

Chapter II

2. Performance audit relating to Government Companies

Shabari Adivasi Vitta Va Vikas Mahamandal Limited, Maulana Azad Alpasankhyank Arthik Vikas Mahamandal Limited, Maharashtra State Handicapped Finance and Development Corporation and Mahila Arthik Vikas Mahamandal

2.1 Contribution of Four Companies in the State for Upliftment of Tribals, Minorities, Handicapped and Women

Executive Summary

Government of Maharashtra (GoM) established four Companies with the objective of economic upliftment, livelihood generation and empowerment of the Scheduled Tribes, Minorities, Handicapped and Women in the State. Three Companies Shabari Adivasi Vitta Va Vikas Mahamandal Limited (SAVVVM), Maulana Azad Alpasankhyank Arthik Vikas Mahamandal Limited (MAAVM) and Maharashtra State Handicapped Finance and Development Corporation (MSHFDC) are engaged in disbursement of financial assistance to the targeted communities/sections of the State population in the form of term loans from the funds mainly received from National Agencies viz. National Scheduled Tribes Finance and Development Corporation, National Minorities Development and Finance Corporation and National Handicapped Development and Finance Corporation under various sanctioned schemes. These Companies also implemented schemes of Direct Loans, Educational Loans and Micro Finance Scheme out of their own funds received from GoM in the form of equity contributions. The fourth Company Mahila Arthik Vikas Mahamandal (MAVIM) is engaged in formation of Self Help Groups (SHGs) on gender basis for vulnerable women. Women belonging to households from BPL and poor families are required to be identified with emphasis on rural areas by conducting village survey.

A Performance Audit was conducted to assess the achievement of the Companies towards the stated objectives of their establishment.

Coverage of beneficiaries

The coverage of beneficiaries by these four Companies was meagre indicating their poor performance. Out of the total population of 7.53 crore as per Census 2001 of the targeted sections in the State, the Companies had covered only 6.69 lakh (0.89 per cent) beneficiaries since inception up to March 2009. In the absence of co-ordination and maintenance of inter-linked database/records between all the Companies in the State dealing with socio-economic empowerment, the possibility of duplication of beneficiaries can not be ruled out.

Planning

The Audit review revealed that in three Companies (SAVVVM, MAAVM and MSHFDC) involved in implementation of financial assistance schemes, there was no identification of beneficiaries in a focussed manner and no efficient plan for coverage of beneficiaries in a phased manner. None of these Companies had carried out any micro-level research study or survey of Census data for identifying the eligible targeted groups of beneficiaries. Also no skill-set requirement for beneficiaries was prescribed. Absence of a centralised

database of total number of eligible beneficiaries covered/yet to be covered was noticed in audit which resulted in lack of proper planning for effective implementation of the schemes.

Implementation of financial assistance scheme

Of the funds of Rs 178.08 crore received by the three Companies (SAVVVM, MAAAVM and MSHFDC) only Rs 80.08 crore (45 per cent) was utilised during the period 2004-09. There were deficiencies in selection of beneficiaries and lack of post disbursement monitoring. As a result, the recovery performance of all the Companies was poor.

Training activities

There were irregularities and inadequacies in conduct of training activities by three Companies. While one Company (MSHFDC) did not conduct any training programme during 2004-09, two Companies (SAVVVM and MAAAVM) had not maintained any database regarding feedback on utility of training.

Performance of Self Help Groups formation by MAVIM

MAVIM had been declared by the GoM as a nodal agency for development schemes for women through formation of SHGs. However, the Company did not maintain database regarding the total number of SHGs formed in the State. Performance of the Company with regard to formation and nurturing of SHGs was also not satisfactory. The coverage of villages by MAVIM was only 12,139 out of 41,095

villages in the State. Against the target of 1,05,111 SHGs, MAVIM had formed 34,731 SHGs during 2004-05 to 2008-09 and as on 31 March 2009, only 53,710 SHGs (including 5,211 SHGs formed by NGOs) were in existence under 14 schemes. Further, out of total 6,54,788 members of SHGs as on 31 March 2009, only 2,05,106 members could start the income generating activities.

Corporate Governance

The Corporate Governance was deficient as effective Internal Control system was not in existence in any of the four Companies. In violation of Companies Act provisions, three Companies did not form Audit Committees and one Company (SAVVVM) did not hold the minimum number of Board of Directors meetings and there was lack of monitoring by top management. There was no co-ordination and convergence among different Administrative Departments of GoM for achieving the objectives by the Companies.

Conclusion and Recommendations

To assist the Companies in rectifying the deficiencies noticed during audit review, audit has made eight recommendations. These include to have systematised and focussed targeting of eligible beneficiaries by conducting micro-level surveys, streamlining of disbursement procedures, greater co-ordination and collaboration among the Companies and adequate monitoring of activities by top management through an effective internal control mechanism.

Introduction

2.1 With the objective of economic upliftment, livelihood generation and empowerment of Women, Scheduled Tribes, Minorities and Handicapped sections of the society in the State, the Government of Maharashtra (GoM) set up the following four Companies under the Companies Act, 1956:

Sl. No.	Name of the Company	Date of incorporation	Targeted section of population
1.	Mahila Arthik Vikas Mahamandal (MAVIM), Mumbai	24 February 1975	Women
2.	Shabari Adivasi Vitta Va Vikas Mahamandal Limited (SAVVVM), Nashik	15 January 1999	Scheduled Tribes community
3.	Maulana Azad Alpasankhyank Arthik Vikas Mahamandal Limited (MAAAVM), Mumbai	28 September 2000	Minority communities
4.	Maharashtra State Handicapped Finance and Development Corporation (MSHFDC), Mumbai	27 March 2002	Persons with disability

Out of these four Companies, three Companies (Sl. No.2, 3, and 4) mainly implemented different schemes of financial assistance, training and capacity building to encourage development of entrepreneurial skills and sustainable livelihoods among the respective sections of the population they were expected to target.

These Companies being State Channelising Agencies (SCAs) implemented schemes financed by National Scheduled Tribes Finance and Development Corporation (NSTFDC), National Minorities Development and Finance Corporation (NMDFC) and National Handicapped Finance and Development Corporation (NHFDC). Such schemes are mainly classified into the following categories (i) Agriculture and Allied Sector (ii) Small business/Artisans and Traditional Occupation (iii) Service Sector and (iv) Transport Sector. These Companies also implemented Direct Loan Schemes and Margin Money Loan Schemes through their own funds met from the equity contributions from the GoM. GoM also provides managerial subsidy for meeting administrative expenditure.

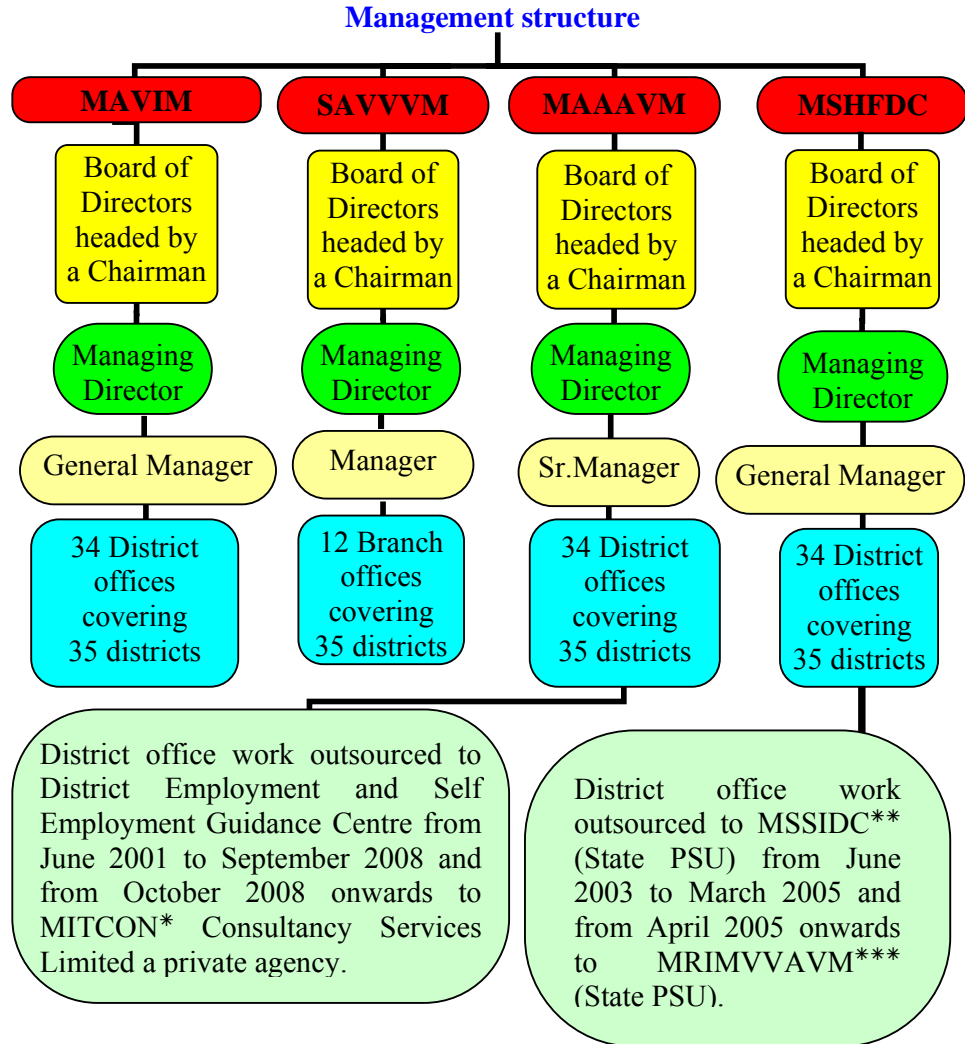
The fourth Company (MAVIM) had been declared by the GoM as an apex body for developmental schemes for Women since January 2003. MAVIM is engaged in forming Self Help Groups (SHGs) on gender basis for vulnerable women with emphasis on rural areas and their nurturing. MAVIM received grants from GoM, National Bank for Agriculture and Rural Development (NABARD) and Jawaharlal Nehru Port Trust (JNPT).

The following schemes were implemented by the said four Companies during 2004-05 to 2008-09.

Name of the Company	Particulars of schemes
MAVIM	Formation of Self Help Groups under schemes- Swarnajayanti Gram Swarojgar Yojana (SGSY), Special Component Plan (SCP), Tribal Sub-Plan (TSP), Swayamsidha, NABARD Add on, Tejaswini Scheme, Rashtriya Sam Vikas Yojana (RSVY), Krushisaptak Yojana, Swarnajayanti Shahari Swarojgar Yojana (SJSRY), Minority Women Empowerment Programme (MWEP), Panlot Yojana, Mahila Swavalamban Nidhi (MSN), Jawaharlal Nehru Port Trust (JNPT) assistance scheme and Maharashtra Rural Credit Program (MRCP).
SAVVVM	Financial Assistance schemes NSTFDC funds- Term Loan Schemes and Adivasi Mahila Sashaktikaran Yojana (AMSY)
	Own fund schemes - Margin Money Loan Scheme and Direct Loan Scheme
MAAAVM	NMDFC funds- Term Loan Scheme, Education Loan Scheme and Micro Finance Scheme
	Own fund schemes- Direct Loan Scheme
MSHFDC	NHFDC funds- Term Loan Scheme and Educational Loan Scheme
	Own fund schemes- Direct Loan Scheme

(Source: Information furnished by the Companies)

The Management structure of each of these Companies is given in the following chart:



Scope of Audit

2.2 This is the first review of the performance of the Companies since their inception. The present review conducted during April and May 2009 covers the activities of the four Companies during 2004-05 to 2008-09 with regard to the financial assistance Schemes implemented by the Companies from the funds received from National Agencies (NAs) and out of their own funds. The audit examination involved scrutiny of records maintained at the Head office of the Companies and in all 18* District/Branch offices selected out of

*MITCON Consultancy Services Limited, **Maharashtra Small Scale Industries Development Corporation Limited ***Maharashtra Rajya Itar Magas Vargiya Vitta Ani Vikas Mahamandal Limited.

*Amravati, Bhandara, Chandrapur, Gadchiroli, Nandurbar, Nashik and Yavatmal (MAVIM), Nandurbar and Nashik (SAVVVM), Aurangabad, Jalna, Mumbai, Solapur and Thane (MAAAVM), Aurangabad, Jalna, Nashik and Solapur (MSHFDC).

34 District offices/12 branches covering 35 districts. The District/Branch offices were selected on the basis of the maximum number of beneficiaries and covered 30 *per cent* of the total beneficiaries[†].

Audit objectives

2.3 The audit objectives of the Performance Audit were to ascertain whether:

- the targets under the schemes were formulated taking into account economic potential and viability of the schemes and skill sets of targeted beneficiaries;
- the database of eligible beneficiaries was prepared and updated periodically and appropriate criteria/systems for selection of beneficiaries were devised and followed;
- proper systems were devised to implement the schemes efficiently and effectively after selection of beneficiaries, with proper monitoring mechanisms after disbursement of loans;
- the system of recovery was effective and safeguarded the interest of the Companies and whether the system was followed;
- drawal of scheme funds matched with the actual requirement, the funds so drawn were put to effective use in a time-bound schedule and there were no refunds or diversions; and
- the evaluation of the schemes was done to ascertain the achievements of stated objectives.

Audit criteria

2.4 The following criteria were adopted to assess/evaluate the performance of these Companies:

- Guidelines issued by Government, NAs, for disbursement of loans/financial assistance and physical and financial targets and achievements by the Companies;
- Policy framework/criteria/guidelines laid down by the State/Central Government, NAs, multilateral donors *etc.* for upliftment of weaker sections of society;
- General procedures of loan disbursement to safeguard the interest of the Company as well as ideal terms of credit suiting the target group, model systems and mechanisms for loan disbursement and recoveries. Terms and conditions of agreements executed by beneficiaries;

[†] Number of SHGs formed are considered as beneficiaries in case of MAVIM.

- Prescribed norms for utilisation of available funds without diversions;
- Post disbursement monitoring mechanisms with reference to records showing the extent to which there was:
 - Feedback information from beneficiaries on expectations/choices/results;
 - Proper utilisation of the funds by the beneficiaries;
- Monitoring by top Management and future needs of the entities; and
- Socio economic aspects viz. achievement of objectives and upliftment of targeted group with co-relation to Census data on population of target groups.

Audit methodology

2.5 Audit used a mix of the following methodologies:

- Analysis of Company's procedures in respect of disbursement, utilisation and recovery of financial assistance;
- Review of Agenda and Minutes of the meetings of the Board of Directors (BoD) and any other committees formed;
- Analysis of data collected by Audit in respect of disbursement, utilisation and recovery available with the Company;
- Detailed system study in the organisation/case studies;
- Feedback information from beneficiaries and Non Government Organisations (NGOs), if relevant; and
- Interaction with the Management.

Audit findings

2.6 Audit explained the audit objectives to the Companies during an Entry Conference held on 22 April 2009. The audit findings were reported to the Companies and the Government in August 2009 and discussed in an Exit Conference held on 15 October 2009 which was attended by the Managing Director of MAVIM and representatives from other Companies. The representatives of Women and Child Development Department, Tribal Development Department, Minority Development Department and Social Justice Department of GoM also attended the Exit Conference. The Management of the Companies replied to the audit findings in September-October 2009. The replies from GoM have not been received (December 2009). The views expressed by the Management have been considered while finalising the review. The audit findings are discussed below:

Coverage of beneficiaries

2.7 Out of four Companies, three Companies (SAVVVM, MAAAVM and MSHFDC) are engaged in disbursement of financial assistance to the targeted communities. MAVIM is engaged in forming SHGs on gender basis for vulnerable women. Women belonging to Below Poverty Line (BPL) households holding Government BPL card and poor families are identified for formation of SHGs by conducting village survey with emphasis on rural areas. MAAAVM and SAVVVM disburse financial assistance to Minority Communities and to Scheduled Tribes respectively, where as MSHFDC disburses financial assistance based on disability.

As these Companies have specific objective of upliftment of socio-economic status of targeted groups, an objective, efficient and transparent system of identifying the target groups and beneficiaries is necessary for achievement of such objective.

The major portion of the financial assistance extended through these Companies is out of various schemes of NAs launched from time to time. However, as per scheme guidelines, a small portion ranging between five to 15 *per cent* of total financial assistance was to be met by these Companies out of their own resources, which include equity contribution by GoM.

The details of District-wise target population of Women, Scheduled Tribes, Minorities and Handicapped persons along with urban and rural delineation were available in the 2001 Census. Total population of these targeted groups and beneficiaries covered since inception till March 2009 and also during the preceding five years' period covered in the review (*viz.* 2004-09) were as follows:

Particulars	Targeted population (in lakh) [©]	Beneficiaries actually covered		Percentage to the targeted population	
		Since inception	During 2004-2009	Since inception	During 2004-2009
MAVIM	464.78	6,54,788 [*]	4,21,842	1.41	0.91
SAVVVM	85.77	3,866	2,312	0.05	0.03
MAAAVM	186.85	5,926	3,712	0.03	0.02
MSHFDC	15.70	4,709	4,123	0.30	0.26
Total	753.10	6,69,289	4,31,989	0.89	0.57

(Source: Census data of 2001 and information on beneficiaries furnished by the Companies)

The coverage by all the Companies was meagre and ranged between 0.03 to 1.41 *per cent* of the targeted population.

It can be seen from the table that the actual coverage of beneficiaries by these Companies against the total targeted population was meagre. While individual coverage by four Companies since their inception ranged between 0.03 and 1.41 *per cent* of targeted population, the overall coverage stood at as low as 0.89 *per cent* of the total targeted population.

[©]Total population of respective sections/groups of people as per the Census 2001. No data available for the eligible beneficiaries in each section.

^{*} Represents total women members in 53,710 SHG's formed.

The combined coverage of beneficiaries by the four Companies during 2004-09 stood at 0.57 *per cent* while individual coverage during this period ranged between 0.02 and 0.91 *per cent* of the targeted population.

The reasons for poor performance of these four Companies have been analysed in detail by Audit in the present review. The audit findings relating to three Companies (*viz.* SAVVVM, MAAAVM and MSHFDC) have been grouped and discussed in succeeding paragraphs considering the similar nature of their activities. The audit findings relating to the fourth Company (*viz.* MAVIM), however, have been discussed separately in **Paragraphs 2.17 to 2.22** in view of unique nature of its activities involving formation of SHGs.

Findings relating to SAVVVM, MAAAVM and MSHFDC

Mobilisation of resources

2.8 Based on allocations communicated every year by NSTFDC, SAVVVM formulated the financial assistance schemes and forwarded the same to NSTFDC for sanction and release of funds. In respect of the two Companies (MAAAVM and MSHFDC) fund requirement are assessed by the Companies based on the applications received. As per NMDFC manual, MAAAVM was required to prepare Annual Action Plan (AAP). However, MAAAVM did not prepare AAP as per requirement. In respect of MSHFDC, NHFDC did not contemplate any AAPs as per the lending policy guidelines. Thus, allocation and sanction of funds by NAs were on *ad hoc* basis without insisting for AAPs.

The Companies received equity contributions from GoM based on the capital budget prepared by them. The funds received from GoM were utilised by the Companies for meeting their own contribution towards the loan schemes sanctioned by NAs. MSHFDC, MAAAVM and SAVVVM contributed 5, 10 and 15 *per cent* respectively towards their share of contributions.

Funds aggregating Rs 178.08 crore were received by three Companies during the period 2004-05 to 2008-09, against various schemes from NAs and from GoM in the form of capital contribution. Besides, GoM also extended managerial subsidy for meeting the administrative expenditure which was fully utilised by the Companies. The details of funds received, disbursed and which remained unutilised as of March 2009 were as under:

(Rupees in crore)

Sl. No.	Particulars	SAVVVM	MAAAVM	MSHFDC	Total
1	Loans received from NAs	29.31	23.75	35.25	88.31
	(Loans sanctioned by NAs)	(30.34)	(23.75)	(34.84)	(88.93)
2	Equity contribution from GoM	5.60	78.64	5.53	89.77
	Total	34.91	102.39	40.78	178.08
3	Funds utilised for disbursement of loans	30.67	24.28	25.13	80.08
4	Unutilised balance	4.24	78.11	15.65	98.00
5	Managerial subsidy	9.94	Nil	2.23	12.17
6	Funds invested in short term deposits*	14.49	69.78	0.50	84.77

(Source in formation furnished by the Companies)

The details of fund utilised by the Companies towards funding of their share in the financial assistance schemes of NAs were not maintained by the Companies. The year wise details of loan sanctioned by NAs, amount received, amount disbursed and unutilised balances are given in **Annexure 7** and **8**.

Planning

Absence of feasibility study

2.9.1 As confirmed by three Companies (September 2009), none of them had conducted any feasibility study for the identification of viable professions and trades. While sanctioning the financial assistance for setting up of small business units, no skill set requirements had been prescribed for beneficiaries for the purpose of ensuring effective implementation of the schemes.

Inadequate field level planning

2.9.2 Planned District-wise coverage of eligible beneficiaries would require focussed targeting based on the highest concentration of beneficiaries in urban as well as rural areas, preparation of a well-considered action plan duly aligned with socio-economic indicators and collection of periodical data from grass-root levels. The Companies had not carried out any micro-level research study or survey of the Census data for identifying the targeted groups of beneficiaries at Block/District level although District and Branch offices functioned in their organisational set up. In the absence of the same, errors of exclusion of deserving beneficiaries from eligible income groups cannot be ruled out.

The Companies had not prepared a well-considered action plan duly aligned with socio-economic indicators etc. for coverage of eligible beneficiaries in the Districts.

The information/data about the total number of eligible beneficiaries in urban and rural areas was required to be ascertained. Such information would have

* From unutilised balances including earlier period balances.

enabled preparation of a well considered action plan for focussed targeting and estimation of resource requirements in a phased manner. No such exercise was undertaken by any of the Companies.

Ignoring the actual dispersal of targeted groups

The identification of beneficiaries was not as per the dispersal of targeted population.

2.9.3 Targeting of beneficiaries for financial assistance was not based on any data compilation of village/District-wise dispersal of target groups and their occupational patterns which would have enabled focussed coverage of beneficiaries. Resultantly, the districts dispersed with the highest population of the targeted groups were not among the districts in which highest coverage of beneficiaries was achieved by these Companies during the period 2004-09, as discussed in **Paragraph 2.11** *infra*.

Non preparation of master plan/strategic plan

2.9.4 There was no attempt for preparing an efficient strategic plan in alignment with District Development Plan benchmarks *etc.* for prioritising and coverage of beneficiaries in a phased manner. The Companies also failed to evolve annual physical and financial targets and benchmarks to evaluate achievements in identification of beneficiaries.

MSHFDC attributed (September 2009) its failure in formulating the strategic plan on shortage of manpower. The reply is, however, contrary to the fact that formulation of a well thought plan is essential for effective implementation of any scheme and it cannot be ignored on the plea of manpower shortage. The other two Companies (SAVVVM and MAAAVM) accepted the facts.

Non maintenance of district-wise disability data

2.9.5 MSHFDC was responsible to extend financial assistance to deserving beneficiaries based on their disability. The Company, however, did not maintain District-wise information on the prevalence, degree and kind of disability of beneficiaries to ensure that only the eligible beneficiaries with 40 *per cent* or more disability were catered with the financial assistance out of the targeted population of handicapped persons. This was vital information for determining the eligibility of beneficiaries.

Inter-linked database to avoid overlapping of beneficiaries was not maintained by the Companies.

Overlapping of beneficiaries

2.9.6 In spite of the overlapping nature of target groups, the three Companies had not made any attempt to maintain any inter-linked database/records to ensure that the same persons did not avail of benefits from more than one Company. No effort was also made to verify non availment of similar benefits

extended by five* other Companies in the State dealing with the similar activities of economic upliftment and empowerment of vulnerable societal groups. The Administrative Departments of GoM had also not taken any initiative for co-ordination amongst themselves to rule out overlapping of beneficiaries.

The Companies accepted (September-October 2009) the fact of non-carrying out of the micro-level research studies or survey of Census data, non preparation of master plan and fact of overlapping of the beneficiaries.

Targets and achievements

2.10 In order to have optimum coverage of deserving beneficiaries, need based realistic targets are required to be fixed in a scientific and focussed manner duly considering the very objective of the financial assistance schemes.

Targets were not fixed in a scientific and focussed manner.

On the contrary, it was observed that the three Companies fixed the targets in *ad-hoc* manner without any correlation between physical and financial targets.

The targets (physical and financial) and achievements of three Companies during the five years up to 31 March 2009 are indicated in the table below:

(Rupees in crore)

Year	Name of the Company	SAVVVM		MAAVM		MSHFDC	
		Target	Achievement	Target	Achievement	Target	Achievement
2004-05	Physical No. of Beneficiaries	700	264 (38)	--	440	--	1,020
	Financial (Rupees)	1.94	1.40 (72)	--	2.33	--	8.32
2005-06	Physical No. of Beneficiaries	722	518 (72)	--	835	--	475
	Financial (Rupees)	4.49	4.38 (98)	--	4.64	--	2.99
2006-07	Physical No. of Beneficiaries	489	396 (81)	--	529	--	1,825
	Financial (Rupees)	11.11	10.67 (96)	--	3.60	--	9.93
2007-08	Physical No. of Beneficiaries	1,243	523 (42)	1,969	888 (45)	2,723	731 (27)
	Financial (Rupees)	7.10	7.23 (102)	19.00	5.77 (30)	16.49	3.22 (20)
2008-09	Physical No. of Beneficiaries	265	259 (98)	9,415	1,020 (11)	2,723	72 (3)
	Financial (Rupees)	5.70	5.74 (101)	26.65	7.94 (30)	16.49	0.67 (4)

* Lokshahir Annabhau Sathe Development Corporation Limited, Mahatma Phule Backward Classes Development Corporation Limited, Vasantrao Naik Vimukta Jatis & Nomadic Tribes Development Corporation Limited, Maharashtra Rajya Itar Magas Vargiya Vitta Ani Vikas Mahamandal Limited (MRIMVVVM) and Sant Rohidas Leather Industries and Charmakar Development Corporation of Maharashtra Limited.

Year	Name of the Company	SAVVVM		MAAAVM		MSHFDC	
		Target	Achievement	Target	Achievement	Target	Achievement
Total	Physical No. of Beneficiaries	3,419	1,960*	11,384	3,712	5,446	4,123
	Financial (Rupees)	30.34	29.42	45.65	24.28	32.98	25.13

(Source: Information furnished by the Companies)

(Figures in bracket denote percentage of achievement *vis-a-vis* target)

2.10.1 In case of SAVVVM, the year-wise physical and financial targets were not fixed in advance. The amount received after sanction from the National Agency (NA) was distributed to the beneficiaries through Branch offices. The achievement of financial target indicated increasing trend during 2004-07 and decreased thereafter. However, there was no correlation in fixation of physical and financial targets. Thus, the target fixation was *ad hoc* and achievement was unrealistic. SAVVVM accepted (October 2009) the audit observation.

2.10.2 MSHFDC had not fixed target up to 2006-07. The targets (physical and financial) fixed for the years 2007-08 and 2008-09 were the same. The achievement in 2007-08 was not considered while fixing the targets for 2008-09. The achievement during 2008-09 in physical and financial terms was meagre at three and four *per cent* respectively.

MSHFDC admitted (September 2009) that no targets were fixed in advance but targets and achievements for the years 2007-08 and 2008-09 were prepared after the details were called for by NHFDC. The non achievement was stated to have occurred due to delay in submission of documents by the beneficiaries. The reply indicates that the targets fixed were occasional and on *ad hoc* basis.

2.10.3 MAAAVM had also not fixed the targets upto the year 2006-07. Against the target of Rs 19 crore (financial) and 1,969 beneficiaries (physical) in 2007-08, the achievement was only 30 and 45 *per cent* respectively. Despite this the Company increased the physical target from 1,969 to 9,415 beneficiaries in 2008-09. The increase was almost five times. The Company could achieve only 11 *per cent* of the physical target during 2008-09. This is indicative of the fact that unrealistic targets were fixed on *ad hoc* basis.

In reply, MAAAVM had assured (September 2009) that the system of objective-based targets would be developed.

Inadequate coverage

2.11 As per the available Census data of 2001, the total population of targeted groups in the State was at 7.53 crore consisting of Scheduled Tribes (0.86 crore), Minorities (1.87 crore), Women (4.65 crore) and Handicapped (0.15) as detailed in **Annexure 9**. As against this the four Social Sector Companies had covered only 6.69 lakh (0.89 *per cent*) beneficiaries since

*The target for own schemes were not fixed by the Company and hence the achievement does not include 352 beneficiaries to whom loan of Rs 1.25 crore was given.

inception up to March 2009 and 4.32 lakh (0.57 per cent) beneficiaries during the period 2004-05 to 2008-09. The coverage was meagre indicating poor performance of the Companies as discussed in **Paragraph 2.7 supra**. The year-wise and scheme-wise coverage of financial assistance disbursed by three Companies (SAVVVM, MAAAVM and MSHFDC) during the years 2004-05 to 2008-09 is detailed in **Annexure 7**.

Audit observed that though, the District-wise delineation of targeted population was available as per Census data, no District-wise analysis of eligible beneficiaries to be covered was prepared by any of the Companies. As a result, the Company-wise highest coverage of beneficiaries was in Districts which did not have the highest targeted population as given below:

Coverage of beneficiaries was not as per the concentration of the targeted population in the Districts in the State.

Name of the Company	Highest coverage of beneficiaries			Name of the districts where the targeted population was more than the population of the district mentioned in column 2 (in lakh)
	Name of the District/Branch	Targeted population (In lakh)	No. of beneficiaries covered	
1	2	3	4	5
MAVIM	Amravati	12.62	36,942	Mumbai (53.58), Thane (37.54), Pune (34.63), Nashik (24.03) and Nagpur (19.62).
SAVVVM	Nandurbar Branch, (Dhule and Nandurbar districts)	13.04	500	Jawhar branch (15.85) (comprising Mumbai, Mumbai Suburban, Ratnagiri, Raigad, Sindhudurg and Thane districts)
MAAAVM	Solapur	4.56	669	Mumbai (38.44), Thane (16.14), Pune (10.17), Nagpur (9.60) and Aurangabad (8.64).
MSHFDC	Solapur	0.66	490	Mumbai (1.70), Pune (0.91), Ahmednagar (0.84), Nanded (0.77) and Thane (0.70)

(Source: Data from Census 2001 and information furnished by the Companies)

It could be seen from the above that the coverage of beneficiaries was not as per the concentration of the targeted groups in the total population of the State.

System deficiencies in selection of beneficiaries

2.12 The three Companies (SAVVVM, MAAAVM and MSHFDC) are engaged in disbursement of financial assistance to the targeted communities. While two Companies (*i.e.* MAAAVM and SAVVVM) disburse financial assistance to Minority Communities and to Scheduled Tribes respectively, the third Company (MSHFDC) disburses financial assistance based on the physical disability of the beneficiaries. The eligibility criteria for financial assistance schemes extended through these Companies are as under:

Criteria	SAVVVM	MAAAVM	MSHFDC
Income criteria		(Annual family income)	(Annual individual income)
a) Urban	Rs 54,500	Rs 54,500 (Rs 65,000 from November 2008 for own scheme)	Rs 1 lakh (up to September 2007) Rs 2 lakh (from October 2007)
b) Rural	Rs 39,500	Rs 39,500 (Rs 50,000 from November 2008 for own scheme)	Rs 80,000 (up to September 2007) Rs 1.60 lakh (from October 2007)
Age Limit	18 to 45 years	18 to 45 years maximum age limit removed from November 2008 for own scheme	18 to 60 years
Community/Disability	Scheduled Tribes	Minority [@]	40 per cent or more disability

(Source: Information compiled from Scheme guidelines)

2.12.1 As per the guidelines prescribed by the NAs for identification/selection of deserving beneficiaries, the Companies were required to give wide publicity through Branch/District offices about the schemes with a view to create awareness among the people. The application forms were to be made available to the beneficiaries and the applicants had to submit proof regarding fulfillment of income criteria and details of the purpose for which the financial assistance was required. The applications received were to be scrutinised at District level in accordance with the eligibility criteria. However, in the two Companies MAAVM and MSHFDC, the District office level work was outsourced.

2.12.2 In case of SAVVVM, the beneficiaries were initially short listed at Branch level by Evaluation Committee[#] based on the eligibility criteria. The eligible beneficiaries were then finally selected by the Committee after due verification and the list recommended was approved by Managing Director.

2.12.3 In MSHFDC the Project Approval Committee* constituted at head office sanctions the loan applications up to Rs 1.50 lakh (Rs 1.00 lakh up to 18 October 2007) and forwards it to NHFDC for release of funds. For loans exceeding Rs 1.50 lakh, the applications are forwarded to NHFDC for sanction and release of funds.

2.12.4 In respect of MAAVM the applicants recommended by the District offices are scrutinised at the Head office and approved by BoD. The system deficiencies in selection of beneficiaries were as under:

2.12.5 It was observed that no pre-identification camps for selection of beneficiaries were held in any of the three Companies (SAVVVM, MAAVM and MSHFDC). Further, no basic records relating to the

[@]Minority includes Muslim, Sikh, Christian, Parsi and Buddhist (also includes Jain under Own Fund Schemes).

[#] Evaluation Committee comprised of Local Project Officer of Integrated Tribal Development Project as Chairman, Local Regional Manager of Maharashtra State Co-operative Tribal Development Corporation (MSCTDC), Nashik and Local Director of MSCTDC as Member and Branch Manager of SAVVVM as Member Secretary of the Committee.

*Project Approval Committee consisted of the Managing Director as Chairman, Orthopedic Representative, Representative of National Association of the Blind and Managing Director of MRIMVVAVM as members and the General Manager as Member Secretary.

applications received, processed and applications rejected were maintained in the District offices of the Companies. Lack of transparency in the system indicated that beneficiaries were identified in a piece-meal fashion. In order to create awareness about the schemes implemented by the Companies, the Companies had to give wide publicity of the schemes through advertisement, printing and distributing brochures and by fixing posters on the display boards at community centres, Gram Sabhas etc. It was noticed in audit that two Companies (SAVVVM and MAAAVM) had incurred expenditure of Rs 78.37 lakh on printing posters and newspaper advertisements. All the Companies had not taken up any systematic efforts to create awareness amongst the beneficiaries regarding the schemes implemented by the Companies. The Companies had also not maintained the records of rejected applications, grievances of affected beneficiaries and records of information sought under RTI Act.

No time schedule was observed by the Companies for processing the applications resulting in avoidable delays in disbursement of assistance.

SAVVVM stated (October 2009) that required registers would be maintained. MAAAVM and MSHFDC stated (October 2009) that the records are not maintained by the outsourced agencies and that they are being directed to maintain the same.

2.12.6 No time limit has been prescribed by the Companies for processing the applications. Consequently, no time schedule was observed in processing the applications resulting in avoidable delays in disbursement of financial assistance. The Companies noted the point and stated that action will be taken.

2.12.7 In SAVVVM the list of beneficiaries duly recommended by the Evaluation Committee at Branch level was approved by the Managing Director though, there was no specific delegation of such powers by the Board of Directors.

2.12.8 Similarly, before recommending the cases, the Branch offices of SAVVVM were required to verify the project details given on applications by visiting the site/premises of beneficiaries to ensure the feasibility of the projects for which loans were being applied for. However, out of 714 cases scrutinised by audit the project details were not given in 506 applications and information about premises visited was not recorded on 217 applications.

SAVVVM stated (September 2009) that it had issued instructions to all the Branch Managers to avoid such discrepancies in future.

Non fulfillment of income criteria

2.12.9 Annual family income of a beneficiary is the major criterion for granting financial assistance. An applicant was required to furnish annual family income certificate issued by revenue authorities for determination of the financial status of the applicant and Companies were supposed to ensure genuineness of the income certificates. It was observed in Audit that there was no system of pre-disbursement verification of income certificates. The Companies had not devised and put in place an efficient mechanism to verify the income certificates furnished.

In a test check of details of 1,831 beneficiaries (SAVVVM-714 cases and MAAAVM-1,117 cases), instances of financial assistance disbursed to beneficiaries who had not fulfilled the income criteria were noticed as under:

- Fifty four beneficiaries of SAVVVM and five beneficiaries of MAAAVM to whom loans amounting to Rs 1.14 crore were sanctioned had not furnished income certificates from competent authorities.
- In three cases of SAVVVM and 26 cases of MAAAVM, loans aggregating Rs 21.28 lakh were sanctioned to ineligible beneficiaries whose annual family income exceeded the prescribed limit.

SAVVVM stated (September 2009) that necessary instructions had been issued to all Branch managers to avoid such discrepancies.

Deficient documentation

2.12.10 As per the disbursement procedure, the Companies were required to get executed formal documents like mortgage deeds from beneficiaries, surety bonds from sureties for loans and policy documents for insurance of the properties *etc.* In 3,701 cases relating to SAVVVM (714 cases), MAAAVM (1,117 cases) and MSHFDC (1,870 cases) test checked in audit, following deficiencies were noticed in the documentation of the beneficiaries for availing financial assistance:

Deficiencies in documentation were noticed in cases where financial assistance was given.

- In SAVVVM, Hypothecation/Mortgage deeds of materials/vehicles purchased from out of loan amounts were not executed in 27 cases involving loan amount of Rs 77.79 lakh.
- In two District offices (Aurangabad and Solapur) of MSHFDC, the hypothecation/mortgage deeds and surety bonds were not registered/notarised. Similarly, in MAAAVM, in 64 cases involving hypothecation deeds for loans amounting to Rs 57.91 lakh and in 40 cases involving Rs 45.86 lakh surety bonds were not registered/notarised.
- No surety bonds were got executed from sureties in 22 cases for loans amounting to Rs 60.50 lakh by SAVVVM.
- Property details of sureties were not obtained and registered with the appropriate authorities in 170 cases of SAVVVM involving loans amounting to Rs 4.09 crore and in 71 cases involving loans amounting to Rs 52.29 lakh of MAAAVM.
- No driving/proper driving licences were obtained in 100 out of 265 Vehicle loan cases involving loans amounting to Rs 3.78 crore in SAVVVM.
- Certificate from Pollution Control Board was not obtained in 48 out of 55 cases (Rs 36.58 lakh) under Term Loan Schemes for brick manufacturing, poultry farming and flour mills in SAVVVM.

All the three Companies accepted (September 2009) the lapses and assured that the cases would be reviewed and instructions issued to avoid such discrepancies in future.

Disbursement of funds

2.13 According to disbursement procedure followed by the three Companies the financial assistance was required to be disbursed to the eligible beneficiaries within the prescribed time limit of 90 days from the date of receipt of funds from the NAs. In case of delay due to any reason, the Companies had to pay penal interest to the NAs and had to refund the sanctioned fund if it remains undisbursed.

In a total of 1,456 cases relating to MAAAVM (1,112 cases) and SAVVVM (344 cases) test checked in audit, it was noticed that there were delays in disbursement of funds beyond the prescribed time limit of 90 days and unutilised funds were refunded to the NAs along with penal interest as detailed below:

2.13.1 MAAAVM received Rs 10 crore during 2004-05 of which Rupees three crore was refunded back to NMDFC in May 2006 without utilisation and the Company had to pay penal interest of Rs 12.99 lakh due to delay in refund of funds. The balance Rs seven crore were utilised for disbursement with delays up to 17 months and due to delay in disbursement the Company had to pay penal interest of Rs 25.78 lakh to NMDFC.

2.13.2 Similarly, in MSHFDC there was delay of 25 months in disbursement of loan from the date of receipt of fund in one case. Out of the total funds of Rs 35.25 crore received during 2004-05 to 2008-09, the Company could disburse only Rs 25.13 crore till March 2009. Out of the unspent amount of Rs 10.12 crore the Company refunded Rs 4.20 crore to NHFDC. The failure in disbursing the sanctioned loans deprived the eligible beneficiaries of financial assistance.

**MSHFDC
refunded
unutilised funds
of Rs 4.20 crore.**

2.13.3 It was noticed in SAVVVM that there was delay of 10 and five months in submission of the loan proposal for the years 2004-05 and 2005-06 respectively. The Company submitted the proposals only after receipt of reminder from NSTFDC for availing the sanctioned loan against which Government guarantee was required to be furnished. The Company could not draw loan of Rs 22.54 crore (to be disbursed to 924 beneficiaries) during 2008-09 in the absence of adequate Government guarantee required for the loan. The Company while accepting the fact stated (September 2009) that the records for submission will be maintained from 2009-10 and remedial action taken to enhance the Government guarantee from Rs 25 crore to Rs 50 crore (July 2009).

**SAVVVM could
not draw loan of
Rs 22.54 crore
during 2008-09
due to
insufficient
Government
guarantee.**

GoM was implementing the schemes with 100 *per cent* subsidy for household dairy and goatery. The Company (SAVVVM) also implemented loan scheme of NAs for the same purpose and received Rs 3.79 crore in 2006-07. The Company had to refund Rs 1.36 crore to NSTFDC in March 2008 due to poor response for the loan scheme as the scheme of GoM for similar purpose was already operational. Thus, there was overlapping of the schemes and the fact was not brought to the notice of NSTFDC which resulted in under utilisation of sanctioned amount.

Outsourcing of District level Management Work

2.14 The work of receipt of application from beneficiaries, verification of documents submitted, selection of beneficiaries, disbursement of financial assistance, post disbursement monitoring received and follow up of recovery is done through the District offices. In SAVVVM the work was done through its Branch offices. In case of MSHFDC the District level management work was outsourced to MRIMVAVM, a State PSU as per the direction of the State Government.

In case of MAAAVM the District level management was done up to September 2008 through the Government Department (District Employment and Self Employment Guidance Centre) and thereafter by MITCON, a private agency.

It was noticed that there was lack of transparency in awarding the work (October 2008) to MITCON by MAAAVM. The work was awarded without inviting competitive bids at the rate of Rs 3,000 per application processed irrespective of the loan amount. While there was no penalty clause for improper selection of beneficiaries, fraudulent disbursement of loan or delay in processing of the applications, reasonability of the rate payable to MITCON was also not ascertainable in audit in the absence of competitive bids.

MAAAVM accepted (September 2009) the absence of penalty clause in the agreement and stated that the rate of Rs 3,000 per application was finalised by the Managing Director and one of the Directors after negotiations with MITCON and that reduction in the rate for loans below Rs 50,000 was under negotiation with MITCON. Further, the Company had recovered Rs 3 lakh from MITCON for non submission of monthly accounts of District offices. This reinforces the audit contention that the reasonability of the rate was not verified before awarding the work.

Monitoring mechanism

Post disbursement monitoring

2.15 Post disbursement monitoring of beneficiaries was necessary to ensure that financial assistance granted was utilised for the intended purpose. No such control mechanism was in place in any of the three Companies so as to ensure the utilisation of loans for the intended purpose. None of the Companies had undertaken post implementation impact assessment of the financial assistance schemes implemented by them. The following points were noticed during the test check of 3,701 cases in three Companies:

- The Companies had not evolved any procedure for post disbursement inspection of the premises of beneficiaries before the first installment became due for repayment.
- Evidence of insurance of the assets purchased by the loanees was obtained only during the first year and subsequent year's insurance was not ensured in any of the cases test checked.

None of the Companies had undertaken post disbursement monitoring to ensure utilisation of the financial assistance for the intended purpose.

- There was no system in place in any of these Companies for conducting the periodic inspection of the premises of the beneficiaries so as to ascertain the physical and financial performance of the business for which financial assistance was sanctioned.
- Company officials did not verify the physical existence of the vehicle in case of financial assistance given for purchase of vehicles.
- The Companies did not maintain any records/data base of the addresses of the beneficiaries; guarantors *etc.* to enable effective follow up of the financial assistance rendered.

All the Companies accepted (September 2009) the fact of absence of post disbursement monitoring and assured to develop the same and issue necessary instructions to the field offices.

Recovery mechanism

The recovery mechanism in all the three Companies was weak resulting in poor recovery performance.

2.15.1 Due to deficiencies in selection of beneficiaries and lack of post disbursement monitoring the recovery performance of all the three Companies was dismal. Poor recovery performance had impaired the ability of the Companies to provide financial assistance to other needy beneficiaries.

The recovery position of the Companies during the period 2004-05 to 2008-09 was as under:

(Amount in lakh of rupees)

Name of the Company	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
SAVVVM	Amount due	143.32	176.97	286.29	395.22	565.23
	Recovered	100.47 (70.10)	146.01 (82.50)	145.69 (50.89)	266.81 (67.51)	165.29 (29.24)
MAAAVM	Amount due	--*	--*	--*	--*	--*
	Recovered	130.00	147.00	190.00	144.00	58.00
MSHFDC	Amount due	101.51	182.26	268.55	--*	--*
	Recovered	59.52 (58.63)	15.89 (8.72)	77.78 (28.96)	88.05	60.88

(Figures in brackets indicate percentage of recovery against amount due for recovery)
(Source: Information received from the Companies)

The recovery mechanism in all the three Companies was deficient and weak. It was observed that basic records of amount due for recovery from beneficiaries were not maintained by two Companies (MAAAVM and MSHFDC) and periodic review of defaulters was not conducted.

During test check of 3,701 cases in the three Companies, following deficiencies were noticed:

- The posting of entries in individual scheme wise ledger accounts was not up to date and the details of amount due for recovery from beneficiaries were not available. SAVVVM and MAAAVM assured to maintain records of individual beneficiaries. MSHFDC stated that District level outsourced

* Information not furnished by the Company.

agency had not maintained the records properly. This is indicative of poor monitoring.

- Review of defaulter cases was not carried out regularly. The recovery position was not monitored by fixing targets in the absence of basic records of the defaulters.

MAAAM and MSHFDC stated (September 2009) that review of defaulters will be carried out regularly by appointing separate staff. SAVVVM stated that the correct amount due would be worked out on completion of computerization.

- SAVVVM obtained post dated cheques from the beneficiaries as per the loan conditions. However, it was observed that the same were not presented to the banks in time for recovery of dues. On the contrary, it was observed that despite the availability of post dated cheques SAVVVM followed the insecure procedure of recovery by visiting beneficiaries and collecting amounts in cash.
- Cases of delays in depositing the cash recovered to the branch offices were also noticed. Verification of 1,866 money receipts from Nashik and Nandurbar branches of SAVVVM revealed that in 1,049 cases amounts were deposited into branch offices within five days of receipt of the amounts, in 706 cases the amounts were deposited after six to 30 days, in 103 cases after 31 to 60 days and in the remaining eight cases involving Rs 23,150 the deposits were made after 60 days of its receipt.

SAVVVM stated (September 2009) that recovery through personal visits was done to avoid risk of dishonour of cheques and assured to avoid delays in depositing the cash. The reply is not acceptable as despite availability of post dated cheques the Company followed the insecure recovery mechanism by visiting beneficiaries and collecting the amounts in cash and there was delay in depositing the cash collected.

- As per Clause No.2 of terms of sanction of loan by MAAAM, the Company was to recover Rs 75 per quarter from each beneficiary towards post dated cheque clearance charges, stationary charges, etc. The amount recoverable on this account was Rs 11.58 lakh. Similarly, legal charges of Rs 87.43 lakh incurred by the Company against the defaulters were also to be recovered from defaulting beneficiaries. It was noticed in Audit that in violation of loan conditions the amounts were not debited to the individual beneficiaries and hence not shown as recoverable from them.

Training activities

2.16 In addition to the activities of providing direct financial assistance, the Companies were also required to impart training to the deserving beneficiaries for improving skill sets and capacity building under the employment generation schemes. According to the scheme guidelines of NAs, the Companies were required to identify suitable need based trades at different

locations under their jurisdiction for the purpose of imparting training and identifying the training institutes. After approval of scheme, the expenditure on training was to be reimbursed by the NA after submission of the utilisation certificates.

It was observed in Audit that:

2.16.1 Out of the three Companies engaged in implementing financial assistance schemes, MSHFDC did not conduct any training programme during the period 2004-05 to 2008-09 and thereby eligible beneficiaries were deprived of skill based training.

2.16.2 MAAAVM incurred an expenditure of Rs 77.83 lakh on training during 2004-05 to 2008-09 against which it received grant of Rs 3.17 lakh from NMDFC. The details regarding the proposals sent to NMDFC for reimbursement, proposals actually approved by NMDFC, training programmes arranged and the number of beneficiaries to whom training was imparted were not maintained by MAAAVM. Hence, recovery prospects of balance amount could not be checked in Audit.

2.16.3 SAVVVM arranged (August 2006 and March 2007) training to 2,762 beneficiaries through MITCON Consultancy Services Limited without calling for the competitive bids and incurred expenditure of Rs 1.16 crore. *Post-facto* approval of NSTFDC for reimbursement of the expenditure incurred on organising the training programmes was not received. Further, it was noticed that the rates received (March 2007) from NSTFDC for training in such trades were much lower as compared to the rates paid to MITCON. The variation in the rates ranged between Rs 895 and Rs 3,278 per training. The extra financial burden on training in this respect worked out to Rs 35.83 lakh reimbursement of which was not assured.

SAVVVM stated (September 2009) that as MITCON was sponsored by GoM and it was appointed as a training institute with approval of the Board and therefore rates from other institutions were not called for. The reply is not acceptable as it indicated non observance of financial propriety and National Agency guidelines.

2.16.4 The two Companies (SAVVVM and MAAAVM) had not maintained any database regarding feedback on the utility of the training and the extent to which the training had succeeded in enabling the trainees to obtain employment or achieve successful self employment.

Awarding the work of training beneficiaries to MITCON Consultancy Services Limited without calling for bids.

Performance of MAVIM with regard to formation of Self Help Groups

2.17 Based on the principles of holistic development, the Self Help Groups (SHGs) movement focuses on building women's capacities by providing them the required expertise to tackle their economic and social needs. Women not having any previous loan outstanding, with ability to return loan taken, who are trustworthy, poor or handicapped or belonging to BPL and poor

households are eligible for formation of SHGs with greater emphasis given to rural areas by conducting village survey. Each SHG was to be formed with minimum 15 women members. The scheme guidelines required a correlation with specific scheme-wise targeting based on identification of Scheduled Castes/Scheduled Tribes, Minorities *etc.* communities of rural/urban and poor. The formation, training and monitoring of SHGs is carried out through District offices of MAVIM. The success of SHGs depends upon the timeliness and efficiency in commencement of internal lending and generating sustainable linkages with banks within a period of one year of formation.

Prior to January 2003 MAVIM was engaged in supplying uniforms, stationery, food grains, running canteens *etc.* through women's groups. As per GoM decision (January 2003) MAVIM was to discontinue commercial activity and concentrate on the work of women empowerment through formation of SHGs. Accordingly, MAVIM amended (January 2003) the object clause in the Memorandum of Association and registered the Company under Section 25(3) of the Companies Act, 1956. MAVIM received grant of Rs 51.73 crore (GoM-Rs 51.48 crore, NABARD- Rs 0.17 crore and JNPT-Rs 0.08 crore) for forming SHGs and their nurturing during 2004-09. The expenditure incurred from the grant was Rs 51.55 crore leaving an unutilised balance of Rs 0.18 crore.

2.17.1 There was no co-ordination of MAVIM with the other agencies engaged in formation of SHGs such as District Rural Development Agencies (DRDA), National Bank for Agriculture and Rural Development (NABARD) *etc.* As a result, MAVIM could not compile and utilise the data regarding total number of SHGs in operation in the State as a whole for strategically planning the formation of new SHGs as per the actual requirement. MAVIM stated (September 2009) that monitoring was not done for want of resources and hence it could not perform the role of a Nodal Agency.

2.17.2 MAVIM had not carried out any micro-level research studies or survey of the Census data for compiling data on targeted women population in terms of village/District-wise dispersion of women and occupational patterns.

2.17.3 Out of 41,095 villages in the State, the villages covered by MAVIM were only 12,139 (*viz.* 29.54 *per cent*) by March 2007. No new village was covered thereafter. MAVIM conducted village survey in 4,712 villages for identifying the eligible women. The details of survey conducted were not furnished to audit including the parameters for selection of the sample size of villages. Even the survey conducted was not utilised as a baseline for focussed and phased coverage of SHGs.

2.17.4 There was no long term master plan for targeted coverage of eligible beneficiaries so as to cover entire eligible women population in a phased manner. MAVIM accepted (September 2009) the fact of absence of master plan.

2.17.5 While implementing the various schemes, MAVIM had not followed the scheme guidelines scrupulously and targets were not achieved within the stipulated time frame. Further, no separate operational guidelines were

Out of 41,095 villages in the State, MAVIM covered only 12,139 villages for its activities.

prepared by MAVIM. Resultantly, there were shortfalls in achievement of the targets fixed for formation of SHGs.

2.17.6 MAVIM had conducted impact assessment in only nine districts by appointing (April-May 2006) seven agencies. The cost incurred on the studies was Rs 17 lakh. None of the agencies, however, had submitted their reports so far (September 2009). No impact assessment was done in the other 26 districts. MAVIM stated (September 2009) that action will be taken after receipt of all reports. Thus, data on impact assessment of schemes even after three years was not available for mid-course correction in the implementation of the schemes (October 2009).

Against the target of 1,05,111 SHGs, MAVIM had formed 34,731 SHGs during the period 2004-05 to 2008-09 and as on 31 March 2009, 53,710 SHGs were in existence under 14 schemes *i.e.* 51 *per cent*. The details of the same are given in **Annexure 10**. The basic purpose of formation of SHGs is to help its members in getting the necessary expertise so as to enable them to start income generating activities (IGA). It was observed that out of total 6,54,788 women members in SHGs, only 2,05,106 women members *i.e.* 31 *per cent* could start income generating activities as on 31 March 2009.

Following observations are also made:

- As against the stipulation that each SHG should contain a minimum of 15 women members, in 53,710 SHGs as on March, 2009 there were 6,54,788 members. The average number of members per SHG worked out to 12.19 which was below the minimum number. Thus, the formations of SHGs were not as per the scheme guidelines.
- Maharashtra Rural Credit Program (MRCP) scheme was closed in 2002, however, MAVIM had formed 38 SHGs in 2006-07 under the scheme. The formation of SHGs under closed scheme was irregular.
- Tejaswini scheme was entrusted by GoM to MAVIM in February 2007 and MAVIM actually implemented the scheme from July 2007. MAVIM, however, had formed 5,920 SHGs by the end of March 2007 when the scheme was not operational.

The scheme-wise implementation/performance of important operational schemes and irregularities noticed are discussed below:

Swarnajayanti Gram Swarajgar Yojana (SGSY), Rashtriya Sam Vikas Yojana (RSVY) and Swarnajayanti Shahari Rojgar Yojana (SJSRY)

2.18 Government of India implemented the above three schemes SGSY (1999), RSVY (2003-04) and SJSRY (1997) through the District Rural Development Agencies (DRDAs)/District Urban Development Agencies (DUDAs) and Non Government Organisations (NGOs) working under Rural

Development Department (RDD)/Urban Development Department (UDD) of GoM.

Loss due to ambiguous agreements with DRDAs

DRDAs had not reimbursed the expenditure of Rs 2.24 crore incurred by MAVIM for want of details.

2.18.1 It was noticed in audit that under the scheme, no targets were fixed for MAVIM as the scheme implementing authority was DRDA/DUDA. The DRDAs/DUDAs entered into agreement with District offices of MAVIM treating them as an NGO. Hence, MAVIM should have restricted its role for technical support only. There was a lack of clarity in agreements entered in to by DRDAs with District offices which led to overlap/unplanned SHG formation. The SHGs formed under SGSY/RSVY/SJSRY were the achievement of RDD/UDA and as such did not belong to MAVIM. However, MAVIM implemented the schemes and formed SHGs and incurred an expenditure of Rs 2.24 crore out of its own funds during 2003-04 to 2008-09 and claimed the same from DRDAs from time to time. DRDAs had not settled the claim so far (September 2009) for want of details. Thus, the incurring of expenditure in anticipation of reimbursement from other departments was not in the financial interest of MAVIM.

Ad-hoc formation of SHGs without need based analysis

2.18.2 Under RSVY, scheme target of forming 2,950 SHGs was given to four^{*} out of six^{*} District offices where this scheme was implemented. However, in two District offices at Gadchiroli and Gondia there was a shortfall in formation of SHGs to the extent of 496 and 399 SHGs respectively. In the remaining two District offices (*viz.* Bhandara and Ahmednagar), 67 SHGs were formed in excess of the targets. Reasons for the shortfall as well as excess in formation of SHGs were not on record. MAVIM stated (October 2009) that even though there was shortfall in Gadchiroli and Gondia districts, the Company tried to compensate the shortfall by forming excess SHGs in other districts. The reply is not tenable as establishing more SHGs in other districts could not obviate the fact of non-formation of SHG's in selected districts as it defeated the objective of the scheme of forming need based SHGs as per the actual requirements.

Special Component Plan (SCP) and Tribal Sub-Plan (TSP)

2.19 The objective of both these plans was to channelise the funds for the development of Scheduled Castes and Scheduled Tribes at least in proportion to their population both in physical and financial terms. SCP and TSP were closed in 2005-06 and 2006-07 respectively. Following deficiencies were noticed with regard to implementation of these two plans:

^{*} Ahmednagar, Bhandara, Gadchiroli and Gondia.

^{*} Ahmednagar, Bhandara, Chandrapur, Gadchiroli, Gondia and Nandurbar.

2.19.1 SCP Scheme

- As against the target of formation of 20,250 SHGs under SCP in the three years period ending 2005-06, MAVIM had formed 21,085 SHGs at the end of March 2009. Thus, there was excess formation of 835 SHGs under the scheme.
- Analysis of MIS data of two District offices (Nandurbar and Amravati) for March 2009 revealed that out of 668 SHGs, in 152 SHGs the percentage of SC members was below the prescribed 70 *per cent* in violation of the scheme guidelines.
- Under SCP scheme, out of 2,53,874 women only 66,823 women (26 *per cent*) could start income generating activities successfully.

2.19.2 TSP Scheme

- GoM fixed the target of formation of 4,600 SHGs in the three years period ending 2006-07. However, the Company had formed only 4,397 SHGs by 2008-09, thus falling short by 203 SHGs. Under the scheme, out of 51,763 women only 9,600 women (18.55 *per cent*) had started their own business successfully.
- Analysis of MIS data of two District offices (Nandurbar and Amravati) for March 2009 revealed that out of 1,515 SHGs, in 68 SHGs the percentage of SC members was below the prescribed 70 *per cent* in violation of the scheme guidelines.

Swayamsidha

2.20 The Scheme was introduced with an objective of empowerment of women especially from socially and economically backward sections. The Indira Mahila Yojana implemented by the Central Government from 1994 and the Mahila Samruddhi programme of GoM were merged and a revised Swayamsidha scheme was declared by GoM (December 2001) for implementation up to March 2006 with a target of formation of 3,600 SHGs.

Following irregularities were observed by Audit:

2.20.1 Even after closure of the scheme in March 2006 the Company continued to form SHGs under the scheme till 2008-09. The SHGs formed till March 2009 was 3,416 SHGs which still fell short of the target of formation by 184 SHGs.

2.20.2 Community assets such as meeting halls, sauchalayas, *etc.* were to be constructed with 40 *per cent* contribution by the members of the village and 60 *per cent* contribution from Company's own funds obtained from GoM under Swayamsidha scheme. However, scrutiny of records of seven District offices revealed that in five District offices out of Rs 71.78 lakh received for creation of community assets, only Rs 35.51 lakh was utilised. Reasons for non-utilisation of the balance Rs 36.27 lakh were not on record. The unutilised

Out of total funds of Rs 71.78 lakh received, only Rs 35.51 lakh was utilised for creation of community assets and the balance was diverted for other schemes.

funds have been diverted for implementation of other schemes. Thus, the objective of creation of community assets was not achieved.

Tejaswini

2.21 MAVIM had implemented various schemes for women development. However, it had not achieved the desired objectives resulting in need for further loan to sustain the unviable groups. MAVIM requested (August 2005) GoM for further strengthening of these unviable groups by bringing them under one umbrella of Tejaswini scheme. The main objective of Tejaswini scheme was to progress women to a higher level through their collective efforts and mutual assistance. The scheme was entrusted by GoM in February 2007 with the programme support of International Fund for Agricultural Development (IFAD).

Even after wrongly inflating the figures of SHGs formed under Tejaswini scheme the target was not achieved.

2.21.1 MAVIM started implementation of the scheme with effect from July 2007. According to the scheme guidelines, MAVIM was to increase the number of the existing 41,469 SHGs (March 2006) to 62,675 SHGs (inclusive of SHGs formed under SCP and TSP schemes). However, MAVIM had wrongly included 2,601 new SHGs formed under other schemes* as newly formed SHGs under Tejaswini inflating the number of SHGs formed under the scheme which was incorrect.

MAVIM stated (September 2009) that the existing SHGs were being strengthened by bringing them under the upcoming Tejaswini scheme. The reply was indicative of the fact that the SHGs already formed by the Company under other schemes were not viable for which no justification was given.

In this connection the following was observed by audit:

2.21.2 The appraisal report of IFAD in December 2006 stipulated conducting of a baseline survey before commencement of the scheme. Even though the scheme was implemented by MAVIM from July 2007, the survey had not been conducted till date (October 2009). Thus, there was lack of clear focus on targeting the beneficiaries causing probable exclusion of many poor beneficiaries deserving support under the programme.

2.21.3 The appraisal report stipulated coverage of 10,000 villages only. The Company had considered 12,139 villages for implementation of the scheme with possible adverse impact on the financial feasibility of the programme.

2.21.4 MAVIM commenced the implementation of the project from July 2007 without any Project Implementation Manual (PIM). The PIM was prepared in June 2008.

2.21.5 MAVIM was to receive loan funds of Rs 8.04 crore from IFAD in 2006. However, due to non-fulfillment of condition regarding preparation of PIM and appointment of Human Resource development consultant (HR) and

* SGSY = 1,416 SHGs, Swayamsidha = 20 SHGs, NABARD Add On = 100 SHGs, RSVY = 711 SHGs, Krushisaptak = 235 SHGs, MWEP = 119 SHGs.

The Company had to bear the financial burden of Rs 1.25 crore on account of exchange rate variation due to delay in receipt of funds.

Senior Advisor (SA), there was delay in receipt of funds by two years (funds received in 2008-09). Due to delay in receipt of funds, MAVIM had to bear the financial burden of exchange rate variation for two years to the extent of Rs 1.25 crore.

2.21.6 The first Joint Review Mission of IFAD in September 2008 stated that the Company did not have a MIS to carry out an age-wise analysis of all SHGs. The number of newly formed SHGs which had been linked with banks was also not maintained. Thus, there was no sustainable mechanism to manage and sustain linkages of the SHGs formed with the banks.

2.21.7 While appointing Senior Advisor, Human Resource Consultant and the Internal Auditors, MAVIM did not comply with the terms and conditions stipulated by IFAD. The services of these professionals were terminated by MAVIM as they were found ineligible by IFAD. The expenditure incurred on professional fees of Rs. 9.80 lakh proved unfruitful.

Performance of NGOs

2.22 MAVIM appointed 126 NGOs since 2003-04 initially for a period of one year (to be extended up to five years period by annual renewal) for forming SHGs and their nurturing through conducting of training, bank linkages, lending activities, income generation activities *etc.* Selection of NGOs was not done on merit, instead the Company engaged the NGOs based on the recommendations of two independent NGOs *viz.* Chalana and Mahila Rajasatta Andolan. Each NGO engaged by MAVIM was to submit its Monthly Progress Report (MPR) to the Company at Mumbai Head Office. Payment at the rate of Rs 10,000 per SHG was to be made to the NGOs for formation and nurturing of SHGs. Payments were to be released in three stages (Rs 4,000 per SHG in first year, Rs 4,000 per SHG in second year and Rs 2,000 per SHG in third year) on specific recommendations from the concerned District offices.

Following irregularities were observed in Audit:

- The monthly submission of MPR by NGOs was not watched and not analysed after its receipt to assess the performance of NGOs.
- A total number of 5,211 SHGs had been formed by NGOs and payments of Rs 1.38 crore were made till March 2009. However, the records regarding NGO-wise targets fixed, amount paid as per actual achievements against targets and all matters pertaining to NGO activities were not made available to audit.
- Monthly average savings of members of SHGs formed by NGOs reduced drastically from Rs 26 in 2004-05 to rupees nine in 2008-09. Similarly, the percentage of members engaged in Income Generating Activities to total loan availing members of SHGs formed by NGOs was reduced from 72 in 2007-08 to 65 in 2008-09, which was indicative of inadequate nurturing of the SHGs by respective NGOs.

Despite unsatisfactory performance of seven NGOs MAVIM failed to discontinue their services.

- In Osmanabad district, it was noticed that 199 SHGs were formed under SGSY and SCP schemes. However, 51 SHGs were shown under both the schemes indicating duplication in the work of formation of SHGs.
- MAVIM entered into agreements with 126 NGOs from April 2004 to March 2009 for implementation of various schemes. Despite unsatisfactory performance by 33 NGOs, agreements of only 26 NGOs were discontinued in March 2009 by MAVIM. Thus, seven non-performing NGOs were still working (October 2009).

Internal Audit

2.23 No Internal Audit wing was in existence in any of the four Companies despite their existence for periods ranging from seven to 34 years.

- MAVIM, MAAAVM and MSHFDC had outsourced the Internal Audit work to Chartered Accountants firms for the years up to 2006-07, 2007-08 and 2008-09 respectively. The Internal Audit Reports of MAVIM and MSHFDC contained various irregularities such as lack of requisite documents, information and non registering documents *etc.* Neither remedial action was taken on the irregularities pointed out by Internal Audit nor the matter reported to the top Management *i.e.* Board of Directors (BoDs) for action.
- No Internal audit is conducted in SAVVVM.
- Internal Auditor was not appointed for the years 2007-08 and 2008-09 in MSHFDC. Further, it was observed in audit that the firm of Chartered Accountants (CA) appointed for conducting internal audit for 2005-06 and 2006-07 was not registered with the Institute of Chartered Accountants.

Corporate Governance

2.24 Corporate Governance is a system by which Companies are directed and controlled by the Management in the best interest of the shareholders ensuring greater transparency and timely financial reporting. The BoDs is responsible for governance of their Companies. An effective Corporate Governance is ensured through an effective internal control system, adequate and efficient Management Information System (MIS), regular monitoring of actions through the meetings of the audit committee/BoDs *etc.* With regard to this, following deficiencies were noticed in these Companies:

Internal Control

The Internal control mechanism was ineffective in all the four Companies.

2.24.1 Internal control is a process designed to provide reasonable assurance to an organisation regarding achievement of its performance goals. A built in internal control system minimises the risk of errors and irregularities and loss of resources.

Effective Internal Audit and Internal Control systems were not in place in any of the four Companies. Audit noticed the following deficiencies in Internal Audit and Internal Control.

- There was no system of cross-checking by the Head office of the posting of disbursements and recoveries from individuals in the ledgers maintained in the District offices.
- There was absence of operational guidelines/codes/procedures manuals for implementation of schemes in three Companies (SAVVVM, MAAAVM and MSHFDC). As a result, watching of receipt of funds from NAs, timely disbursement to beneficiaries to avoid refund of sanctioned loans, recovery from beneficiaries and remittances of money received by District offices to Head office, safe custody of post dated cheques received from the loanees and timely deposit of the cheques on due dates remained weak indicating absence of internal controls.
- Bank reconciliation statements were not prepared regularly by the District offices of all the three Companies.
- MAAAVM and MSHFDC had not formulated an appropriate system for maintaining an effective co-ordination and feedback mechanism with the outsourced agencies on basic accounting information, records and documentation. In the absence of this, the efficacy of the outsourcing arrangement could not be reviewed by the Companies.
- In MAVIM though Monthly Progress Report (MPR) was required to be furnished by the District offices/NGOs, no monitoring on receipt of MPRs from District offices/NGOs was exercised in the Head office. Consolidation of MPRs and analysis of consolidated MPR was also not conducted in the Head office of the Company for effective programmatic review.
- The accounts of all the four Companies were in arrears for periods ranging from three to 12 years (MAVIM-12 years, SAVVVM-six years, MAAAVM-three years and MSHFDC-four years). These Companies had not firmed up a time-bound programme to liquidate the arrears in finalisation of accounts. In the absence of timely finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not. Further, delay in finalisation of accounts is not only fraught with the risk of fraud and leakage of public money but might lead to non fixation of accountability and responsibility.

The Companies accepted (September/October 2009) the audit observations.

Audit Committee Meetings

2.24.2 According to Section 292A of the Companies Act, 1956 notified in December 2000, every public limited Company having paid up capital of not less than rupees five crore shall constitute an Audit Committee at the Board

Audit Committees were not constituted by three Companies in violation of the provisions of Section 292 A of the Companies Act, 1956.

level. Out of four Companies, three Companies (viz. SAVVVM, MAAAVM and MSHFDC) are covered under the scope of the above provisions of the Companies Act. As such, these three Companies were required to constitute Audit Committees. However, no such Committee was constituted by any of these Companies in violation of the provisions of the Companies Act, 1956.

Board of Directors Meeting

2.24.3 Since the BoD is the appropriate authority for the implementation of Corporate Governance provisions, it is imperative that the Board devotes adequate attention to these issues. As per Section 285 of the Companies Act, 1956 minimum four meetings of BoD were required to be held every year. It was noticed that in SAVVVM instead of 20 meetings during 2004-05 to 2008-09 only 13 meetings were held.

Waiver of loans by State Government

2.24.4 There was no loan waiver by the GoM during 2004-05 to 2008-09. GoM decided (August 2009) to waive MSHFDC's share of outstanding loans amounting to Rs 3.23 crore as on 31 March 2008 due from the beneficiaries. Similarly, GoM had decided (November 2009) to waive the outstanding loans of Rs 17.22 crore as on 31 March 2007 in respect of loans disbursed by MAAAVM. SAVVVM also stated (September 2009) that GoM had taken a decision to waive the outstanding dues as on 31 March 2008. However, the sanction order was not issued by GoM till date (November 2009).

Frequent changes of Managing Directors

2.24.5 The Managing Director (MD) is the Chief Executive of the Company and frequent changes in incumbency of MD directly affect the functioning and decision making ability of the Company. It was noticed that there were frequent changes in the MDs of SAVVVM and MAVIM. Thirteen and twelve persons held the post of MD in SAVVVM and MAVIM respectively during the period 2004-05 to 2008-09. The frequent changes in the top Management affected the functioning of the Companies.

Lack of monitoring by Top Management

2.24.6 The monitoring of functions of the Companies is required to be done by the top Management through an efficient Management Information System (MIS). The MIS in all the four Companies was, however, inadequate and ineffective. Periodical performance reports were not prepared and submitted to the top Management for remedial action to be taken to remove the deficiencies. The Companies were not maintaining basic data of selection, disbursement and recovery of the financial assistance given to the beneficiaries.

Poor achievement of objectives

The objective of upliftment of targeted population was not achieved by the Companies.

2.25 The four Companies were established with the objective of economic upliftment, livelihood generation and empowerment of Scheduled Castes, Scheduled Tribes, Minorities, Women and Handicapped sections in the State.

Out of the total population of 7.53 crore as per Census 2001 of Scheduled Tribes, Minorities, Women and Handicapped Sections, the Companies had covered merely 6.69 lakh beneficiaries since inception up to March 2009 which was only 0.89 *per cent*. Thus, the coverage was insignificant.

Specific deficiencies in planning, selection of beneficiaries, non-observance of eligibility criteria, delays in disbursement and absence of post disbursement monitoring were noticed in all the three Companies. Besides, no centralised data base was maintained by these Companies regarding total number of eligible beneficiaries covered and yet to be covered, resource assessment for scheme implementation, disbursement of financial assistance and outstanding dues from beneficiaries, which adversely affected the implementation and control mechanism of the schemes.

The deficiencies in the role of MAVIM as a nodal agency in formation of SHGs have also been observed. There was no involvement of village level committees in formation of SHGs to ensure convergence of services between various developmental agencies at grass-root level for achieving social and economic empowerment of women. The process of formation of new SHGs by MAVIM between 2003-04 and 2008-09 was not preceded by scoping exercise in a systematic fashion. In the absence of adequate planning and co-ordination, the formation of 5,211 SHGs through NGOs was also unsatisfactory.

Three Companies (SAVVVM, MAAAVM and MSHFDC) had not undertaken post implementation impact assessment of the financial assistance schemes. In one Company (MAVIM) impact assessment was conducted in only nine districts out of total 35 districts through private agencies, reports of which were awaited.

There was no co-ordination and convergence among different Administrative Departments of GoM for achievement of objectives through optimal utilisation of delivery mechanisms of all four Companies although there is considerable overlapping of the social categories they are expected to target.

Thus, the achievement of objectives of economic upliftment, livelihood generation and empowerment of targeted population was poor.

Acknowledgement

2.26 Audit acknowledges the co-operation and assistance extended by different levels of the management at various stages of conducting of the performance audit.

Conclusion

No micro-level database was created by the Companies for identification and selection of beneficiaries. Despite availability of District-wise details of targeted population in Census 2001 data, the targets were fixed in *ad-hoc* manner ignoring the actual dispersion of targeted population in different districts, previous year's achievements and without any correlation between physical and financial targets.

The primary objective of financial schemes envisaged maximum coverage through optimum utilisation of available resources, which was not achieved due to lack of co-ordination between three Companies (SAVVVM, MAAAVM and MSHFDC). In spite of overlapping nature of target groups these Companies did not maintain any interlinked records to ensure that the same person did not avail benefits from more than one Company. In several cases financial assistance was disbursed to ineligible beneficiaries and there were deficiencies/irregularities in disbursement of financial assistance. The recovery performance was poor and the post disbursement monitoring was inadequate. The training imparted to the beneficiaries was inadequate.

The performance of the fourth Company (MAVIM) with regard to formation and nurturing of Self Help Groups (SHGs) was also not satisfactory. The implementation of various schemes for SHGs was not effectively planned. The monitoring mechanism prevalent in the Company was also deficient. The Corporate Governance was not proper and the monitoring by top Management was weak in all the four Companies. No impact assessment studies were conducted of the financial assistance schemes implemented.

Recommendations

- Systematised and focussed targeting of eligible beneficiaries was required by conducting micro-level surveys in alignment with Below Poverty Line/Census data.
- Preparation of database of eligible beneficiaries was necessary for proper planning and effective implementation of schemes.
- Preparation of need-based targets was necessary for coverage of beneficiaries and alignment of the same with realistic budgetary planning and estimation.
- Streamlining of disbursement procedures was necessary to ensure proper utilisation of funds.
- Post disbursement monitoring systems were required to be introduced for improving the efficiency.

- **Conducting consistent and co-ordinated impact assessment to improve delivery of scheme benefits to targeted groups and carrying out midway corrections in implementation was necessary.**
- **Government may like to consider greater co-ordination and collaboration among the Companies to ensure that multiple agencies/schemes providing the same services were converged and the objectives of the schemes achieved through optimal utilisation of available resources.**
- **Internal Audit, Internal Control mechanisms and monitoring by top Management were required to be strengthened.**

The matter was reported to the Government (August 2009); their reply was awaited (December 2009).