defaulters of a particular group under a scheme tend to form separate group under another scheme. The Committee recommends that in order to curb such tendency all the enterprise should be integrated and brought under Rural Development Department and the SHGs should have a common structure from which one could graduate into an economic activity.
13	40	„	The Committee notices that besides the reluctance on the part of Banks, in involving with the programme, deficiency in Government fund also lags the sanctioning of assistance under the scheme. The Committee urges the department to ensure the participation of Banks in a better way and to take necessary steps to have adequate fund for the scheme.
14	41	„	The Committee desires to be furnished with the detailed number of the production-cum-training centre functioning in the State under SGSY and their present position.
15	42	„	The Committee also desires to be furnished the present status of all the defunct units started under SGSY including those mentioned in the Audit report.
16	43	„	The Committee understands that there is no effective monitoring system of SGSY programme

(1)	(2)	(3)	(4)
			<p>and that state level meeting of the Committee of Swarnajayanthi Grama Swarozgar Yojana has not been conducted since its inception 4 years back. During the examination of Audit para, the Committee was informed that the State Level Review Committee chaired by the Minister for Local Self Government and the State Level Banker Committee was convened every month. The Committee urges the department to change the guidelines regarding the convening of meeting to once in two months as it creates much difficulty for Bankers to attend the meeting twice a month.</p>
17	44	Local Self Govt. (Rural Development)	<p>The Committee observes that though a lot of time is being spent for the integration of SGSY with local level planning, the two tends to function as two separate schemes and the divergence is increasing. The Committee, therefore, recommends that the SGSY should be integrated with local level planning process and the various programme implemented through the Local Self Governments should be integrated.</p>
18	45	,,	<p>The Committee recommends that the impact assessment and review of the scheme be conducted by the Department or by external institutions and at the time of review the present status of the assets created under the scheme, the kind of functioning and grading of the enterprises taken up by beneficiaries under the scheme should also be taken into consideration.</p>

APPENDIX II

**FORMAT FOR FURNISHING ACTION TAKEN NOTES ON COMPTROLLER
AND AUDITOR GENERAL'S REPORTS**

- I (a) Department : Local Self Government (Rural Development) Department
- (b) Subject/
Title of the Review/Paragraph : Swarnajayanthi Grama Swarozgar Yojana
- (c) Paragraph No. : 3
- (d) Report Number and Year : Audit Report (Civil) for the year ended 31st March 2002
- II (a) Date of receipt of the Draft Paragraph/Review in the Department.
- (b) Date of Department's Reply
- III List of Paragraph/Review : 3.1.1 Introduction
3.1.2 Organizational Setup
3.1.3 Audit Coverage
3.1.4 Funding
3.1.5 Physical & Financial performance.
3.1.6 Planning
3.1.7 Economic Assistance
3.1.8 Infrastructure Creation
3.1.9 Training & Market Support
3.1.10 Monitoring & Evaluation
3.1.11 Impact Assessment.
- IV (a) Does the Department agree with the facts and figures included in paragraph ? : There is disagreement on the following points Included in the paragraph.
(1) Para 3.1.4 : Excess Expenditure is indicated in the table during 2000-2001 and 2001-2002;

(2) Para 3.1.5 (i) : Of the total BPL families (17.24 lakhs) in the State 3.10 lakh families were targeted for coverage during 1999-02;

(3) Para 3.1.6 (ii) : The Scheme was being implemented without any clear idea about the number of BPL families to be covered under the scheme;

(4) Para 3.1.8 : According to the guidelines expenditure on infrastructure should be 20% of the total allocation;

(5) Para 3.1.8 : Full cost was met from scheme funds in violation of the guidelines and there was no contribution by the Block Panchayat/State Government.

(b) If not, please indicate the areas of disagreement and also attach copies of relevant documents in support.

The areas of disagreement are indicated below :

: (1) Para 3.1.4 : Actually there is no excess expenditure. The expenditure is within the total fund available. This is due to the

variations in miscellaneous receipts. The correct figures of miscellaneous receipts including interest are indicated against the reply to para 3.14

(2) Para 3.1.5 (i) : The guide lines provides that the effort under SGSY is to cover 30 % of the poor in each Block in the next five years. But this is only a broad estimate regarding Coverage of target groups for the preparation of plans and not a specific target. In the review report, a target of 3.10 lakhs families is worked out on the assumption that 30 % is a firm physical target;

(3) Para 3.1.6 (ii) : By conducting the BPL Census as per Government of India guidelines 17.23 lakh BPL families were indentified . So the observation that

the scheme was being implemented without any clear idea about the number of BPL families to be covered under the scheme is disagreed;

(4) The 20% prescribed in the guidelines is not a mandatory provision. It is only an upper ceiling.

(5) The guidelines do not insist that there should be contributions from State Government/Block Panchayat for infrastructure projects.

V (a) Does the Department agree with the Audit conclusions :

(b) If not, please indicate specific areas of disagreement with reasons for disagreement and also attach of relevant documents, where necessary ? :

The Audit does not give any specific conclusion.

VI Remedial Action Taken

1. Improvement in system and procedures including internal controls

- (1) Central allocation of SGSY for the years 2001-02, 2002-03 and 2003-04 was availed in full.
- (2) More than 90% of the available funds were utilized during 2001-02, 2002-03 and 2003-04.
- (3) The programme is being implement giving greater focus to Group approach and majority of the funding is now being utilized for SHGs.
- (4) Greater thrust is being given to capacity building of the groups to empower the groups to take up economic activities on a sustainable basis.

- (5) The viability of the activity and the suitability of the activity to the SHG/individual is considered in detail by the Block and the Bank before sanctioning assistance.
2. Recovery of overpayment pointed out by audit : Nil
3. Recovery of under assessment, short levy or other : Nil
dues
4. Modifications in the scheme and programmes : Government of
including financing pattern India, Ministry of
Rural Development
have effected
some amendments
to the guidelines
of SGSY.

3.1.1 Introduction

Swarnajayanthi Grama Swarozgar Yojana (SGSY) launched by 'Government of India [GOI] from 1 April 1999 restructuring all the erstwhile self-employment programmes is a holistic programme covering all aspects of self-employment such as organizing of the poor into Self-Help Groups (SHG), providing training, credit, technology, Infrastructure and marketing with the objective of bringing assisted families (Swarozgaris) above the poverty line in three years by providing them income generating assets through a mix of bank credit and Government subsidy. Funds under the SGSY was to be shared by Central and State Governments in the ratio of 75:25.

The Scheme aimed at covering 30 per cent of the BPL families by engaging them in gainful self-employment projects as individuals and Self Help Groups (SHG) to earn a net monthly surplus income of Rs. 2000 per family and thereby cross the poverty line at the end of the third year. Fifty per cent of the individuals and the

Though SGSY has been launched with effect from April, 1999, the guidelines of the programme was received from Government of India only during June 1999. Immediately on receipt of the guidelines, copies of the guidelines along with that of JGSY and RCRSP were made available to all Blocks through SIRD, Kottarakkara

A sensitization training on SGSY for State level Officers were given at NIRD, Hyderabad during June 1999. Followed by this, sensitization trainings were held for District Level Officers and lead District Managers at SIRD, Kottarakkara. Similar training programmes were also conducted for Block Panchayat Presidents and Secretaries at Thiruvananthapuram

members of the groups assisted were to be SC/ST, 40 per cent women and 3 per cent physically handicapped. At the instance of the State Government, GOI ordered (September 1999) that the existing DWCRA units comprising of non-BPL families also be considered for group assistance during 1999-2000. The scheme was implemented in the State from October 1999 due to delay in issue of detailed instruction and guidelines by the State Government.

during August 1999. Two rounds of State level workshops were conducted for preparing a working instructions, on the basis of the guidelines issued by Government of India. The draft guidelines prepared were discussed with Senior Officers of banks and line Department. After taking into account, the suggestions that came up during discussions, Government has as per G.O(MS)187/99/LSGD, dated, 1-10-1999 issued working instructions for implementing the programme.

Though, the working instructions of the State Government was issued only on October 2002, sensitisation programme for functionaries at different levels on concepts, approaches and provisions of the new programme were held prior to the issue of the working instructions. At the field level, preliminary tasks for identifying key activities were also done prior to issue of the working guidelines by the State Government. As SGSY was a new programme, proper training and sensitization of the programme was a pre-condition for the implementation of the programme. Therefore the conclusion that the scheme was implemented in the state from October 1999 due to the delay in the issue of detailed instructions is not correct.

3.1.2. Organizational set up

The scheme was implemented in 14 DRDAs through 152 Blocks/Block Panchayats, and 991 Grama Panchayats headed by Project Officers, BDOs/Block Panchayat Committees and Grama Panchayat Committees respectively under the overall supervision of the Commissioner of Rural Development (CRD). Secretary, Local Self Government (Rural) Department was responsible for implementation of the scheme.

3.1.3. Audit coverage

The review was conducted by test check of records of the Commissioner of Rural Development (CRD), Thiruvananthapuram. 5 DRDAs, 18 Blocks and 36 Panchayats during January-May 2002 covering the period 1999-2002.

3.1.4. Funding

- (i) The details of funds for the scheme were as under:

(Rupees in crore)

Year	Opening balance	Funds received		Total funds available	Expenditure	Closing balance
		Central State	Miscellaneous Receipts			
(1)	(2)	(3)		(4)	(5)	(6)
1999-00	15.38	20.83	6.95	43.94	25.07	18.87
		0.78				

- (i) *Receipt of funds:*

Actually there is no excess expenditure due to the variations in miscellaneous receipts including interest for the year 1999-2000 and 2000-2001. The correct figures are furnished below:

SGSY—Receipt of funds

(1)	(2)	(3)		(4)	(5)	(6)
2000-01	18.87	9.20	3.06	34.13	34.89	(-)0.76
		3.00				
2001-02	(-)0.76	10.40	3.46	16.82	19.99	(-)3.17
		3.72				
Total		40.43	13.47	76.78	79.95	
		7.50				

The explanation of the CRD as to how excess expenditure was incurred was not furnished as of December 2002. Total expenditure incurred in 5 test checked districts was Rs. 30.24 crore.

Though scheme funds were to be deposited in separate bank accounts the District Collectors transferred the State Share of SGSY funds to the Treasury Public Accounts of DRDA till December 2001. In 5 test checked DRDAs State Share was brought to the scheme accounts after a delay of 2 to 24 months due to treasury restrictions.

(Rs. In crores)

Year	Balance at the Beginning	Funds Recived			Total Funds Available	Expenditure	Balance at the end of
		Central	State	Miscellaneous Receipts			
1999-2000	15.38	20.83	6.95	3.58	46.74	25.07	21.67
2000-2001	21.67	9.20	3.06	4.99	38.92	34.89	4.03
2001-2002	4.03	10.40	3.46	3.72	21.61	19.99	1.62
Total	41.08	40.43	13.47	12.29	107.27	79.95	27.32

As per the Government of India guidelines, the Central Share as well as the State Share should be deposited in bank Accounts. The Central Share is being received by DRDAs through Telegraphic money transfer to the respective Bank Accounts of the DRDAs. The Central Share so received have been kept in Bank Accounts only.

In the case of State Share, as DRDA is a society registered under the Charitable societies Act and as Project Officer, DRDA is not a Drawing and Disbursing Officer, the District Collectors are being authorised by the Commissioner for Rural Development to draw and transfer credit the matching State Share corresponding to the Central Share released, to the T. P. Account of the DRDAs. Normally the matching State Share is transfer credited to the T.P. Account of the DRDA without delay. However, due to the restrictions in treasury payments there has been delay in transferring these funds from T.P Accounts to bank Accounts. But during March 2001 and March 2002, to ensure the flow of funds, clearance from the State Finance Department was obtained for withdrawing the funds of Centrally Sponsored Scheme from T. P. Accounts. So the implementation of the programme have not been affected in any way due to this. In view of the delay in transferring fund from T.P accounts, from the year 2002-03 onwards the District Collector's have been directed to draw and disburse the State Share due by way of Demand Draft to the DRDAs. The State Share due to the programme are now being drawn and disbursed to the DRDAs by way of Demand Draft.

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(ii) The requirement of funds for covering 3.10 lakhs BPL families worked out to Rs. 236.58 crore. However, the total funds (Central and State share) allocated was Rs. 65.92 crore. During 1999-2002 GOI released only Rs. 40.43 crore (out of the allocation of Rs. 49.44 crore) due to slow

Among the Salient features of SGSY indicated in the preamble of the guidelines it was inter alia indicated that the effort under SGSY is to cover 30% of the poor in each block in next five years through an efficient programme. But this is subject to availability of funds:

pace of spending and delay in submission of proper utilization certificates by the DRDAs. Also no additional funds were released, as GOI adopted BPL figures of National Sample Survey Organization (NSSO) for determining the incidence of poverty in the State for allocation of funds.

as have been indicated in para 1.4 of the guidelines. In para 9.1 of the guidelines of SGSY it is stipulated that the Central Allocation earmarked for the States will be distributed in relation to the incidence of poverty in the State. Government of India is following the National Sample Survey Organisation (NSSO) survey figures regarding the number of persons Below Poverty Line in determining the incidence of poverty and for the allocation of funds to the states. Though, it is theoretically correct to say that 3.10 lakh Below Poverty Line families should have been covered under the scheme upto March 2002, it was doubtful whether the Government of India had sufficient budgetary provision to cover 18% of the total BPL families of the country. Besides, it is also doubtful as to whether it would have been possible to mobilize adequate credit from Banks to assist this much families.

The Central Allocation for the period from 1999-2000 to 2001-2002 was Rs. 4943.82 lakhs and the Central release is Rs. 4042.52 lakhs. The shortfall in Central release is Rs. 901.30 lakhs. This is mainly due to the deductions by Government of India, during 2000-2001 on account of excess carry over balance of funds.

As per Government of India guidelines, the opening balance of the DRDA should not exceed 15% of the allocation of the year in which funds are being released.

Due to heavy opening balance during 1999-2000 in respect of 6 merged schemes, particularly that of Ganga Kalyan Yojana (GKY), which have not been implemented in the state and due to the preparatory time taken for switching over to the new scheme, the total funds available have not been fully utilised during 1999-2000. This led to carryover balance as on 1-4-2000 in excess of the 15% of the allocation of 2000-2001. Though Government of India was requested to release the funds in relaxation of the provision in the guidelines relating to carry over balance, in view of the fact that the carry over balance was pertaining to the 1st year of implementation, Government of India had not conceded to the request.

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Para 9.1 of SGSY provides that the Central allocation earmarked for the States will be distributed in relation to the incidence of poverty in the states. However, additional parameters like absorption capacity (based on past trend in utilization of SGSY funds) and special requirement will also be taken into consideration during the course of the year. Additional funds were requested from Government of India hoping that Government of India will consider the request in view of the good progress of implementation during 2000-2001 and 2001-2002.

812/2007. 3.1.5. Physical and financial performance

(i) The year-wise details of physical targets and achievements of the programme during 1999-2002 are given below :

year	Targets		Achievement		(Population)					
					Of the achievement coverage under					
					Scheduled Caste/ Scheduled Tribe		Women		Physically handicapped	
	State	Sample districts	State	Sample districts	State	Sample districts	State	Sample districts	State	Sample districts
1999-2000	1.03	0.52	0.29	0.12	0.09	0.03	0.15	0.06	345	141
2000-01	1.03	0.52	0.38	0.18	0.11	0.04	0.21	0.09	394	194
2001-02	1.01	0.51	0.22	0.08	0.08	0.03	0.14	0.06	224	86
Total	3.10	1.55	0.89	0.38	0.28	0.10	0.50	0.21	963	421

The estimation of poverty is done by the Planning Commission based on Quinquennial Consumer Expenditure survey conducted by the National Sample Survey Organisation (NSSO). The actual identification of the Rural Poor for targeting them under Poverty alleviation programmes is done by the State through Below Poverty Line census, done through door-to-door survey with hundred per-cent coverage. As the methodology adopted in the case NSSO is sample Survey and that for identification of Rural poor is census method, the figures are no reconcilable.

During the year (2002-2003) proposals for enhancing the allocation commensurating with the 20 of BPL families in the State was submitted to the Government of India. But Government of India as per their letter No. 17013/11/2002-SGSY III, dated, 12-8-2002 have informed that SGSY is an allocation based programme under which the Central allocation earmarked for the scheme are further distributed to the States on the basis of poverty ratio indicated by the planning commission. They have also informed that the clause regarding 30% BPL families in each Block under the scheme has been deleted in the amended guidelines of the SGSY as this coverage would depend on availability and flow of funds to the states. A copy of the Government of India's Letter No. 17013/11/2002 Dated 12-8-2002 is given as Annexure- I.

Coverage of targeted families was only 29 per cent

Of the Total BPL families (17.24 lakh) in the State 3.10 lakh families were targeted for coverage during 1999-02. Achievement was, however, only 29 per cent (0.89 lakh) of the target fixed and 5 per cent of total BPL families. Position in sample districts was worse, achievement being 0.38 lakh (25 per cent) out of the target of 1.55 lakh.

Coverage of SC/ST Families was still lower

Of the assisted families, percentage of coverage in respect of SC/ST and physically handicapped were only 31 and 1 respectively against 50 per cent and 3 per cent envisaged in the guidelines. On the other hand 57 per cent of the beneficiaries were women though guidelines prescribed only 40 per cent. Poor achievement of overall targets was mainly due to inadequacy of funds released for the scheme. The low coverage of SC/ST was due to the fact that of the total BPL families, only 22 per cent were SC/ST families, inadequate number of applicants with no outstanding liabilities of banks and coverage to SC/ST families under other similar schemes. The CRD stated (June 2002), the Banks were not willing to give loans to SC/ST families as most of them were chronic defaulters in earlier schemes.

The SGSY guidelines provide that the effort under SGSY is to cover 30% of the poor in each block in the next five years. But this is only a broad estimate regarding coverage of target groups for the preparation of Plans and not a specific target. The audit has notionally worked out physical target of 3.10 lakh families on the assumption that 18% of the total No. of 17.24 lakhs BPL families is the firm physical target for the period. As the estimated coverage can be achieved subject to availability of funds and as the allocation made by Government of India during the period was not adequate to achieve this, it is not realistic to fix the target for the period as 3.10 lakh families.

Government of India have amended para 1.4 of the SGSY Guidelines. In the amended guidelines, the provision in the original guidelines that the effort should be to see that broadly 30% of the rural poor in the block are covered in the next five years have been omitted. The amendment of the original provision regarding coverage of 30 % if the Rural poor was made to make the guidelines more realistic.

Extract of the original provisions in the guidelines and amended provisions are given as Annexure-II From the inception of IRDP till 98-99, 5,18,409. SC/ STs were given assistance under IRDP nearly

Reports to GOI were inflated as funds released by DRDAs to Blocks were treated as final expenditure

(ii) As per progress reports furnished to GOI, fund released by DRDAs to the Blocks were shown as expenditure. This was incorrect. Scrutiny also revealed that no fund was released by the DRDAs to 7 blocks in Ernakulam and Kottayam Districts during 1999-2000. Rs. 9.72 lakh released during 2000-02 to 6 Blocks in these District remained unspent as of March 2002 through the entire amount was reported as final expenditure.

3.1.6 Planning

(i) Except Annual Plans of DRDAs, no annual block plans or five year perspective plans were prepared for implementation of the scheme in the test checked districts. No physical targets were fixed by the State Government for DRDAs except for formation of SHGs.

covering 100% eligible SC/STs. Though there is a provision for extending further loan to inadequately assisted families under IRDP, as most of these families are chronic defaulters, Banks are not willing to extend assistance to them. The progress of coverage of SC/ST is being reviewed in the monthly conference of Project officers separately. Special efforts are being taken to make up the shortfall by organising Self Help Groups (SHGs) in SC/ST habitats and by selecting eligible SC/STs, who would be able to avail the benefits of the programme.

The funds meant for disbursement as subsidy are kept in Savings Bankings of the participating banks. The subsidy due to the project is debited from the Principals Banks account at the time of disbursement. The accounts of the Principal Banks is reconciled and the Bank reconciliation statement is certified by Chartered Accountant.

Funds are released to Blocks only for meeting other components such as revolving fund, infrastructure development and training. The Seven Blocks referred in the para had not forwarded specific proposals for these components and therefore the DRDA had not released any funds to these Blocks. But, bank loan and subsidy for economic activities were provided to Swarozgaries in these 7 Blocks.

The amount transferred to Blocks were based on the project proposals submitted to the DRDAs which were duly approved by the District Level SGSY committee and District Planning Committee. The funds were released to Blocks as the projects were ripe for implementation. The concerned Blocks had reported the funds received as utilized in the monthly report at the end of the financial year and accordingly this was booked as final expenditure. The unspent balance has since been utilized.

Annual Action Plans are prepared by all Blocks panchayats. The annual plans of DRDAs are based on the annual action plans of the Blocks. The guidelines of SGSY do not specifically indicate that there should be a separate five years perspective plan. The key activities were identified and the project reports for each key activity were prepared with a five years perspective. The No. of Swarozgaries that could be covered under each key activity was specified in the project report of each key activity prepared. No physical target was fixed at the State level as it is not prescribed the guidelines.

Identification of BPL families was inconclusive

(ii) Base on GOI guidelines (April 1997 & September 1997) BPL census figures were finalized by State Government in July 1999. However, fresh applications for inclusion of names in the BPL list were allowed by the State Government upto 15 November 2001. Though the CRD instructed (January 2002) the PRDAs to complete the census and publish the draft list before January 2002, the work had not been completed as of June 2002. Thus the list published as per survey finalized in July 1999 was inconclusive. The was attributedte large number of fresh applications (5.49 lakh) received on November 2001 for inclusion in the list and 2779 objections filed again inclusion of fresh names. Scrutiny revealed that out of 41.659 fresh applications received in 12 Blocks in 5 sample districts, 25,481 applications were pending scrutiny by the Panchayat sub committees as of May 2002. The scheme was being implemented without any clear idea about the number of BPL families to be covered under the scheme.

In the BPL census conducted during the year 1992 and in 1984, the 'income route' was used for defining BPL households in contrast to the "expenditure route" adopted by the Planning Commission for estimating poverty. The "income criteria" suffers from under reporting of income by respondents with a view to getting governmental assistance. The Ministry of Rural Development instructed that the BPL Census of 1997 should be estimated in terms of expenditure of the household, as it is expected that savings of the poor households are generally 'nil' and the total expenditure is often the same as total income. The schedule prepared for conducting the survey had two parts i.e., part A and part B covering all the rural households and was designed for quick assessment. It contained five 'exclusion criteria'.

If the household fulfilled any of the criteria in part A of BPL schedule, it would be excluded from the BPL category and the Surveyor would not proceed to part B of the Schedule in that case. Only in the case of those households that do not fulfil even one of the five criteria laid down in Part A, would the Surveyor proceed to gather information in part B of the schedule. Positive response from any household for any item listed in Part A of the BPL schedule would Prima-facie mean

that such household was not poor and so part B (the detailed survey form) would not be filled up for such household.

The basic criteria defining a BPL household was the monthly per capita expenditure of the household. If the per capita household expenditure was less than the Poverty Line, (cut off limit of income adopted by Planning Commission), the household was defined as poor. Expenditure on various items would solely decide the status of the household as BPL.

The BPL census was conducted on the basis of the above methodology using the Part A and Part B schedules prescribed by Government of India. When the draft list on the basis of the data collected through B P L Census the Grama Sabhas, there were criticisms on the list mainly on the following grounds:

- (i) The exclusion criteria adopted for excluding visibly non-poor was not appropriate.
- (ii) There was over reporting of the household expenditure as the poor respondents do not keep accounts of the item-wise consumption.

To make the process of identification more transparent and participatory, claims and objections

		on the BPL list were permitted. As the No. of claims and objections received were very large, considerable time was taken for the disposal after verification. But the delay in the disposal of claims and objections have not affected the implementation of the scheme, since the Swarozgaris were selected from the list prepared and published earlier.
Project reports were prepared by inexperienced staff	<p>(iii) The project reports on key activities were to be prepared by the BDO in consultation with banks, line departments, NGOs etc. But in 4 out of the test checked DRDAs the reports were prepared by the Block officials who were not experienced for the job resulting in the following deficiencies.</p> <p>(a) The reports did not indicate the number of BPL families to be covered.</p> <p>(b) The market survey was conducted to identify the key activities.</p> <p>(c) Some project reports did not estimate the net monthly income.</p> <p>(d) Many selected activities envisaged a net monthly income of less than Rs. 2000 per family even in the third year.</p>	<p>The project reports were prepared at Block Level utilising the Services of the Line Department Officials and Bankers. The task of preparation of project reports were not out sourced as there was no clear provision in the guidelines to do so. The project reports had indications as to how many people could be covered economically in a block under a key activity. Though elaborate market Surveys had not been conducted before identification of key activities, key activities were identified in the non farm sector giving preference to those activities for which a ready market exists. Key activities were identified through a participatory process of consultation as well as through assessment of the potential of farm and non-farm activities, reviewing the performance of various activities in existence and considering the potential of farm and non farm activities. Generally the size of investment provided in the project report was taken into account for, generation of a net income of Rs. 2000 per month.</p>

In 3 districts (Alappuzha, Ernakulam and Kozhikode) involvement of banks and line departments was not on record. In Kottayam District the project reports were approved by the lead Bank Manager. Only in one sample district (Kollam) the project reports were prepared by the Agricultural Consulting and Technical Services of the Indian Bank (ACTS). However, out of 34 key activities prepared by ACTS the net income projected in respect of 19 activities was in the range of Rs. 250-1670 per month in the first year and in the fifth year it was only between Rs. 580-1830. The District/SGSY Committee had selected 17 key activities, which were not viable even in the conceptual stage. Out of 171 beneficiaries test checked in 36 Panchayats in 18 Blocks in the sample districts 57 per cent (98 beneficiaries) had not been earning the net income of Rs. 2000 per month. Of this, 24 per cent (24 beneficiaries) was getting less than Rs. 1000 per month.

However it is a fact that some selected activities by itself did not envisage a net monthly income of Rs. 2000 per family even in third year. In this connection, it is pertinent to point out that Government of India as per D.O. No.28012/16/2001-SGSY-III dated, 28-5-2002 (copy given as Annexure-III) had informed that certain amendments have been introduced in the guidelines. One of the amendment is that the economic activity taken up by the Swarozgaris should generate appreciable incremental income sustained over a period of time which will help the Swarozgaris to effectively cross poverty line.

As, Government of India have modified the provision of the guide line that the monthly income from the activity to be undertaken should not be less than Rs. 2000, net of repayment of loan the activities which had lesser monthly income could also be taken up provided the incremental income will enable the Swarozgaris to cross Poverty Line.

Special attention is being paid at the time of selecting activities to ensure that the economic activities for which assistance is extended to the Swarozgaris are such that the net incremental income generated out of the activity would enable the family of the swarozgaris to cross poverty line.

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(iv) (a) As against 33000 SHGs to be formed, the achievement was 31207. The year-wise details were as under :

<i>Year</i>	<i>Indentification of beneficiaries</i>		<i>Grading of SHGs</i>			<i>No. of (grade) Provided with Revolving Fund.</i>
	<i>SHGs (No.)</i>	<i>Individuals</i>	<i>Grade I</i>	<i>Grade II</i>	<i>Grade III</i>	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(a) State						
1999-2000	6761	24796	1286	539	440	657
2000-01	12872	29571	4790	1312	756	2394
2001-02	11574	13163	10120	2000	765	2231
Total	31207	67830	16256 (52 %)	4481 (28 %)	1961 (44 %)	5282 (32%)
(b) Sample district						
1999-2000	3716	9987	466	420	157	112
2000-01	6697	14840	1992	405	255	1048
2001-02	9182	5920	4856	951	283	1085
Total	19595	30747	7314 (37 %)	1776 (24 %)	695 (39 %)	2245 (31%)

The programme does not envisage a specific target in forming SHGs and so there was no firm target of 33000 SHGs to be formed.

Some conscious effort is needed to organise Self Help Groups (SHGs). At the field level the role of fecilitators is being played by the Village Extension Officers and Lady Village Extension Officers, Extension Officer (WW) and Extension Officer (IRD). DRDAs involving and strengthening the capacity building of the SGFs. During the stage of group formation itself, the SHGs are brought into contact with the local Banks. The Banks are also being associated in Grading the SHGs.

Out of 31,207 SHGs formed the percentage of groups graded into I, II and III was only 52.28 and 44 respectively. In the five sample districts, out of 19595 SHGs formed during 1999-2002. the corresponding percentages were 37.24 and 39 respectively. It was noticed in audit that the SHGs took 6 to 8 months for entering the second grade and 12 to 16 months for entering the third grade.

Audit observed that the role of DRDAs, Banks, line departments, NGSs etc. in the formation of groups was not on record. It was mainly the work of Village Extension Officers and IRD Officer attached to the Blocks.

(b) Major thrust was to be placed on Group approach. But the percentage of assistance in the form of subsidy released to SHGs was poor as indicated below :

(Rupees in crore)

<i>Year</i>	<i>Total subsidy released</i>	<i>SHGs</i>	<i>Individuals</i>	<i>Percentage of assistance to SHGs</i>
(1)	(2)	(3)	(4)	(5)
State				
1999-00	21.69	3.70	17.99	17
2000-01	28.10	0.83	21.27	24
2001-02	15.93	7.05	8.88	44
Total	65.72	17.58	48.14	Av. 28

As per SGSY guidelines, Group Activity will have to be given preference and progressively, majority of funding will be for Self Help Groups (SHGs). Though, the percentage of subsidy disbursed in the initial years to groups was lower than that were disbursed to individual, Swarozgaris, the Group formation process and capacity building has taken momentum in the State. The reluctance of the Groups to avail bank loan for economic

(1)	(2)	(3)	(4)	(5)
Sample district 1999-2002				
Kollam	5.22	1.12	4.10	8-51
Alappuzha	5.69	1.69	4.00	14-46
Kottayam	4.57	4.00	3.27	25-44
Ernakulam	5.02	1.07	3.95	10.46
Kozhikode	4.32	1.13	3.19	17.49
Total	24.82	6.31	18.51	Av. 17-47

This showed that contrary to the guidelines there was greater thrust on individual beneficiaries as against group approach. The CRD stated (June 2002) that the reluctance of the groups in availing bank loan for economic activities was the main reason for the relatively lower coverage and that groups in availing bank loan for economic activities was the main reason for the relatively lower coverage and that group activity was gaining momentum during 2001-02 as compared to earlier years.

Only 32 per cent of eligible SHGs were provided with revolving fund

Expenditure incurred on revolving fund was Rs. 5.28 crore (Rs. 2.25 crore Sample districts) which was about 7 per cent of the total funds (Rs.76.78 crore) as against 10 per cent required to be spent as per guidelines. The number of SHGs provided with revolving fund were 5282

activity was the main reason for the relatively lower coverage of Groups for bank loan and subsidy. Capacity building process for developing vibrant, self managed Groups have now gained momentum in the field. During 2002-2003 out of 10479 Swarozgaris assisted for economic activities 10479 were members of SHGs and only 9199 were individual Swarozgaris and during 2003-2004 out of 20062 Swarozgaris assisted for economic activities 13736 were members of SHGs and only 6326 were individual swarozgaris. During 2003-2004 out of Rs. 1564.38 lakhs disbursed as subsidy, Rs. 1052.38 lakhs (67%) was disbursed to SHGs. Greater thrust will be given for assisting SHGs in the coming years also.

The allocation of funds under the programme was inadequate to provide revolving fund to all the SHGs which had qualified 1st Grading. So the attempt was to ensure that the subsidy was provided to the loan applications sanctioned so that income generating assets are provided to the Swarozgaris rather than spending the funds thereby for revolving funds.

(sample districts) which was about 32 per cent of the SHGs eligible for revolving fund. Government stated (September 2002) that lesser was due to inadequate allocation of funds by GOLI. However, even allocated were not spent.

In this connection, it is pointed out that the percentage wise allocations shown for various items such as Training fund (10% of the allocation) SGSY infrastructure fund (20% of the allocation) are not firm earmarking which should are not interchangeable. It is also pointed out that Government of India as per letter D.O. No. 28012/16/2001-SGSY-III, dated, 28-5-2002 has informed that the fund required for training and capacity building including Basic orientation, Skill Development, Entrepreneurship development, revolving fund to SHGs and subsidy for economic activity may vary from state to state and that the DRDA may priorities the expenditure on different components based on local requirements and different stages for group formation. It has also been stipulated that the expenditure on infrastructure will not exceed 20% of the total allocation and that the asset creation for Swarozgaris is one of the core objectives of the scheme, therefore, DRDAs should given utmost importance or it and enable the Swarozgaris in acquiring income generating assets as the culmination of the whole process.

Heavy
pendency in
disposal of
applications
for assistance
by banks

3.1.7 Economic assistance

Out of 1.19 lakh applications submitted to banks for assistances,, applications (34 per cent) were pending disposal as at the end of June. In 5 sample districts the pendency ranged from 18 to 39 per cent. In 3 districts (Kollam, Alappuzha, Kozhikode) banks rejected/returned (25 per cent) out of 4035 applications because the projects were not viable and the beneficiaries were defaulters. This indicated the non-involvement of banks in the identification of key activities and selection of beneficiaries in initial stages. It was stated by the Project Officers that, the approach of the Banks and condition for production of non-liability by the beneficiary from nearby banks affected the sanctioning of loan.

During 1999-2000 and 2000-2001, Government of India had made upward revision of the allocation under the programme during the last quarter of the respective financial years. Anticipating such revision of allocations and in anticipation of additional Central Assisence, the DRDAs had forwarded loan applications in excess 30 to 40 percentage of their allocation to the Banks. The Banks had sanctioned most of these applications. But due to paucity of subsidy, the Banks couldn't disburse the loan during the financial year 2001-2002. The pending application were disbursed on receipt of the first instalment of funds during the current year (2002-2003).

Credit camps are being held prior to submitting applications to the banks. But generally, the Banks are not ready to make any firm commitment in the credit camps. Instead, the banks examines the proposals as per their Banking norms, only when the loan applications and project proposals reach them. After processing the applications, Banks reject/return loan applications, after further discussions with the parties with regard to the nature of activity to be started, collateral security to be offered, liability of the borrower or relatives to Banks etc. But the reason for such rejection is not due to the non involvement of bankers in the selection of Key activity or beneficiaries in the earlier stages.

Expenditure on infrastructure was far below the normsof, infrastructure met-scheme funds in-of GOI -

3.1.8 Infrastructure creation

According to the guidelines, expenditure on infrastructure should per cent of the total allocation. However, only 9.55 (Rs. 7.33 crore) of the total fund available (Rs. 76.78 crore) was infrastructure during 1999-2002. In the sample districts expenditure was 10 per cent (Rs. 3.24 crore). The creation of infrastructure was construction of buildings for being utilized as marketing outlets. In 3 districts, the buildings constructed in Block Office premises at Rs. 23.03 lakh had not been put to use as of June 2002.

GOI guidelines envisaged that the infrastructure created should be for the entire community rather than to the individual SHGs. Contrary to Government of India guidelines State Government ordered (October 2000) that assistance not exceed lakh would be sanctioned to SHGs for construction of production-cum-training sheds on the plot of land to be surrendered by them to-few instances are indicated below:

The percentage-wise allocations shown for various items (eg. for infrastructure 20% of the allocation) are not interchangeable. The guidelines also do not stipulate that 20% of the allocation should mandatorily be spent for infrastructure development.

The total allocation for the State for the three years was Rs. 65.92 crore. Against this 7.33 crore was spent for infrastructure development which comes to 11.1%. The guidelines provides that marketing linkages should be given priority.

The Block panchayats have been instructed to draw up projects for utilising the facilities created in the Block Office premises.

As per the SGSY guidelines, 20% of the SGSY allocation of each District will be set apart for infrastructure development. The guidelines do not specifically give an illustrative list of works to be taken up under programme infrastructure. In the case of IRDP programme infrastructure, Government of India vide letter, No.R.14018/9/93/IRD.I dated, 7-6-1994 (copy enclosed) as Annexure-IV had issued revised norms for programme infrastructure. Government of India had forwarded and illustrative list of works/activities that could be taken up under this sub- scheme. Item No. 28

(i) In 10 blocks in 3 districts, Rs.17.17 lakh was incurred 1999-2002 on construction of production-cum-training centre for 14 SHGs.

(ii) In Kottayam District Rs. 21.05 lakh was sanctioned in—10 SHGs for construction of 1 marketing centre and 9 workshed-cum-centre in excess of the ceiling of Rs. 1 lakh prescribed by State out of which Rs. 8 lakh has been released in March 2001.

(iii) In Vadavucode block in Ernakulam district two marketing/Sales Centres were constructed at Rs. 12.50 lakhs.

Though provision of infrastructure was the responsibility of the State Government and infrastructure funds under the scheme were to be utilised only as a last resort in order to fill up critical gaps in investment, full cost was met from the scheme funds in violation of the guidelines and there was no contribution by the Block Panchayats/State Government. Government stated (September 2002) that the guidelines did not specifically give an illustrative list of works to be taken up under programme infrastructure. However, the action of the Government in providing funds to individual SHGs and meeting the full project cost was not at all covered by the guidelines.

of the list is 'construction of DWCRA worksheds'. There is no explicit indication in these norms to the effect that the worksheds should be for group of DWCRA Units and should not be for individual DWCRA Units.

Availability of Government land is a pre-condition for taking up common worksheds. Government Departments other than Rural Development Department is not be prepared to give land for constructing common worksheds. The land available with Rural Development Department is mainly confined to those available at Block Headquarters and only very few common worksheds can be put up at Block Headquarters. Besides, it would benefit only those SHG's which are nearer to the Block Headquarters as Groups from far off places will not be able to travel long distances to work in these worksheds. There is no state level scheme for purchase of land for common worksheds. Free surrender of land from people for common workshed cannot be expected in view of the high cost of land in the State.

Nevertheless, there are some positive aspects that has to be considered in taking up construction of worksheds for SHG's/DWCRA groups which are indicated below:

- (i) There are DWCRA/SGSY units which are in need of worksheds, and are hiring out the required premises on rent. These units are frittering substantial amounts as rents and lease money. If worksheds are provided to such units, their margin of earnings would increase substantially.
- (ii) Even if the land required for constructing the workshed is procured by the Group, the Group may not be able to avail of Bank credit for constructing workshed, by including this item also as part of project cost, due to the disproportionate investments required. Workshed under SGSY infrastructure would be an added incentive to such groups.
- (iii) DWCRA/SGSY Group normally consists of not less than 10 members. So any benefit extended to the Group is targeting to about ten persons and not to any on individual. Workshed to the Group will be an enabling factor in creating additional income.

- (iv) Common worksheds are not a viable proposition in view of the high cost of land in the State.

It was in consideration of the above facts that Government issued G.O.(MS) No.291/2000/LSGD. dated, 21-10-2000 wherein construction of individual worksheds have also been permitted if there is no scope for taking up common worksheds, with stipulations of certain conditions that individual workshed shall be taken up only if the Group or any of the members of the Group surrenders the required land in favour of Government and that the building/workshed put up would be in the ownership of Government and that the same will be given to the DWCRA/SGSY Group for carrying out the economic activity on a nominal rent.

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- (i) The Government Order is not violative of the guidelines issued by Govrnment of India. The State Government have freedom to issue working instructions to suit the local needs and conditions of the State within the broad guidelines issued by Government of India.
- (ii) Construction of building exceeding the limit of Rs. 1 lakh was sanctioned in Kottayam District in view of the fact that

two or more SHG's will benefit these buildings as worksheds, setting outlets etc. Further sanction of these projects were accorded before the issue of the Government order by State Government limiting the expenditure to Rs. 1 lakhs.

- (iii) In Vadavucode Block at Ernakulam District two Marketing and Sales Centres were constructed as observed in the review report. But they were at a distance of 2 Kms. between each other. The outlets were constructed with the approval of Block level and District level committees. The guidelines stipulated that the provision of infrastructure is essentially the responsibility of the State Government and that recourse to SGSY infrastructure fund should be as a last report. The guidelines do not provide that for each project there should be a contribution from the Block Panchayat/ State Government. The Sales Centres were taken up for construction under SGSY, as the State Government did not have any Scheme for constructing marketing outlets.

3.1.9 Training and Market support

(a) Government spent Rs. 1.44 crore on training during 1999-2002 (Rs. 30.15 lakh in 5 sample districts) which was less than 3 per cent as against 10 per cent envisaged in the guidelines.

In the sample districts training was confined to Basic Orientation Training and skill development training was not imparted except in Alappuzha. Even the basic training was not arranged during 1999-2000 in 7 Blocks in 2 Districts (Ernakulam and Kottayam) due to non release of funds by DRDAs.

...training on development.

(b) In four test checked districts market support at DRDA/Block level was confined to the annual district melas and the functioning of District Supply and Marketing Societies (DSMS) as sales outlets of IRDP/SGSY products like garments, household appliances, food products, etc. In Erattupetta Block in Kottayam District the Block Development Officer or DRDA had not provided any marketing support to one beneficiary running a dairy unit and the unit was consequently rendered uneconomic. In Oachira Block in Kollam District the beneficiaries of dairy units could not earn any profit as the Milk Societies offered only a small

(a) As per the original guidelines of SGSY, the DRDAs are entitled to meet the expenses, incurred by the training institution for the conduct of the training programme from the SGSY training fund. But there was a stipulation that, such expenses should not exceed Rs.15 per trainee per day. Besides, no stipend was admissible to the trainees. As there was no provision to provide any allowances for meeting lodging and boarding, Swarozgaris were reluctant to go for skill upgradation training. Government of India has now enhanced the rate of payment for training as given below:

- (i) The institutional training cost may be fixed at Rs.15 per day per trainee only for imparting training, if and boarding and lodging facility is provided to the participants, and at Rs. 35 per day per trainee in case the institution provides boarding and lodging also with training.
- (ii) If the institution does not provide boarding and lodging, then the participants may be paid Rs. 25 per trainee day to meet the cost of boarding and lodging.

The provision made in the guidelines for meeting the boarding and loading has made the Skill Development training attractive to the Swarozgaris.

price for the milk products. In Edappaly Block in Ernakulam District an SHG engaged in soap making complained that in the absence of skill development training the bath soap made by them was of poor quality and another SHG engaged in food processing did not have marketability. The Block authorities had not addressed these issues.

3.1.10 *Monitoring and Evaluation*

(a) The implementation of the programme was to be monitored at State, District and Block levels by the Committees constituted at the three levels. The State level Monitoring Committee constituted in January 2000 with the Chief Secretary and the Secretary to Government. Local Self Government (Rural Development) as Chairman and Member Secretary respectively had not met even once as of June 2002.

Two State level Officer had inspected 125 Self Help Groups in 10 districts during 2001-02. But the inspection notes in respect of 104 groups (83 per cent) contained only the address of the group and names of office bearers and did not contain any observations on the viability of the activities undertaken by them. As of March 2002, the shortfall in the monthly

Now skill upgradation training is being given to the Swarozgaris in all cases in which skill upgradation is required.

Basis orientation training is now being given to all Swarozgaris to whom assistance is provided.

The Project Officer, DRDA have been given instructions to give skill upgradation training to the SHG's of Kadamakudi Panchayat engaged in Soap making.

(b) In addition to DSMS, a State level organisation Kerala Rural Development and Marketing Society (KERAMS). is also providing marketing support to Swarozgaris. In those Panchayat where the Grama Panchayat is willing to provide space, market stalls solely for SGSY entrepreneurs are also being constructed to provide opportunities for marketing.

Though it is a fact that the State level SGSY has not met even once, the guidelines for planning and implementation of the programme was framed after discussing it in the meeting of representatives of implementing banks and departments concerned. Besides, review of the progress of implementation is being done in the

meetings to be held by these Committees, was 66 per cent (District Committees) and 77 per cent (Block Committees). The Banks and the Line Departments did not attend the meetings of these committees regularly; short- fall ranged between 49 to 76 per cent.

No Schedule of monitoring was fixed and enforced in respect of officials of DRDA and blocks. But test check of work diaries of officers at various levels in the sample districts and blocks revealed that an average of 3 to 7 SGSY beneficiaries were visited by these officers monthly.

State Level Banker Committee (SLBC) meeting as a separate agenda item in which representatives of all participating Banks and Secretaries and Heads of all Line Departments are members.

The State level SGSY Committee will be convened shortly.

The findings during the inspections of State level Officers have been brought to the notice of Project Officer's and Block Development Officer's for further action. The inspection notes of these Officers will be kept as a permanent record in the commissionerate in future.

The District level and Block Level SGSY Committees were constituted as per G.O. (MS) No.187/99/LSGD, dated, 1-10-99, under which the working instructions of SGSY was issued. As per the guidelines the District level and Block Level Committees have to meet every month. As there was reduction in Officers in Banks due to VRS, full complement of Bankers were not attending these meetings regularly. So in some Districts and Blocks the SGSY Committee meetings have not been held in those months in which the DCC and BLBC meetings were held.

Instructions have been given to Project Officers and Block Development Officers to convene the meetings on monthly basis.

In para 8.6 of G.O.(MS) No.187/99/LSGD, dated, 1-10-99, Schedule of the number of units to be visited by Block level and District level officers

have been prescribed. Instructions have been issued to follow this scrupulously. Hence forth, the number of visits made by different officers will be monitored at the State level.

(b) Test-Check in the sample districts revealed the following details of asset utilization.

<i>Name of district</i>	<i>Number of blocks involved</i>	<i>Total number of assets</i>	<i>Number of assets verified</i>	<i>Number of assets misutilised</i>	<i>Number of assets perished</i>
Alappuzha	9 out of 12	Not available	381	68	1
Kollam	13 out of 13 (1999-2000)	2098	2098	34	11
Ernakulam	15 out of 15 (2000-01)	5171	4623	160	Nil
Kottayam	11 out of 11	2432	2200	36	5
Kozhikode	12 out of 12	2031	1863	29	98

The above data showed that close monitoring of the assets created by the beneficiaries was

(b) Instructions have been issued to Project Officers of DRDAs to take effective steps against the beneficiaries who have misutilised the assets created under the scheme and to deny the benefit of subsidy. Annual physical verification is being done every year as envisaged in the guidelines.

© The State Government had not arranged any evaluation studies on the implementation of the

not done by the DRDA/Block as envisaged in the GOI guidelines.

© No external or internal evaluation of the implementation of the progress was conducted by the State Government as of June 2002. Only NABARI conducted evaluation study in two blocks and 5 banks in Malappuram Dist. in November 2001.

3.1.11 *Impact assessment*

171 beneficiaries (134 individuals and 37 SHGs) were visited by the Audit team in 36 Panchayats in 18 Blocks in the 5 sample districts. As reported by the beneficiaries 70 individuals and 28 SHGs (57 per cent) could not generally net monthly income of Rs. 2000 as envisaged in the guidelines.

programme. However, the Ministry of Rural Development has arranged concurrent Evaluation of the programme through Centre for Management Development Thiruvananthapuram.

The Projects are prepared with a view to generate net monthly incremental income of Rs. 2000 as envisaged in the guidelines. When the units start functioning, the actual income in some cases are much lower due to various factors including recessionary economic conditions prevailing for the past two years. Efforts are being made for strong theming the SHGs, starting of multifaced activities intensive utilization of capacity of the units.

In regard to the case the beneficiary running Dairy unit pointed out in the report, it is stated that Erattupetta block is a hilly block with difficult terrain. Daring is selected in this block due to the ready availability of footer. But due to the peculiar geographical conditions, it is difficult to tie up every beneficiary with Milk Society. Nevertheless instructions have been given to the BDO to see that some tie up arrangements are made for marketing of the Milk so that the beneficiary gets a remunerative price.

In regard to the case of Milk Societies offering only small price pointed out in the report, it is informed that in Ochira Block, Milk Societies offered only Rs. 10 per litre. The Block Development Officer, Ochira has been instructed to see that the beneficiaries of dairy units get reasonable price for milk, by involving block panchayat in the matter.

In regard to the absence of skill development training for the soap making unit in Edappally Block, Project Officer, DRDA have been instructed to give skill upgradation training to the members of the group so that the unit could produce quality soap.

Project Officer, DRDA, Ernakulam has reported that arrangements have been made from the DSMS at Ernakulam Civil Station compound to collect the articles from the beneficiaries by sending vehicle.

ANNEXURE-I

No. 17013/11/2002-SGSY-III

GOVERNMENT OF INDIA
Ministry of Rural Development

Krishi Bhavan, New Delhi

Dated the 31st July 2002

Shri Ram Singh
Principal Secretary
Local Self Government (RD PA) Department
Government of Kerala
Thiruvananthapuram

*Subject :—*Enhancement of allocation under SGSY

Sir,

I am directed to refer to your letter No. 7360/PA3/2002/LSGD dated 22nd July 2002 on the above mentioned subject and to say that the Swarnajayanti Gram Swarozgar Yojana (SGSY) is an allocation based Programme under which the central allocation earmarked for the scheme are further distributed to the States on the basis of poverty ratio indicated by the Planning Commission. Accordingly, the Central allocation for the current financial year (2002-03) for DRDAs in your State under the SGSY has been fixed at Rs. 1039.63 lakhs. After claiming both instalments during the year if DRDAs are able to utilise more than 80% of the total available funds, proposals for additional release could be sent to the ministry for consideration.

Further, I would like to inform that the clause regarding coverage of 30% BPL families in each Block under the Scheme has been deleted in the amended guidelines of the SGSY (which was communicated vide this ministry's letter number 28012/16/2001-SGSY III dated 6th June 2002) as this coverage would depend on availability and flow of funds to the States.

Yours faithfully,

(Chiranjiv Choudhary)

Dy. Adviser (SGSY)

812/2007.

ANNEXURE-II

<i>Original Provisions in the Guidoiines</i>	<i>Amounted Provisions</i>
(1)	(2)
<p>Para 1.1 : The objective of Swarnajayanti Gram Swarozgar Yojana is to bring every assisted family above the poverty line within three years, through provision of micro-enterprise. Quite often, one finds that even when a perosn is brought above the poverty line during a plan period, his /her income may again fall below the poverty line in the next plan period. The poverty line in the VIII Plan Period was Rs. 11,000 per annum and during the IX Plan, the poverty line varies in different States and ranges from Rs. 13,000 to Rs. 19,650 per annum. It is probable that in the next plan period the poverty line will be about Rs. 22,000 to Rs. 24,000 per annum. It must be ensured that the income of the Swarozgari under SGSY is such that the family income is above the probable poverty line of next plan period. To be on the safer side, therefore, the monthly income from the activity to be undertaken should not be less than Rs. 2000, net of repayment to the bank loan. This may not always come in the first year itself. As indicated, the objective is to see that the assisted family comes above the poverty line in three years. Therefore, the selection of the activities should be such that it would afford the Swarozgaris an opportunity to expand his asset and skill base in three years and at least in the third year, the net income should be more than Rs. 2,000 per month.</p>	<p>Para 1.1 : The objective of the Swarnajayanti Gram Swarozgar Yojana (SGSY) is to bring the assisted poor families (Swarozgaries) above the Poverty Line by ensuring appreciable sustained level of income over a period of time. This objective is to be achieved by inter alia organising the rural poor into Self Help Groups (SHGs) through the process of social mobilisation, their training and capacity building and provision of income generating assets. The SHG approach helps the poor to build their self-confidence through community action. Interactions in group meetings and collective decision making enables them in indentification and prioritization of their needs and resources. This process would ultimately lead to the strengthening and socio-economic empowerment of the rural poor as well as improve their collective bargaining power.</p> <p>The proverty line varies from State to State. As per the latest (1999-2000) estimates of the Planning Commission, the poverty line in terms of per capita consumption expenditure per month in the rural areas varies from Rs. 262.94 in Andhra Pradesh to Rs. 367.45 in Himachal Pradesh. The State specific, Poverty lines (1999-2000) in terms of per capita expenditure per month is furnished in the Annexure-I</p>

(1)	(2)
<p>Para 1.4 : The choice of key activities should not be an arbitrary or an adhoc decision but should be a carefully thought out process. The Block SGSY committee has a very important role to play in it. For identifying the key acitivities that can be taken up in the next five years, the committee should ensure that this selection takes place through participative process. Firstly, the effort should be to see that broadly 30 % of the rural poor in the block are covered in the next five years (This of course would be subject to availability of funds but this number may be kept in view for the purpose of preparation of plans). For this a profile of the poor families, as reflected in the BPL Census will be important. There will be poor families with assets, such as land. Efforts should be made to see that those having a minimum extent of land are enabled to cross the poverty line by making additional investment on their lands, such as wells or other irrigation facilities, pump sets etc. The Block SGSY committee should analyse the potential for farm activities. Care must be taken to see that they have access to short term credit and other inputs. The next category is of those who may have an inherent skill. These would primarily be the rural artisans who from a significant segment of the rural society. Under SGSY, the rural artisans should be covered in a significant manner. Another category would be the</p>	<p>Para 1.4 : The choice of key activities should not be and arbitrary or an adhoc decision but should be a carefully thought out process.The Block SGSY committee has a very important role to play in it. For identifying the key activities that can be taken up, the committee should ensure that this selection takes place through a participative process. For selection of key activities, a profile of the poor families, as reflected in the BPL Census should be analysed. There will be poor families with assets, such as land. Efforts should be made to see that those having a minimum extent of land are enabled to cross the poverty line by making additional investment on their lands, such as wells or other irrigation facilities, pump sets etc,. The experience over the years as well as Evaluation Studies have shown that investments on land based activities have resulted in generation of income on a more sustainable basis. The Block SGSY committee should therefore, analyse the potential for farm activities on priority. Care must be taken to see that they also have access to short term credit and other inputs required in the farm sector to supplement the efforts under the Scheme. The next priority may be given to those who have an inherent skill. These would primarily be the rural artisans who form a significant segment of the rural society. Under the SGSY, rural artisans should be covered in a significant manner. Another</p>

(1)	(2)
<p>unemployed educated youth. A number of them would have been trained in the recent years under TRYSEM. An inventory may be taken of such people to find out which activities are best suited for the area.</p>	<p>category would be the unemployed educated youth. A number of them would have been trained under the erstwhile TRYSEM Programme. An inventory may be taken of such people to find out which activities are best suited for the area. Generally, the people who are asset-less and skill-less are poorest of poor and get left out under the Programme. Such category of people may require small doses of multiple credit over a period of time coupled with emphasis on awareness creation, training and capacity building. The activities which are easier to handle and marketable could be identified for such category of people to ensure sustainable income, so that they do not fall into debt trap.</p>
<p>Para 1.11 : The District SGSY committee will receive the block-wise proposals and will vet them. The committee will select not more than 4-5 activities per block. In doing so, the District SGSY committee will ensure that the infrastructure already available in the district—in terms of production, service, training facilities as well as market are utilised and that the choice of activity does not require a new effort in all directions—production as well as marketing. In other words, at least some of the key elements of the economic chain of the selected activity should be present and it is only the missing link that needs to be provided. Secondly, in choosing the activities, the district level committee will also</p>	<p>Para 1.11 : The District SGSY committee will receive the block-wise proposals and will vet them. The committee will select about 10 activities per block. However, focus should be on 4-5 key activities which are indentified for training and microenterprise development in a cluster approach for larger number of Groups. In the process, scope for other Potential activities should not be excluded. In doing so, the district SGSY committee will ensure that the infrastructure already available in the district—in terms of production, service, training facilities as well as market are utilised and that the choice of activity does not require a new effort in all directions—production as well as marketing. In other words, at least some</p>

(1)	(2)
<p>ensure that Swarozgaris taking up the activity can realise the minimum income of Rs. 2,000 per month, after repayment of the bank loan. The Committee will ensure that the views of the line departments are taken into consideration so that the line departments have a commitment to the key activity being taken up in the respective blocks.</p>	<p>of the key elements of the economic chain of the selected activity should be present and it is only the missing link that needs to be provided. Secondly, in choosing the activities, the district level committee will also ensure that Swarozgaris taking up the activity can realise appreciable incremental income sustained over a period of time which will help them to effectively cross the Poverty Line. DRDAs may ensure that the anticipated income as stipulated in the project is realised during the project period in order to enable the Swarozgaries to cross the Poverty. Generally, one time assistance/credit injection might not help the Swrozgaries to cross the poverty line. Therefore, multiple doses of credit would be necessary which should be ensured through continuous monitoring and follow up. The Committee will ensure that the views of Line Departments are taken into consideration so that the Line Departments have a commitment to the key activity being taken up into the respective blocks and provide required services to the Swarozgaries.</p>

ANNEXURE-III

Smt. Asha Swarup
Joint Secretary (SGSY),
Tel :338 3553
Fax :3388207

Ministry of Rural Development,
Dept. of Rural Development
Government of India
Krishi Bhavan, New Delhi-110001

D.O. No. 28012/16/2001-SGSY-III

28th May, 2002

Dear Shri Ram Singh,

Please refer to the recommendations of National Conference on the “SHG Movement and the SGSY”, held last year. Report of the Working Group on Poverty Alleviation for the Tenth Five year Plan and feedback/suggestions from the States/U.Ts on implementation of the SGSY, Programme. Certain amendments have been introduced in relevant portions of the Guidelines of the SGSY to make the programme effective in the field. The gist of amendments are as under:

Number of Key Activities.— The number of key activities selected in a block should not ordinarily exceed 10. However, focus should be on 4-5 key activities which are identified for training and micro enterprise development in a cluster approach for larger number of groups with desired backward and forward linkages.

Income from the Economic Activity.— The economic activity taken up by the Swarozgaris should generate appreciable incremental income, sustained over a period of time which will help the Swarozgaris to effectively cross the poverty line. DRDAs may ensure that the anticipated income as stipulated in the Project is realised during the project period.

Size of the Self Help Group.— A Self Help Group (SHG) may generally consist of 10-20 persons. However, in difficult areas like deserts, hills and areas with scattered and sparse population and in case of minor irrigation and disabled persons, this number may be from 5-20. The difficult areas have to be identified by the State level SGSY Committee.

Composition of the Self Help Group.— Generally all members of the group should belong to families below the poverty line. However if necessary, a maximum of 20% and in exceptional cases, where essentially required, upto a maximum of 30% of the members in a Group may be from families marginally above the poverty line living contiguously with BPL families and if they are acceptable to BPL members of the Group. The APL members of the Group will not be eligible for subsidy under the Scheme and shall not become office bearers (Group leader, assistant group leader or treasurer) of the Group. The BPL families must actively participate in the management and decision making which should not be entirely in the hands of APL families.

In case of disabled persons a group may comprise of persons with diverse disabilities or group may comprise of both disabled and non-disabled persons below the poverty line

Provision for utilising the services of Animators/Community Coordinators.— DRDAs may support NGOs or Community Based Organisations (CBOs) or network of Community Coordinators/Animators or a team of dedicated functionaries of the Government in the task of initiating and sustaining the group development process, The Community Coordinators/Animators could preferably be from the community or in some cases, may be from outside the area. They could be leaders/members of Self Help Groups(SHG) or persons having experience or training in the field of community organisation and social mobilisation. The selection of Facilitator/Community Coordinator and their training and capacity building is critical for the success of the Programme. Therefore, the District SGSY Committee may select suitable organisations/societies/individuals as Facilitators/Community Coordinators based on their past experience in SHG formation, community/organisation or any other similar work involving participatory approach, communication skill, ability to stay with the people in the rural area etc. They would have to stay for a period of 2-3 years with the group to ensure continuity as well as enable the groups to mature into a self managed organisations. A Community Coordinator/Animator could take up the responsibility of managing 10-15 SHGs in a geographical cluster consisting of 4-5 villages within a radius of 4-5 Kms.

An amount up to a maximum of Rs.10,000 may be spent on formation of new Self Help Group and their training and capacity building. The payment of amount to the NGOs/CBOs /Community Coordinators/Animators will be made in four instalments based on the stage of development of the SHG in the manner as given the amended Guidelines.

The DRDAs may devise a Memorandum of Understanding (MoU) for entering into an agreement with NGOs/CBOs/Community Coordinators/Animators being involved as facilitators for group formation, development and training. The MoU should clearly define the role of facilitator in group formation and development. Further, payment to the facilitator should be specifically linked to the stage of development of the group and overall performance. The DRDA shall regularly monitor the progress of groups through periodic evaluations.

Flexibility in utilisation of Funds.— The SGSY is a process oriented Scheme, therefore, the States/VTs may be in different stages of the implementation of the Scheme. The fund required for training and capacity building including Basic Orientation, Skill development, Entrepreneurship development, Revolving fund to SHGs and Subsidy for economic activity may vary from State to State. The DRDAs may prioritise the expenditure on different components i.e. Training and capacity building, Revolving Fund and Subsidy for economic activity based on the local requirements and different stages of group formation. However, the expenditure on infrastructure will not exceed 20% of the total annual allocation (25% in case of NE States). The asset creation for the Swrozgaris is one of the core objectives of the Scheme, therefore, DRDAs should give utmost importance on it and enable the Swarozgaris in acquiring income generating assets as the culmination of the whole process.

Provision for Studies related to Marketing Research/value addition of products.— An amount up to Rs. Five lakhs annually may be spent from the funds available under the Scheme on management of professional input related to marketing research, value addition or product diversification or any other input which would facilitate marketing of the produce ultimately resulting in additional income to the Swarozgaris.

Subsidy Norms for SHGs and Disabled Persons.— Subsidy under the SGSY will be uniform at 30 % of the project cost, subject to a maximum of Rs.7500 in respect of SC/STs and disabled persons however, these will be 50% and Rs. 10,000 respectively. For group of Swarozgaris (SHGs), the subsidy would be 50% of the project cost subject to per capita subsidy of Rs.10,000 or Rs. 1.25 lakhs, whichever is less. There will be no monetary limit on subsidy for irrigation projects.

Expenditure on Training.— The DRDA will be entitled to meet the expenses, incurred by the training institution for both Basic Orientation and Skill Development Training from out of the SGSY Fund. The Basic Orientation Training may include topics on concept of Self Help, group dynamics, conflict resolution, conduct of group meetings, maintenance of records, awareness about

social and family welfare programmes etc. The training for skill development may include skill upgradation through exposure to latest tools and technology, value addition and diversification of products, entrepreneurship development, marketing skills, packaging, labeling etc.

The DRDA will be entitled to meet the expenses, incurred by the training Institution for both Basic Orientation and Skill Development Training from out of the SGSY Fund in the following manner:

(i) The Institutional training cost may be fixed at Rs.15 per day per trainee only for imparting training, if no boarding and lodging facility is provided to the participants, and at Rs.35 per day per trainee in case the institution provides boarding and lodging also with training.

(ii) If the institution does not provide boarding and lodging then the participants may be paid Rs.25 per trainee day to meet the cost of boarding and lodging.

(iii) Swarozgaris may be allowed one time to and fro travelling cost from their place of residence to the Training Institute.

Further, DRDAs may incur an expenditure of Rs. 200 per trainee per month for payment of honorarium to master craftsman engaged for imparting skill development training to Swarozgaris identified and selected for economic activity and Rs.100 per month per trainee, as allowance for raw materials required for the training. However, the total expenditure on Basic Orientation and skill development training will not exceed Rs.5,000 per trainee. Duration of Skill development training will be decided by the State Government depending upon the activities and in order to ensure uniformity of the duration of training for all the Districts.

Expenditure on Fairs and Exhibitions for Swarozgaris.—Expenditure incurred in organising fairs, exhibitions and participation of Swarozgaris in fairs and exhibitions may be met from the funds available under the SGSY Programme Infrastructure.

Relaxation of Time for Grading of SHGs.—For minor irrigation schemes, relaxation of time for the second grading could be allowed, if the group is found creditworthy and the project is viable. The decision in regard to the relaxation may be taken by the Block level SGSY Committee.

In case, the Self Help Group has been in existence prior to the SGSY under other Programmes and have completed six/twelve months from the date of

formation and it is brought under the SGSY, such Groups may be subjected to First/ Second Grading, without waiting for another six/twelve months for sanction of Revolving Fund/Economic Activity respectively

I hope the above amendments would help you to implement the Programme more effectively in your State.

With regards,

Yours sincerely,

(S/d)

Asha Swarup

Enclosure: a copy of Amended Paras

Shri Ram Singh
Secretary,
Dept. of Rural Development,
Govt. of Kerala,
Thiruvananthapuram.

ANNEXURE-IV

No. R-14018/9/93-IRD-I
GOVERNMENT OF INDIA
Ministry of Rural Development

Krishi Bhavan, New Delhi
Dated the 7th June, 1994

The Secretary,
Rural Development, Department
All States/UTs

Subject:—IRDP Programme Infrastructure

Sir,

It would be recalled that para 6.8 of the IRDP Manual allows, the expenditure of upto 10% of the State's total IRDP allocation for filling up critical infrastructural gaps of direct relevance to IRDP beneficiaries. It is further provided that such proposals for infrastructure development should form a part of the Annual Plan of the block/district and the Projects should enable better utilization of existing assets by the IRDP beneficiaries.

2. The implementation status of this sub-programme of IRDP was recently reviewed. It was found that the all India level of expenditure on this accounts was around 4% much lower than the permissible limit. It also transpired that the work on this particular sub-programme has suffered due to centralized decision making laock of information regarding the type/nature of activities to be undertaken and a general absence of emphasis on infrastructural activities.

In turn, the relatively slow and uneven pace of development of infrastructure linkages has contributed to deteriorations in the quality of programme implementation, since the absence of linkages has long been identified to be one of the important reasons for the lack of success of IRDP Schemes.

3. Accordingly, it has been decided in consonance with the general principes enunciated in para 6 of Secretaty (RD)'s D.O. No. H-28012/10/93-IRDP (Non) dated 25-3-94 and as discussed both in the review meeting with the State

Secretaries held on 14-4-1994 and the HLCC held on 13-4-1994, to revise the norms for programme infrastructure as follows :

(i) Proposals for the creation of programme infrastructure upto an investment limit of Rs. 10 lakhs would hence forth be approved by the DRDA. SLCC approval will not be necessary.

(ii) Proposals involving an amount of upto Rs. 25 lakhs in each case would require approval by the Divisional Commissioner. In States where such post does not exists, such proposals would be approved by the Secretary (RD).

(iii) For schemes beyond Rs. 25 lakhs, the SLCC will continue to accord approval.

(iv) Liability for recurring expenditure including, staff expenses for such proposals/schemes would have to be met by the line departments and/or other institutions (like cooperatives, Milk Union etc.). A necessary pre-condition for scheme sanction would be a formal undertaking in this regard from the concerned line department/institutions.

4. an illustrative list of works/activities that can be taken up under this sub-scheme is enclosed for perusal and necessary action.

Yours faithfully,

(S/d)

Dr. S. V. Joshi

Joint Secretary to the Government of India.

LIST OF WORKS TO BE TAKEN UP UNDER PROGRAMME
INFRASTRUCTURE

1. Establishment/improvement of rural cattle/animal markets.
2. Establishment/maintenance of Animal Feed Plants.
3. Construction of Vet. Aid Centres.
4. Procurement of essential equipment including vehicle diagnostic tools, refrigerators etc. for Animal Health Centres.
5. Establishment of artificial insemination centres using Frozen Semen technology/Embryo technology.
6. Transport for carrying equipment and men of Artificial Insemination Centres.
7. Construction/maintenance of Milk Chilling/Processing and packing Plants and Milk Collection Centres.
8. Purchase of cans/containers for collection and carrying milk from the milk producers to the chilling plants/ processing plant.
9. Transport for carrying equipment and men for Artificial Insemination Centres.
10. Construction/ maintenance of Poultry Feed Plant.
11. Establishment of Piggery Development Stations.
12. Establishment of Sheep and Goat Development Centres.
13. Construction of Fish Drying/landing platform.
14. Sericulture development including cocoon procurement equipment for propagating disease free layings, marketing and development of choki rearing centres.
15. Setting up of Mushroom spawn production units.
16. Support to set up plant nurseries.
17. Infrastructure development of brackish-water prawn culture including procurement of prawn fry, construction of hatcheries, procurement of equipment etc.,
18. Infrastructure development for pisciculture schemes including hatcheries, fishseed transportation procurement of aerators and other equipment etc.

19. Infrastructure development for Diary schemes including procurement of essential equipment.
 20. Market upgradation including construction of sheds/storage bins/godown etc.,.
 21. Construction of small capacity cold storages.
 22. Construction of clusters of retail outlets for IRDP beneficiaries.
 23. Infrastructure development for horticulture/Fruit processing.
 24. Support to set up plant nurseries.
 25. Drip Irrigation system.
 26. Soil testing equipment including electric and chemical balances.
 27. Infrastructural gaps in Minor Irrigation like Electric connection for pump-sets, equipment for gesting of borewells.
 28. Construction of DWCRA worksheds.
 29. Setting up of common facilities including loom-sheds etc. for handloom weavers.
 30. Construction/establishment of Common Workheds/Resources Centre for group of IRDP beneficiaries including leather workers etc.,.
 31. Printing and dyeing Centres.
 32. Construction of Food & Processing Units (Gur making processing of cereals/pulses, bakeries etc.) for group of IRDP beneficiaries.
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