

CHAPTER - II

Performance review relating to Government Company

2. Schemes implemented by Social Sector Companies of Tamil Nadu

Executive Summary

Between the years 1974 and 1999, the State Government formed three social sector companies viz., Tamil Nadu Adi Dravidar Housing and Development Corporation Limited (TAHDCO), Tamil Nadu Backward Classes Economic Development Corporation Limited (TABCEDCO) and Tamil Nadu Minorities Economic Development Corporation Limited (TAMCO) with identical objectives of raising the economic status of the scheduled caste, most/other backward classes and minorities in the State. To assess the effectiveness of the schemes of these companies, a horizontal performance review across these companies was taken up between January and May 2010.

Financial management

All the three companies kept major portion of undisbursed funds in short term and interest earning deposits, which ranged between ₹2.72 crore and ₹249.20 crore in respect of TAHDCO, ₹10.89 crore and ₹7.37 crore in respect of TABCEDCO and ₹2.41 crore and ₹13.55 crore in respect of TAMCO. The interest earned on these deposits only resulted in overall profit for these companies.

Planning

The companies did not have village level, block level data base of targetable beneficiaries and did not have long term corporate plans. The shortfall in achievement of annual targets was due to absence of strategic plan and delays in processing the loan applications.

Implementation of the scheme

The land purchase scheme of TAHDCO suffered from the deficiencies such as assistance for purchase of fragmented and over exploited land. The coverage of land irrigation scheme by TABCEDCO was poor due to its inability to identify the beneficiaries. TAHDCO extended loans to manual scavengers for the trades other than in which they were trained. Both TAHDCO and TABCEDCO sanctioned lower amount of loan

for the purchase of milch animals. TAHDCO did not ensure that the self help groups obtaining the initial loan come back for the main part of the loan. The self employment programmes of TAHDCO did not concentrate on high income generating activities prescribed by GOI. The beneficiaries were subjected to high interest rates and delays due to poor control and monitoring by TABCEDCO and TAMCO. TAHDCO imparted training through unrecognised institutes and did not compile the data of the employment status of the trained beneficiaries.

Monitoring and recovery performance

The post disbursement monitoring by these companies was poor and revealed non-verification of assets created, non-maintenance of data base of guarantors and security, poor recovery of loans and lack of adequate impact studies.

Impact assessment

The independent impact assessment of the schemes by Audit substantiated the audit findings mentioned in the performance review and indicated an urgent need for the companies to take remedial actions.

Conclusion and Recommendations

Audit concludes that these companies were required to improve their performance. Audit recommends to prepare the annual plans and the need based strategic plans in consonance with the goals of the Government, improve implementation of the schemes by correct identification of beneficiaries, avoid procedural delays and ensure that the assistance given would help to achieve the objectives and constantly monitor and assess the impact of the schemes to enable mid-term corrections wherever required.

Introduction

2.1 The State Government formed the following three companies with the mandate of extending assistance for raising the economic status of scheduled caste (SC), other backward classes (OBC), most backward classes (MBC) and minorities in the State:

Sl.No.	Name of the Company	Date of incorporation	Targeted section of population
1.	Tamil Nadu Adi-draavidar Housing and Development Corporation Limited (TAHDCO)	15 February 1974	Scheduled caste
2.	Tamil Nadu Backward Classes Economic Development Corporation Limited (TABCEDCO)	16 November 1981	Other Backward Classes/Most Backward Classes/Denotified communities
3.	Tamil Nadu Minorities Economic Development Corporation Limited (TAMCO)	31 August 1999	Minorities

These companies are the State's channelising agencies for the schemes financed by National Scheduled Caste Finance and Development Corporation (NSFDC), National Safai Karmachari Finance and Development Corporation (NSKFDC), National Backward Classes Finance and Development Corporation (NBCFDC) and National Minorities Development and Finance Corporation (NMFDC). The funds requirement for the schemes of TAHDCO is met out from share capital assistance received from Central/State Government and Special Central/State Assistance (SCA) and soft loan from NSFDC, NSKFDC. The schemes of TABCEDCO and TAMCO are mainly financed by NBCFDC and NMFDC. The funds received are distributed to the targeted beneficiaries through banks[€] under the following schemes:

TAHDCO	TABCEDCO	TAMCO
(i) Land purchase scheme (ii) Individual loan scheme (iii) Financial assistance to self help group (iv) Self employment programme for youth (v) Collector discretionary fund (vi) Training schemes	(i) General term loan (ii) Milch animal through Aavin (iii) Micro credit scheme to self help groups (iv) New Swarnima scheme	(i) Individual loan scheme (ii) Milch animal through Aavin (iii) Micro credit scheme to self help groups (iv) Loan for purchase of TSRs Auto (v) Educational loan

€ Banks include Nationalised, District Central Co-operative and Primary Agricultural Co-operative banks.

2.2 These companies together have disbursed loans aggregating to ₹553.86 crore among 8.47 lakh beneficiaries under various schemes during 2005-10 and have covered 17.47 lakh beneficiaries since their inception as detailed below:

Sl.No.	Particulars	Estimated population of targeted groups below the poverty line (In lakh)	Total number of beneficiaries covered since inception to March 2010		Beneficiaries covered (2005-10) (In lakh)	Loan disbursed (2005-10) (₹ in crore)
			Number (In lakh)	Percentage of Column (4) to (3)		
1.	TAHDCO	119 ♣	14.38	12.08	6.56	357.53
2.	TABCEDCO	70*	2.64	3.77	1.46	124.46
3.	TAMCO	15*	0.45	3.00	0.45	71.87

Organisational set up

2.3 The management of these companies is vested with their Board of Directors (BOD) including Chairman. The Managing Director is the Chief Executive assisted by General Managers in managing the affairs of these companies. TAHDCO had 32 district offices headed by District Managers for implementation of the schemes at the block/village level and seven ♦ divisional offices for construction of hostels/class rooms. Whereas, TABCEDCO and TAMCO play a limited role of disbursing the funds to the Sub-Channelising Agency (SUCA) viz., Primary Agriculture Co-operative Banks (PACB)/District Co-operative banks (DCB). SUCAs perform various functions viz., selection of beneficiaries, disbursement of loans and its recovery.

Scope of Audit

2.4 The previous reviews on TABCEDCO and TAHDCO, included in the Reports of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 1986 and 2003, were discussed by the Committee on Public Undertakings (COPU) during September 1992 and October 2009 respectively. COPU recommended (January 2003) that TABCEDCO should take more efforts to identify and increase the number of beneficiaries. The recommendations for TAHDCO are awaited (December 2010). The present performance review taken up between January and May 2010 covered all the schemes implemented by these companies during 2005-2010. The audit

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- ♣ As per 2001 census and categorised as BPL population by TAHDCO in December 2008.
 - * Calculated at 20.1 per cent (poverty percentage) on the estimated population as per the citizen's charter of State Government in 2009.
 - ♦ Chennai, Villupuram, Coimbatore, Vellore, Tiruchirappalli, Madurai and Tirunelveli.

examination involved scrutiny of records of the head offices, nine[•] district offices and four[∞] civil divisions of TAHDCO and SUCAs of TABCEDCO and TAMCO in ten[€] out of the total 32 districts of the State. Districts were selected based on the concentration of the targeted communities.

Audit objectives

2.5 The Audit objectives of the performance review were to ascertain whether there was:

Planning

- a system for identifying targeted group of beneficiaries and coverage was done in a phased manner.

Implementation of schemes

- an efficient system for optimum utilisation of funds for fulfilment of specified objectives.
- an effective appraisal system for selection of only eligible beneficiaries.
- an efficient and effective loan sanction/disbursement.
- effective follow-up of loan recovery.

Monitoring

- an effective system of monitoring with follow-up that ensured uplifting of the assisted beneficiaries.

Impact assessment

- impact assessment of various assistance/schemes with regard to raising of income levels of the targeted groups.

Internal audit and control

- adequate internal audit and control.

Audit criteria

2.6 The criteria adopted for assessing the achievement of the audit objectives were:

- annual policy notes of the State Government.
- procedures/guidelines prescribed by the national funding agencies.

• Chennai, Coimbatore, Cuddalore, Kancheepuram, Thiruvallur, Thiruvarur, Thiruvannamalai, Villupuram and Vellore.

∞ Chennai, Villupuram, Coimbatore and Vellore.

€ Villupuram, Cuddalore, Thiruvannamalai, Vellore, Salem, Thiruvallur, Kancheepuram, Karur, Tiruchirappalli and Erode.

- targets for various schemes *vis-a-vis* their achievements.
- procedures laid down by these companies for implementation and follow-up.

Audit methodology

2.7 The methodology adopted for attaining the Audit objectives consisted of review of the Planning Commission guidelines, scheme guidelines of the Government of India (GOI), policy notes and orders of the State Government, Agenda notes, Board Minutes, scheme files and correspondence files including the loan ledgers of the respective companies. Further, Audit directly interacted with 2,601 numbers of randomly selected beneficiaries of the three companies under various schemes for independent assessment of the success of the schemes.

Audit findings

2.8 We explained our objectives to TAHDCO during the entry conference held on 8 February 2010. A similar entry conference with TABCEDCO and TAMCO was conducted on 5 March 2010. Our findings were reported to these companies in July 2010 to which the respective Managements furnished the replies in September/October/December 2010. The draft reviews were discussed in the exit conference held on 14 October 2010 in respect of TABCEDCO and TAMCO and 22 October 2010 in respect of TAHDCO. Our findings were finalised considering the Management's replies and the views expressed in the exit conferences and are discussed below:

Financial performance

2.9 The details of amount received from the funding agencies and the amount disbursed to the beneficiaries by these companies are given below:

(₹ in crore)			
Sl.No.	Particulars	Amount received from the funding agencies including share capital assistance and opening cash and bank balance during the review period	Loan disbursed
1.	TAHDCO	457.67	357.53
2.	TABCEDCO	136.37	124.46
3.	TAMCO	64.06	71.87 [#]
	TOTAL	658.10	553.86

Against the available funds of ₹658.10 crore, these companies together disbursed funds aggregating to ₹553.86 crore amongst 8.47 lakh beneficiaries under various schemes during the review period.

[#] The excess disbursement over and above the amount of receipt in respect of TAMCO was due to utilisation of the recoveries from the beneficiaries for disbursement as fresh loan. Apart from this, the Company kept surplus funds in term deposits as discussed in para 2.10.

These companies have finalised their accounts up to 2009-10 except TAHDCO which had finalised the accounts up to 2008-09. The financial position and working results are furnished in **Annexures-7 and 8**. A review of the financial position and working results of TAHDCO indicated that against the share capital assistance of ₹19.11 crore due from the GOI from the year 1999-2000 and 2004-2009, the Company received (1999-2000) only ₹1.40 crore as the recovery of earlier loans by the Company was below the norm of 60 per cent and the State Government did not release its portion of capital contribution (₹19.89 crore since 2003-04). The insufficient recoveries deprived the beneficiaries of the margin money assistance of ₹37.60 crore. Also as per the guidelines of GOI (October 1998), TAHDCO was permitted to utilise only 3 per cent SCA towards its administrative expenditure. Even though we pointed out the appropriation of SCA funds in excess of the prescribed limit in the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 2003 *vide* Paragraph 2.7, excess appropriation continued during the review period amounting to ₹27.54 crore ♦.

TAHDCO replied (October 2010) that it followed the guidelines (December 1990) of the State Government for charging of the administrative expenditure to SCA funds. However, appropriation of SCA funds of GOI should be based only on the guidelines of GOI and not based on State Government guidelines.

TAMCO and TABCEDO earned profit (except TAMCO in 2008-09) out of interest earned from investment of the surplus funds accumulated due to delay in implementation of the schemes as detailed in the succeeding paragraphs.

Financial management

2.10 As could be seen from the Paragraph 2.8, the three companies collectively received funds amounting to ₹658.10 crore during the five years ending 31 March 2010 (except TAHDCO which had finalised the accounts upto 2008-09) for implementation of the schemes. We noticed that major portion of the undisbursed funds were kept in short term/Fixed Deposits (FD), Personal Deposit (PD) and Savings Bank (SB) accounts of banks resulting in overall profits due to the interest earned as shown below:

(₹ in crore)						
Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10*
I	TAHDCO					
1.	Net Profit as per accounts	4.30	4.23	1.86	1.74	2.98
2.	Interest income on SB accounts and term deposits	4.57	2.39	3.21	5.22	2.98
3.	Operative income excluding interest (1-2)	(-)0.27	1.84	(-)1.35	(-)3.48	NIL
4.	Funds in PD/SB/FD account	146.88	92.72	134.48	225.39	249.20

♦ 2005-06: ₹4.66 crore, 2006-07: ₹4.39 crore, 2007-08: ₹8.53 crore, 2008-09: ₹9.96 crore and 2009-10: Not available.

♣ Figures in respect of TAHDCO for the year 2009-10 are provisional.

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10*
II TABCEDCO						
5.	Net Profit as per accounts	0.43	0.61	0.72	0.74	1.60
6.	Interest income on SB accounts and term deposits	0.86	1.39	1.77	1.79	1.80
7.	Operative income excluding interest (5-6)	(-)0.43	(-)0.78	(-)1.05	(-)1.05	(-)0.20
8.	Funds in PD/SB/FD account	18.28	11.50	10.89	82.49 [€]	87.37
III TAMCO						
9.	Net Profit as per accounts	0.01	0.15	0.40	0.44	0.64
10.	Interest income on SB accounts and term deposits	0.06	0.25	0.38	0.73	0.29
11.	Operative income excluding interest (9-10)	(-)0.05	(-)0.10	0.02	(-)0.29	0.35
12.	Funds in PD/SB/FD account	2.41	5.12	5.19	8.10	13.55

We noticed that despite, COPU's recommendations (January 2003) to TABCEDCO to disburse the surplus funds to more beneficiaries, the Company had no action plan for expeditious implementation of schemes and coverage of maximum beneficiaries with available surplus funds.

TABCEDCO replied (December 2010) that the short term deposits were out of the collection from the sub-channelising agencies. The fact, however, remained that FD investments could have been recycled among the beneficiaries as recommended by the COPU.

TAHDCO replied (October 2010) that accumulation of unspent balances were due to receipt of SCA funds at the fag end of the year and staggered expenditure throughout the next financial year.

The fact remains that apart from accumulation of balances in PD account being the funds received for construction works, scheme funds have also been kept in FD and SB accounts. These could have been effectively utilised by fixing targets to the level of funds availability. However, this was not done.

- TAHDCO should utilise the amount received from NSFDC within three months of its receipt failing which it had to be refunded. Any belated remittances to NSFDC attracted 3 *per cent* penal interest. The Company refunded (May 2009) the unspent NSFDC fund (₹4.58 crore) received during 2007-08 after a delay of 17 months even though it was aware (October 2008) that the funds were not required for implementation of the schemes. Consequently, TAHDCO became liable to pay penal interest of ₹2.28 crore as NSFDC had rejected (April 2010) the waiver request (March 2010) of the Company. Similarly, NSKFDC also demanded (March

€ This includes ₹56.70 crore received for land irrigation scheme and kept in PD account.

2010) ₹1.32 crore as extra charges for non-utilisation of its funds (₹9.68 crore) pertaining to the period 1999-2003. However, the amount (₹3.60 crore) was still to be recovered by NSFDC/NSKFDC (November 2010).

TAHDCO replied that (October 2010) it had requested the national agencies for waiver of penal interest. However, the fact remained that the waiver proposal was also yet to be accepted by them (December 2010).

Planning

Absence of data base

Block/village level database of eligible beneficiaries was not compiled by all the three companies.

2.11 As per guidelines of the GOI for utilisation of SCA, families belonging to targeted communities living below poverty line* are eligible for economic assistance/training by TAHDCO. As regards the NSFDC/NSKFDC schemes of TAHDCO and other two companies, the families living below double the poverty line (income level of ₹44,000/₹55,000 *per annum*) are eligible for financial assistance. A database of eligible beneficiaries with reference to their income, population density of targeted groups in each districts/block/village, *etc.*, is a prerequisite for effective implementation of any scheme. However, we noticed that none of these companies had block wise/village wise data regarding the eligible beneficiaries. TAHDCO instructed (February 2010) all its district officers to furnish the list of BPL population for the first time. The list remains to be compiled (December 2010). The GOI desired (September 2008) TAHDCO to furnish the details of BPL SC families covered under the schemes during 2005-06, who were able to cross the poverty line. In spite of the State Government directing (May 2009) TAHDCO to conduct a fresh survey and furnish details to GOI. TAHDCO furnished (March 2010) the details for which no basis was on record.

Absence of strategic plan

The companies did not prepare long term strategic plan.

2.12 A need based long term strategic plan aligned with the Government policies is essential to prioritise assistance to the beneficiaries in a phased manner. However, we noticed that there was no such strategic or corporate plan with all these companies.

In TAHDCO, even the annual plans requiring State Government's prior approval were submitted during middle of the year (July to September) and its approval was obtained only in September/October each year leaving little time for implementation. This resulted in tardy implementation and huge accumulation of funds. While TAMCO did not delay in preparing its annual action plan, TABCEDCO submitted its action plans to State Government with delays of 12 to 85 days during the review period.

* Families having income below ₹22,000 (rural) and ₹27,500 (urban) *per annum* are BPL families.

TAHDCO replied (October 2010) that delays in preparation of annual plans would be avoided in future.

Absence of publicity and awareness

2.13 Awareness campaigns are essential to reach out to the potential beneficiaries in districts/taluks/blocks/panchayats. TAHDCO has been allocating ₹95 lakh each year towards advertisement/publicity charges, which is restricted to 3 per cent of subsidy (₹3 lakh) allotted to each District. However, we noticed that no awareness campaign was conducted in any of the nine districts test checked and only ₹0.40 to ₹0.60 lakh was spent against the prescribed percentage. The district offices also did not organise pre-sanction counselling at the block levels to educate the beneficiaries, resulting in filing of incomplete applications (7,429) in six⁹ districts which were rejected.

Similarly TABCEDCO and TAMCO incurred only a meager expenditure of ₹1.37 lakh and ₹3.69 lakh respectively on advertisement during 2005-10.

TAHDCO replied (October 2010) that awareness was being created through pamphlets and display in the notice boards of its regional offices. TABCEDCO replied (December 2010) that the advertisements on its schemes were released by the District Collectors. TAMCO assured (September 2010) to increase the awareness campaign in districts.

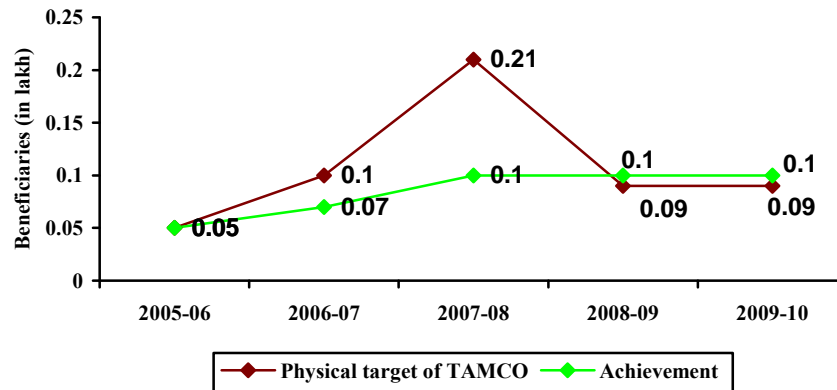
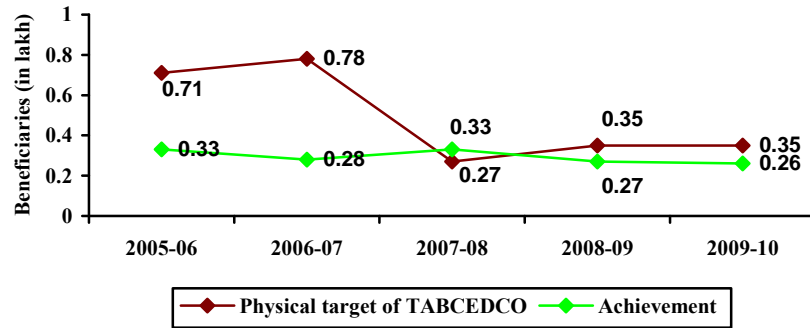
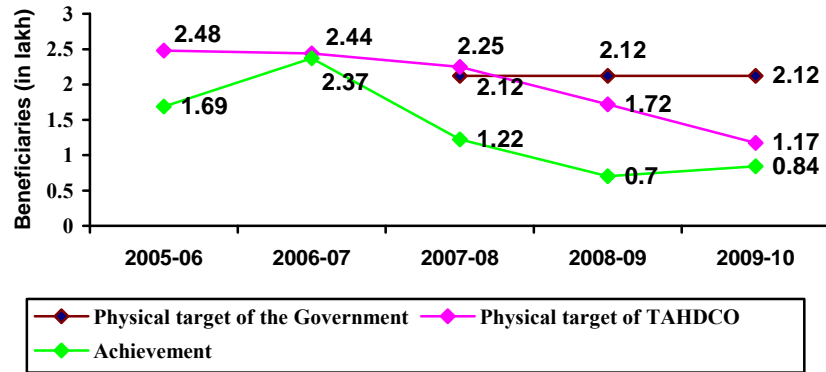
However, the fact remains that apart from displays in a routine manner in their own offices, the companies did not take adequate steps for creating awareness at village/block levels.

We recommend that the companies take up the planning of social upliftment schemes earnestly to achieve the overall objectives of social justice and equality. The database of targeted beneficiaries always available at block/village levels can be taken help of to spread awareness and bring more potential beneficiaries into net.

Targets and achievement

2.14 The targets and achievement of various schemes in respect of three companies is depicted in the following line chart and the details are furnished in **Annexure-9**:

Targets and achievements



We observed that considering the estimated SC/OBC/MBC population of 2.04 crore living below poverty line in the State, the coverage by these companies during the review period was only 8.47 lakh beneficiaries. We further observed that:

TAHDCO could not achieve its target throughout the review period and TABCEDCO/ TAMCO could achieve the target only after reduction during 2007-09.

- Though the companies had fixed annual physical/financial targets, the State Government had not fixed any such target for these three companies up to 2006-07 indicating inadequate planning at the Government level for expeditious coverage of beneficiaries. However, in Eleventh Five Year Plan (2007-12) the State Government fixed physical target for coverage of 10.59 lakh beneficiaries by TAHDCO. To achieve targets, TAHDCO should have fixed its annual physical target of at least 2.12 lakh beneficiaries and covered 6.36 lakh beneficiaries up to 2009-10. Against this, TAHDCO fixed target of 5.13 lakh and achieved 2.77 lakh beneficiaries. This indicated that the goals of TAHDCO were not in consonance with those of the State Government.
- There was no system of fixing targets on need basis by these companies due to non identification of the target groups at the block level. In none of the years, TAHDCO could achieve its financial targets primarily due to absence of strategic plan and delay in processing the loan applications as was evident from the fact that 29,177 out of 98,552 (30 per cent) applications were delayed in processing for more than one year in respect of five# out of nine districts test checked in Audit.
- TABCEDCO and TAMCO fixed ad hoc targets and their actual achievement was in excess of the physical targets during 2007-08 and 2008-09 mainly due to downward fixation of targets for which no reasons were on record.
- The achievement by TAHDCO every year was overstated as it included sanction orders issued but were subsequently reversed due to limitation of time. Our analysis in nine[∞] districts showed that the overstatement related to 6,811 (4 per cent) sanction orders valuing ₹8.88 crore (8.13 per cent) out of 1,68,675 sanction orders valuing ₹109.20 crore issued during 2005-10 were reversed. We also noticed that in three^o districts subsidy amount of ₹34.50 lakh had been drawn and kept undisbursed by the banks due to non-release of loan resulting in inflated report on achievement.

TAHDCO stated (October 2010) that the reversal of sanction orders in a few cases was unavoidable. The fact was that this happened continuously in all the years, which resulted in overstatement of data on achievements.

We are of the opinion that the targets of companies were not in consonance with the targets set by the State Government and the actual achievements were still less. We recommend that the companies should fix and make concerted efforts to achieve targets which are in line to those of the State Government.

Thiruvallur, Villupuram, Thiruvannamalai, Kancheepuram and Thiruvarur.

∞ Thiruvallur, Vellore, Villupuram, Cuddalore, Thiruvannamalai, Kancheepuram, Thiruvarur, Coimbatore and Chennai.

o Kancheepuram, Coimbatore and Chennai.

Deficiencies in sanction of assistance

2.15 In TAHDCO, applications received from prospective beneficiaries were scrutinised and selected by a committee consisting of Deputy Manager, TAHDCO, General Manager, District Industries Centre, Lead District Bank Managers and then sent to bank for issue of acceptance letter for disbursement of the loan. In respect of TABCEDCO and TAMCO, the identification and selection of beneficiaries were carried out by the District Screening Committee, with representatives of Primary Co-operative banks and village level agricultural banks without any representation from these companies.

We noticed deficiencies in the processing of applications for assistance:

- As per the instructions in vogue, the District Managers of TAHDCO have to maintain a master register indicating the details of receipt of application from the beneficiaries, date of approval of the application by the screening committee, date of forwarding the eligible application to the banks with nodal proceedings (Form-III). However, in none of the districts test checked, the master register was maintained. Instead these offices maintained application register, nodal issue register and Form-III separately without any correlation among them. Consequently, the identification and selection of beneficiaries was difficult. Besides, the Company couldn't monitor the delay in processing of eligible applications.
- District offices of TAHDCO took nearly one to two years instead of the norm of 30 to 60 days fixed for sanction as seen from Paragraph 2.14, which points out delays in 30 *per cent* of cases test checked. No mechanism existed to analyse the delays and to monitor timely disbursement of subsidy and loans. Further, there were instances of TAHDCO selecting ineligible beneficiaries under the scheme for rehabilitation of manual scavengers (Paragraph 2.19), non-verification of caste certificate for sanction of revolving fund under Self Help Group (SHG) (Paragraph 2.22) and selection of over-aged beneficiaries under Self Employment Programme for Youth (SEPY) (Paragraph 2.24). In TABCEDCO and TAMCO against the time limit of 10 days for sanction of loans for eligible applicants, delays ranged between 15 to 270 days in TABCEDCO and 12 to 728 days for TAMCO.

TAHDCO in its reply (October 2010) claimed that there were delays only in the individual entrepreneur scheme. However, we noticed the delays in all the schemes. TABCEDCO replied (December 2010) that the delays were attributable to the SUCA who were required to verify the viability of the projects and the repaying capacity of the beneficiaries. The fact, however, remained that TABCEDCO did not monitor timely disbursement of loans by SUCA.

Implementation of the schemes

Land purchase scheme

2.16 TAHDCO introduced this scheme in 2003-04 to enable landless SC women to own agricultural land and improve their economic status. Under the scheme, each beneficiary could purchase a maximum of 5 acres of dry land or 2.5 acres of wet land at a maximum unit cost of ₹2 lakh comprising ₹1 lakh each for purchase of land and its development. 50 per cent of the unit cost would be the subsidy to be borne by TAHDCO and the balance would be from the banks as term loan, repayable in five years.

We observed:

Instances of assistance for purchase of fragmented and over exploited land were noticed.

- In violation of guidelines that land procurement should be contiguous, assistance of ₹1.29 crore was given by TAHDCO for purchase of fragmented lands and those below one acre in respect of 156 beneficiaries in five[∞] districts test checked in Audit.
- Subsidy towards land development was to be released in a phased manner after completion of the land purchase. However, in two districts (Cuddalore and Thiruvannamalai), 96 beneficiaries were extended subsidy (₹28.79 lakh) for land development along with the subsidy for purchase of land.
- Subsidy amounting to ₹1.25 crore was paid during 2005-06 and 2009-10 for the purchase of 282 acres of land located in over exploited and critical (dark) areas *i.e.*, areas not suitable for cultivation in various blocks of Vellore and Villupuram districts.
- Though the land development cost included payment of deposit to TNEB, the district offices did not ensure that TNEB had provided power supply to beneficiaries. In Thiruvallur and Villupuram districts during our interaction with the beneficiaries, we ascertained that beneficiaries were not even aware of the existence of fast track scheme for effecting power supply by TNEB.

TAHDCO replied (October 2010) that the choice of selection of land vested with beneficiary. However, TAHDCO was duty bound to ensure that the beneficiaries select land suitable for cultivation to enable their economic development which evidently it failed to ensure.

Land purchase scheme under LAFTI

2.17 Based on the proposal (January 2006) by LAFTI[♣] for distribution of agriculture lands to landless SC/ST labourers in Nagapattinam and Thiruvallur districts, TAHDCO extended loan assistance at an interest rate of 6.5/6.0 per cent per annum repayable in seven years with onus of the recovery on LAFTI.

[∞] Cuddalore, Thiruvallur, Villupuram, Thiruvannamalai and Vellore.

[♣] “Land for freedom of tillers” a voluntary organisation formed to obtain cultivable lands and distribute to the landless agriculture labourers.

During the review period, 1,844.55 acres of land were distributed at a cost of ₹5.88 crore (consisting of NSFDC loan ₹2.75 crore and subsidy ₹3.13 crore) to 1,713 beneficiaries.

We observed:

Land purchase scheme implemented through LAFTI was not fully successful.

- LAFTI had not handed over the registered documents in respect of 1,010 out of 1,713 beneficiaries (August 2010).
- The overdue payments as on March 2010 in the present scheme was ₹1.18 crore in respect of Nagapattinam district.
- Out of 1,844.55 acres of land, 1,057 acres allotted to 1,057 beneficiaries in Nagapattinam and Thiruvarur districts was categorised as saline water area and the cultivation was dependent entirely on rain water.
- A feed back from 48 beneficiaries in Thiruvarur district revealed that their annual income was around ₹5,000 against the expected income of ₹22,000 *per annum* defeating the basic objective of the scheme.
- In the earlier (1991-95) land purchase scheme implemented through LAFTI in Nagapattinam district, only 498 out of 2,110 beneficiaries had obtained the legal ownership of the land. Besides, there were outstanding payments of ₹62.50 lakh as on March 2010. The State Government while forwarding (August 2006) the petition alleging malpractice in the earlier scheme of LAFTI, ordered necessary and immediate remedial action by the Company. In spite of all these short comings, TAHDCO accepted the second proposal of LAFTI.

Thus, the scheme aimed at enhancing the socio-economic status of the landless SC population had not achieved the desired result due to implementation through an intermediary agency, whose track record was not up to the mark.

TAHDCO replied (October 2010) that the Government issued orders in July 2010 granting 100 *per cent* exemption in stamp duty and the registration of land was in progress. The fact, however, remained that on both the occasions, the basic objective of improving economic status was not achieved.

Land Irrigation Scheme of TABCEDCO

Subsidy of ₹48.71 crore out of ₹50 crore received for land irrigation scheme was kept idle in PD account for more than two years.

2.18 The State Government introduced (December 2007) a scheme for providing irrigational facilities to small and marginal farmers belonging to OBC, MBC, De-notified communities with a financial assistance up to ₹1.00 lakh. The pattern of finance comprised bank loan and a matching grant by the State Government subject to a maximum of ₹50,000. The Government released (March/November 2008) ₹25 crore each during 2007-08 and 2008-09 for coverage of 10,000 beneficiaries each year.

We observed that against the target of 10,000 beneficiaries, the Company could disburse subsidy of ₹1.29 crore to only 261 beneficiaries in nine out of

32 districts upto November 2010. As the Company could not identify balance number of beneficiaries, ₹48.71 crore was lying idle in a PD account (November 2010). TABCEDCO replied (December 2010) that it had proposals on hand for disbursement of ₹2.68 crore in 17 districts. We feel that even if the full amount is disbursed it will be way short of the target of 10,000 beneficiaries.

Scheme for Rehabilitation of manual scavengers

2.19 The GOI launched (January 2007) the scheme for rehabilitation of manual scavengers by March 2009 involving training and subsequent economic assistance. For implementation of the scheme, NSKFDC released (May/June 2008) ₹22.66 crore. TAHDCO informed (October 2008) GOI that there were 11,896 SC manual scavengers to be rehabilitated. The Company imparted training in computers, repair of household articles, air-conditioners, Television, etc., to 5,419 candidates in 23 districts at a cost of ₹7.29 crore but paid a subsidy of ₹13.15 crore to 10,352 beneficiaries. Our scrutiny in five[£] districts indicated that:

- NSKFDC guidelines prescribed maximum cost of ₹14,000 per beneficiary for training consisting of institution fees and stipend. However, for 1,482 beneficiaries ₹23.02 lakh was spent in excess of the prescribed amount.
- Minimum educational qualification for undertaking training in computer hardware and mobile phone repairs, etc, was Class 10. In Cuddalore and Thiruvannamalai, 295 beneficiaries (cost ₹44.25 lakh) who did not study up to class ten were trained.
- The guidelines stipulated that minimum and maximum age for assistance as 17 and 35 years respectively. In six[∞] districts, the Company provided training at the cost of ₹26.15 lakh to 182 over or under aged beneficiaries.
- 3,271 beneficiaries, who were trained in two/four wheeler repair, electronic and consumer goods repair, motor winding, plumbing, carpentry etc., were provided subsidy and loan for setting up petty shops, provision stores, buying milch animal, cut piece shops etc., indicating mismatch with the training provided.

3,271 out of 5,419 trainees were provided assistance for venturing in trade other than in which they were trained.

TAHDCO replied (October 2010) that selection of areas of training and trade was made by the beneficiaries themselves. The reply confirmed that TAHDCO did not monitor the training schemes to insist that the training and trade was the same which defeats the purpose of the scheme and the amount spent.

Financial assistance for purchase of milch animals

2.20 TAHDCO extended financial assistance to the SC families for purchase of milch animals under Individual Entrepreneur Scheme and

£ Salem, Villupuram, Cuddalore, Virudhunagar and Thiruvannamalai.

∞ Permablaur, Pudukottai, Salem, Chennai, Thiruvannamalai and Cuddalore.

assistance under Micro Credit Finance and Mahila Samridhi Yojana. The maximum unit cost under these schemes varied between ₹24,000 to ₹30,000 (including a subsidy of 30 *per cent* of the unit cost and the balance as loan). The unit cost was payable in two instalments for purchase of the first and second cow. The following system deficiencies were noticed:

- As against the normative cost of ₹32,000 to ₹40,000 fixed by the National Bank for Agriculture and Rural Development (NABARD), for the scheme, the Company had adopted the maximum unit cost as ₹24,000 to ₹30,000. Accordingly, it extended subsidy of ₹1.45 crore during the review period to 1,665 beneficiaries in Thiruvallur and Villupuram districts. Interaction with the beneficiaries in these districts showed that only low breed cows could be purchased with lower unit cost and they were able to earn only a maximum of ₹6,000 instead of ₹7,000 *per annum* projected by NABARD.
- 1,320 beneficiaries to whom subsidy of ₹1.02 crore was paid during 2005-06 and 2006-07 had not availed second instalment of subsidy in Vellore, Kancheepuram, Thiruvarur, Coimbatore and Villupuram districts. In 2007-08 to 2009-10, the District offices of Villupuram, Coimbatore and Thiruvarur disbursed only 50 *per cent* of subsidy to 1,287 beneficiaries and denied the balance 50 *per cent* subsidy amounting to ₹2.31 crore. In the absence of any feed back mechanism with TAHDCO, we could not ensure that sustainable income had accrued to the beneficiaries as envisaged.
- While in Villupuram the beneficiaries submitted purchase agreement along with insurance cover and health certificate from veterinary doctor, in other districts no such practice was followed.

TAHDCO replied (October 2010) that district managers have been instructed to adopt the unit cost fixed by NABARD and ensure the asset creation in future.

Milch animal scheme in TABCEDCO

2.21 The scheme envisaged loan for purchase of two milch animals through Aavin[∇] at a cost of ₹15,000 per animal repayable with 6 *per cent* interest in three years. As per the agreement between Aavin and TABCEDCO, the loan was to be disbursed by Aavin to the beneficiaries within one month from the date of receipt of funds from TABCEDCO. We observed:

- Of the 8,164 beneficiaries, there was delay in disbursement of loan to 7,864 beneficiaries ranging from 37 to 454 days. The delay was more than a year in the case of 2,520 beneficiaries. The reason was attributable to delay in processing applications by SUCAs. Consequently, the beneficiaries were deprived of the loan assistance within the time limit.

- Adoption of a lower unit cost of ₹30,000, as compared with the normative cost of ₹32,000 to ₹40,000 fixed by NABARD, could not generate the expected income, as borne out by the impact studies.

TABCEDCO replied (December 2010) that the decision for enhancement of loan would be taken in due course of time and the other deficiencies pointed by audit would be brought to the notice of Aavin for taking suitable action.

Financial assistance to Self Help Groups by TAHDCO

2.22 Under the scheme, SHG comprising 12 to 20 SC women of BPL category were to be formed according to the norms specified by a committee. After six months of formation, the SHG would be graded and the eligible SHG would be extended assistance of ₹10,000 per SHG in the form of revolving fund (RF) to meet the initial expenditure. The scheme envisaged subsequent sanction of project cost in the form of economic assistance (EA) up to ₹7.50 lakh including 50 per cent subsidy subject to the maximum of ₹2.50 lakh and promoter's contribution of 10 per cent and the balance in the form of term loan from the banks. Further, the guidelines of Sampoorna Gramin Swaraj Yojana (SGSY) of GOI regarding formation of SHG, sanction of RF and EA were also to be followed for implementation of the scheme. The targets and achievements under the scheme during the review period are given below:

Year	Physical target (In numbers)		Physical achievement (In numbers)		Financial target (₹ in crore)		Financial achievement (₹ in crore)	
	Revolving fund	Economic assistance	Revolving fund	Economic assistance	Revolving fund	Economic assistance	Revolving fund	Economic assistance
2005-06	1,12,500	30,000	59,259	26,124	7.50	20.00	3.99	16.48
2006-07	1,12,500	43,000	84,532	47,214	5.77	29.73	4.74	29.43
2007-08	60,000	1,00,000	43,338	24,913	3.00	21.50	2.22	14.02
2008-09	60,000	37,500	16,410	12,752	4.00	25.00	1.08	9.83
2009-10	30,000	37,500	13,082	23,526	2.00	25.00	1.02	21.11

- The fixation of maximum subsidy at ₹2.50 lakh was more than the ceiling of ₹1.25 lakh fixed by SGSY programme of GOI which formed the basis of this scheme.
- The Company continuously reduced the physical and financial targets from 2007-08 onwards indicating slackness in formation of SHG.
- There was no co-ordination between TAHDCO and other State agencies engaged in formation of SHGs. TAHDCO was not aware of the total number of SHGs operating in the State due to lack of coordination between TAHDCO and other state agencies engaged in formation of SHGs. TAHDCO had not created a database to verify whether the SHGs that availed revolving fund subsequently

availed economic assistance also. Consequently, the Company was not able to ensure that the members of the SHG had economically progressed.

- In Villupuram District, 599 SHGs were formed and a subsidy of ₹59.90 lakh was disbursed without obtaining community/income certificate from the beneficiaries. After being pointed out in audit, 10 such SHGs, which did not avail any loan from the bank refunded (26 April 2010) the subsidy of ₹60,000 against ₹ one lakh released to them under the revolving fund. This was indicative of the absence of a robust mechanism to identify the beneficiary before sanction and release of subsidy. NABARD too had pointed out (2009-10) prevalence of unhealthy competition among the NGOs to avail subsidy under Government sponsored schemes.
- The district offices (except Chennai) of TAHDCO did not ensure the genuineness of caste certificate submitted by the beneficiaries though such verification was necessary.
- In Vellore district 23 SHGs availed revolving fund amounting to ₹2.30 lakh despite non-repayment of previous outstanding which was against the terms of the above scheme. None were held responsible for such violations.
- In six[€] districts, the project reports for mini dairies did not specify the infrastructure facilities for maintenance and rearing of milch animals. The members individually maintained the animals and sold the milk produced indicating that there was no group activity in SHGs. Therefore, the subsidy should have been regulated as per individual entrepreneur scheme.
- In all the six districts mentioned above, applications submitted by the SHGs were found to be deficient as these did not contain details of loans and revolving funds already availed.
- Based on the orders of the Government (August 2005), TAHDCO arranged imparting of training at a cost of ₹1.98 crore to 50,000 women members of SHGs in entrepreneurial development skill for employment through Tamil Nadu Corporation for Development of Women Limited. However, feedback on whether these SHGs had availed themselves of assistance was not obtained except in respect of three SHGs in Salem.

TAHDCO replied (October 2010) that the district managers had been instructed to create data base of SHGs availing revolving fund and economic assistance and have been directed to verify the income certificates to avoid such lapses in future.

Self Help Groups of TABCEDCO and TAMCO

There were delays in processing and disbursing of loan to 55,387 beneficiaries, which ranged from 15 to 270 days (TABCEDCO) and 15 to 728 days (TAMCO).

2.23 The scheme named as Micro Credit Scheme covers the beneficiaries through SHG identified by a NGO. The recommended lists are forwarded to the District Co-operative Banks (DCB) who will recommend to TABCEDCO/TAMCO for sanction of assistance of ₹10,000 per individual. During the review period, 1.32 lakh and 34,773 beneficiaries were extended assistance of ₹95.83 crore and ₹40.13 crore by TABCEDCO and TAMCO respectively. A test check relating to 55,387 beneficiaries in 30 districts consisting of 208 sanction orders involving financial assistance of ₹58.44 crore revealed that TABCEDCO delayed processing and disbursing loans to 43,773 beneficiaries, by 15 days to 270 days. In respect of TAMCO, the delay in disbursement of loan to 11,614 beneficiaries ranged between 15 and 728 days.

TAMCO agreed (September 2010) to take steps to reduce delays. TABCEDCO replied (December 2010) that the applications which were in order were processed within the time limit. The fact, however, remained that the delays were noticed in release of sanction orders by TABCEDCO after processing of applications by SUCAs and hence were avoidable.

Self Employment Programme for Youth (SEPY) and Individual Entrepreneur Scheme (IES)

2.24 The SEPY implemented by TAHDCO provided financial assistance to SC youth of the age group between 18 and 35. After providing necessary vocational training to these youth through technical institutions, financial assistance is extended with the maximum project cost of ₹7.50 lakh consisting of 30 per cent subsidy (subject to a maximum of ₹25,000), promoter's contribution equivalent to 5 per cent and balance as term loans from the banks. The Company has to monitor the beneficiaries continuously for one year to ensure success of the projects being initiated by the beneficiaries. The modalities of IES were similar to SEPY without the age limit. During the review period, TAHDCO disbursed ₹11.99 crore to 5,067 beneficiaries under SEPY and ₹46.07 crore to 44,282 beneficiaries under IES respectively.

We observed in SEPY that:

- The Company continued to reduce the physical targets of SEPY from 3,000 in 2005-06 to 450 in 2009-10 without any valid reasons on record. Even the reduced targets were not achieved in any of the years except 2009-10.
- Against the maximum subsidy of ₹10,000 per beneficiary prescribed by GOI, 5,067 beneficiaries were paid excess subsidy ranging from ₹10,775 to ₹20,648, which amounted to ₹6.92 crore.
- The Company did not provide any training for skill development of the beneficiaries, which was a pre-requisite of the scheme. Even after GOI issued (March 2007) guidelines for providing training in high end income generating activities, the Company preferred assistance for setting up petty shops, small provision stores, cut

piece shops, milch animals, etc. Further the Company identified 13 sustainable employment opportunities for the scheme in Chennai, but similar exercise was not considered for the other districts.

- Sanctions were made to those who had crossed 35 years of age and who were above the poverty line. In five* districts test checked, subsidy amounting to ₹5.75 lakh was released to 23 ineligible beneficiaries.
- We visited eight branches of four PSU banks in Chennai city and ascertained that there were heavy over dues from 339 beneficiaries, who were given subsidy of ₹84.75 lakh for purchase of passenger autos. In view of the non-payment of dues by these beneficiaries, we could not verify whether the basic objective of scheme assistance has been achieved.

TAHDCO replied (October 2010) that (i) targets were based on previous year performance and availability of funds, (ii) training was not imparted because the beneficiaries were already having required skill and (iii) the specific lapses pointed out by Audit were being enquired into. The reply for item (i) and (ii) was not convincing because the current year's targets was not matching even with the funds availability and previous year achievement and high end skill development was never attempted by the Company as directed by GOI.

We noticed in IES that:

- In five* districts test checked, assistance was extended without assessing individual capability. Further, there was no uniformity in unit cost adopted by the Company and the quotations obtained from the dealers based on which the unit cost was sanctioned was not authenticated as it did not include the details of TNGST Registration of the whole sale dealer.
- A feedback obtained by NABARD revealed that the security and documentation of bank loan continued to be cumbersome and the loan amount was inadequate which forced them to resort to external borrowings at high rates of interest.

TAHDCO replied (October 2010) that the unit cost and documentation procedure was decided by the bank. The reply was not convincing because the responsibility of TAHDCO would not end merely at the level of disbursing subsidy to the bank but would continue till such time subsidy actually reaches the selected beneficiary as it is directly related to implementation of the scheme.

Collector's discretionary fund scheme

2.25 Under the Collector's Discretionary Fund (CDF), the Adi Dravidar beneficiaries, who require immediate financial assistance, are given a maximum of ₹10,000 as subsidy. As per the guidelines for utilisation of CDF, 3 per cent of SCA funds subject to a maximum of ₹5 lakh per district were to

* Thiruvallur, Cuddalore, Villupuram, Vellore and Thiruvannamalai.

be spent annually. The District Collector is responsible for implementing the scheme who may depute the District Managers of TAHDCO for verification/inspection of the status of the beneficiaries. In addition, TAHDCO is to procure necessary assets approved in the sanction from the supplier and hand over to the beneficiaries after making entries in their stock registers.

During the review period, against the target for assistance of ₹26 crore to 34,300 beneficiaries, the fund amounting to ₹18.69 crore was disbursed to 26,642 beneficiaries. We observed:

- Against the annual permissible limit of ₹1.60 crore (at the rate of a maximum of ₹5 lakh) for 32 districts (total of ₹ 8.00 crore for five years up to 2009-10), the Company spent ₹18.69 crore under the scheme resulting in excess release of ₹10.69 crore
- The procedures regarding procurement of assets from the supplier and necessary entries to be made in the stock register were followed only during 2005-06 and later the subsidy of ₹15.71 crore was disbursed by issuing cheques in the name of beneficiaries.
- As per the guidelines, the District Managers of the Company should verify creation of assets and send quarterly reports to their Head office and Government. During test check of four[≠] districts involving disbursement of subsidy of ₹1.76 crore to 2,482 beneficiaries, the District Managers did not verify asset creation in any of the cases up to 2007-08.

TAHDCO did not verify creation of asset after disbursement of assistance in the form of cheques.

TAHDCO replied (October 2010) that guidelines were already issued with regard to verification of asset creation in the scheme. We are of the opinion that the scheme was utilised only as “temporary dole” without ensuring income generation and ignoring the skill possessed by the beneficiaries.

Training programme of TAHDCO and TABCEDCO

2.26 TAHDCO undertakes training in various fields such as computer, fashion technology, knitting and embroidery to the educated unemployed SC/ST youths. The cost of training is met out of Special Central/State Assistance funds, which is limited to 30 *per cent*. The Company was required to impart training only through recognised institutions. During the review period, TAHDCO imparted training to 1,52,371 candidates incurring ₹68.45 crore in the State against ₹59.62 crore available for the purpose. A test check of training programmes of TAHDCO in five[£] districts revealed:

- 12 months Nursing training courses imparted to 1,489 beneficiaries during 2005-06 at a cost of ₹1.01 crore were not through the recognised institutes. The certificates issued in another training course conducted between October 2008 and October 2009 by Vallalar Gurukul Educational Institute for Nursing Midwives in

[≠] Thiruvallur, Vellore, Thiruvannamalai and Villupuram.

[£] Thiruvallur, Vellore, Villupuram, Thiruvannamalai and Cuddalore.

Cuddalore District was ineligible for registration in the Employment Exchange.

- During 2006-09, TAHDCO provided Airhostess training through Airhostess Academy, Chennai (Academy) to 326 beneficiaries at a cost of ₹1.58 crore. However, the academy could arrange diploma certificates for 30 trainees. The academy also did not ensure minimum placement of 75 *per cent* of candidates as agreed. During 2006-08, 152 candidates were placed as aviation ground staff, hospitality and travel managers and none of them got placement as airhostess/cabin crew. During 2007-08, the 'In Flight' Training (being the main part of Air Hostess Training) was not imparted to 196 candidates by the academy in violation of the agreement between TAHDCO and the Academy.
- 238 beneficiaries were extended assistance of ₹25,000 against the eligible amount of ₹10,000 under training scheme for Civil Services Preliminary Examination passed candidates resulting in overpayment of ₹35.70 lakh during 2008-09 and 2009-10. The Company had neither recovered the overpayment nor fixed any responsibility on the officials, who authorised such overpayment indicating lack of internal controls over the payment of subsidy.
- Out of 7,171 beneficiaries trained at a cost of ₹7.05 crore during 2007-09 in six[♦] districts so far (March 2010), only 1,061 candidates were reported to have gained employment. However, TAHDCO did not verify the reports of employment given by the training institutes.
- In another four[≠] districts during the four years ended 31 March 2009, the Company trained 10,469 beneficiaries under various training programmes by incurring ₹7.69 crore. Despite our pointing out (January 2008), the Company was yet to compile data on employment status of these candidates for evaluation of the impact of the training programme.

TAHDCO was yet to compile data on employment status of trained candidates.

TAHDCO justified (October 2010) that it followed the Government instructions of September 2008 regarding financial assistance to civil services preliminary examination candidates. However, the financial assistance for such training was given out of SCA funds in which the maximum unit cost allowed by GOI per beneficiary was ₹10,000 only. In respect of other deficiencies, TAHDCO replied that the entire training programme was being revamped and evaluated.

We noticed that TABCEDCO imparted training to 334 beneficiaries in four districts at a cost of ₹8.00 lakh only for training. They had not fixed any targets for training programmes either.

♦ Vellore, Kancheepuram, Chennai, Thiruvarur, Coimbatore and Pudukottai.

≠ Thiruvallur, Thiruvannamalai, Cuddalore and Villupuram.

TABCEDCO justified (December 2010) the poor coverage under training on the grounds that it had no allocation of funds for training schemes. This confirms our observation on the company's failure to implement training programmes for the benefit of needy beneficiaries. We are of the opinion that the tardy implementation of the various schemes including issues of assistance being provided for trades other than for which trainings were provided, training requirements not being fulfilled, *etc.*, assistance being provided beyond permissible ceilings, unmonitored trainings have led to non achievement of planned goals and performance going haywire.

Construction activities of TAHDCO

2.27 TAHDCO is engaged in construction of hostels and schools for Adi Dravidar students through the funds received from State Government and GOI. The Company is allowed 12.5 *per cent* of value of works executed as centage charges. During the review period, against the total receipt of ₹216.41 crore from these sources, the Company utilised only ₹131.32 crore leaving a balance of ₹85.19 crore (39 *per cent*). We observed:

- As against the earnings of centage charges (₹6.71 crore) in respect of the four[€] divisions test checked, the Company incurred ₹14.56 crore towards the supervision of the construction work indicating excess expenditure over income to the extent of ₹7.85 crore due to lack of cost control measures. Besides, it lost eligible centage charges of ₹3.56 crore in respect of the NABARD works as the Government reimbursed only 5 *per cent* as centage charges as against 12.5 *per cent* obtained for another NABARD work.
- The balance cost of construction of 142 hostels completed under Housing Urban Development Corporation scheme during December 2004 to the extent of ₹3.80 crore remains to be collected from the State Government due to non claiming of dues and poor follow-up by the Company.
- The Company deviated from the provisions of tender/agreement and arranged for undue financial assistance (₹8.52 crore) to the contractors by entering into a tri-partite agreement with the bank and contractor. In Villupuram and Coimbatore division, five contractors defaulted in repayment of financial assistance amounting to ₹10 lakh for which the Company may become liable for repayment to the bank in view of the tripartite agreement with the bank.

TAHDCO replied (October 2010) that the financial assistance to the contractors was given to help them.

Monitoring

2.28 Post disbursement monitoring of beneficiary is necessary to ensure that the financial assistance granted was used for intended purpose. No such control mechanism was in place in any of the three companies for ensuring the achievement of objectives of the schemes.

Our scrutiny revealed:

- No procedure existed in any of the companies for post disbursement inspection of the beneficiaries.
- The beneficiaries have not obtained comprehensive insurance coverage for vehicles financed under NSFDC schemes.
- A test check in Thiruvallur, Vellore and Villupuram districts of TAHDCO revealed that 1,524 SHGs availed revolving fund of ₹1.52 crore during the review period against which only 1,117 SHGs availed economic assistance of ₹14.52 crore. TAHDCO had not analysed the reasons for drop out of 407 SHGs in availing economic assistance.
- The District Monitoring Committee* was responsible for monitoring the creation of assets. Of the 4.67 lakh beneficiaries assisted in five districts during the review period, the district offices had carried out physical verification only in 33,229 cases (7 per cent) in 2008-09 valuing ₹28.03 crore. The remaining assets valuing ₹279.52 crore remained unverified. As a result, TAHDCO was left with only statistical information as to the number of beneficiaries and the loan disbursed.
- The District Managers of TAHDCO did not collect the statements of accounts from the respective banks which should form the basis for reporting the physical and financial achievements reported to head office and to the Government. Ironically, the physical and financial achievements reported through monthly progress reports by the District Managers indicated 100 per cent achievement.
- TAHDCO detected (September 2005) certain irregularities in its Coimbatore district office including issue of open cheques to the beneficiaries, extension of assistance to other than SC beneficiaries, existence of nexus between with the supplier and Company employees, overpayment of training fees etc. The matter was still under investigation (November 2010). However, similar checks were not carried out by the Company in other districts.

District officers of TAHDCO verified creation of asset only in respect of 7 per cent of the assisted beneficiaries.

TAHDCO assured (October 2010) that they would maintain the data base of guarantors and stated that the district managers were instructed to furnish monitoring reports continuously henceforth.

TABCEDCO attributed (December 2010) the poor monitoring to absence of staff at the district level and assured to obtain the Form-B from the banks.

* The Committee consisted of District Collector, Regional Manager of TAHDCO and representative of the lending bank.

TAMCO stated (September 2010) monitoring of schemes directly by NMFDC had commenced from 2009-10 onwards.

Recovery performance

Poor recovery of TAHDCO was due to not issuing demand notices regularly, non-fixation of targets for recovery and not invoking personal guarantees.

2.29 Due to deficiencies in implementation and weak internal control in monitoring the schemes, the recovery performance of TAHDCO was dismal and had impaired its ability to recycle the funds to other needy beneficiaries. The details of recovery performance of three companies during the five years ending 31 March 2010 are given in **Annexure-10**. While the recovery performance of TABCEDCO and TAMCO through SUCA ranged between 84 to 100 *per cent*, the same was just up to two *per cent* in TAHDCO. In respect of the Sanitary Mart scheme of TAHDCO, there was no recovery in 2007-08 and 2008-09. TAHDCO was compelled to pay (April/November 2006) ₹23.20 crore being the defaulted amount pertaining to the period up to December 2005 to NSFDC out of its share capital. Further, the balance outstanding as on March 2009 (₹95.85 crore) as shown in the Demand, Collection and Balance Statement submitted (March 2010) to the Board varied widely with the outstanding amount (₹103.06 crore) shown in the accounts for the year 2008-09.

The poor recovery in TAHDCO was due to not issuing demand notices regularly to the loanees, non-fixation of target for recovery at the district level and failure to invoke the personal guarantee of the third parties. FDRs (value: ₹12.03 lakh) obtained as collateral security were yet to be encashed in six[▲] districts. Thus, the Company's laxity in recovering the dues led to stoppage of GOI's share capital assistance from 2003-04 onwards. Further the Company has become liable to pay liquidated damage of ₹4.98 crore to NSFDC/NSKFDC on account of non payment of dues (2008-09).

Government of Tamil Nadu had ordered (November 2008) waiver of agricultural loans together with interest amounting to ₹4.07 crore (313 beneficiaries). We noticed that the TAHDCO's waiver proposal also included ₹2.88 crore (176 beneficiaries) being the loan for purchase of tractors and power tillers. As the guidelines stipulated that the waiver was only for crop loans, inclusion of loans extended for purchase of capital items under the waiver proposal was irregular. The State Government also ordered (April 2010) waiver of margin money outstanding as on 31 March 2009 amounting to ₹66.93 crore. Under this circumstance, the recovery of ₹66.93 crore being the outstanding principal amount of various loans extended up to March 2009 is doubtful.

While admitting its poor recovery, TAHDCO stated (October 2010) that it had now taken steps for recovery through tie-up arrangements and collection through post dated cheques, *etc.*

Zero recovery of loans in respect of TABCEDCO and TAMCO

2.30 Between 2005-06 and 2009-10, TABCEDCO and TAMCO extended general term loans (₹1.45 crore in respect of TABCEDCO and ₹19.37 lakh in

▲ Chennai, Kancheepuram, Vellore, Dindugal, Thanjavur and Thiruvannamalai.

respect of TAMCO) through Primary Agricultural Co-operative Banks (PACBs). We observed that there was no recovery under this category and major amounts were due from PACBs of Cuddalore (₹41.99 lakh), Pudukottai (₹14.78 lakh), Madurai (₹9.84 lakh), Dharmapuri (₹4.85 lakh) and Sivaganga (₹3.87 lakh) as these companies entered into direct agreement with PACBs instead of through the apex co-operative banks. In spite of this, the practice of entering into such agreements with the PACBs continued.

TABCEDCO replied (December 2010) that it had written letters to the Registrar of the Co-operative Societies to remit the dues.

Impact assessment

2.31 Impact evaluation is essential to assess the success of any welfare scheme. Our scrutiny revealed that only TABCEDCO conducted (March 2009) an evaluation study during the review period. The study covering 1,010 beneficiaries revealed that the socio economic profile was generally low, except in Entrepreneurship Development Programme and mobile laundry scheme. There were inconsistencies in rate of interest charged by the various banks. TABCEDCO was ranked third by NBCFDC among the better performing State Channelising Agencies during 2005-06 and 2006-07, and second in 2007-08.

Industrial Technical Consultancy of Tamil Nadu (ITCOT) pointed out (August 2003) that nearly 40 *per cent* of the scheme benefits were not reaching the deserving beneficiaries due to complacency and indifference of TAHDCO in implementing the schemes of NSFDC. Audit interacted with 1,297 beneficiaries of TAHDCO, 1,304 beneficiaries of TABCEDCO and TAMCO covering nine districts selected in Audit identified randomly for independent evaluation of the schemes. The following deficiencies were revealed:

TAHDCO	TABCEDCO/TAMCO
There was lack of awareness about various schemes implemented.	74 <i>per cent</i> of the beneficiaries interviewed were not aware of the rate of interest of milch animal scheme.
There were delays in sanction of loan.	The quantum of loan for milch animal was inadequate.
Creation and existence of assets could not be ensured in 50 <i>per cent</i> of the test checked cases except in land and auto rickshaw purchase scheme.	Only 11 <i>per cent</i> of the beneficiaries of micro credit scheme were aware of the rate of interest but the income level of the beneficiaries of micro credit scheme of TABCEDCO and TAMCO improved up to ₹500 per month.
The economic status of the beneficiaries continued to remain low.	

The interaction substantiates our findings discussed in the review. There is an urgent need for these companies to reassess their schemes and take remedial action.

Internal control and Internal audit

2.32 These companies do not have effective internal control mechanism in sanction, disbursement and recovery of loan from the beneficiaries as brought out in the earlier paragraphs. Further, the Internal audit system was lacking as was evident from the fact that the need to strengthen internal audit of TAHDCO has been reiterated by Comptroller and Auditor General of India in the Audit Report (Commercial) for the year 2002-03 and the statutory auditors in their last five years report up to 2008-09. In respect of the other two companies, the internal audit activity was outsourced without clear scope. The audit was restricted to only the registered office without verifying the transactions being routed through DCCB/PACB, etc.

Acknowledgement

Audit acknowledges the co-operation and assistance extended by the staff and the management of the companies in conducting this Performance Review.

Conclusion

The companies have been mandated to raise the economic status of the persons below poverty line. However, the schemes suffered from poor planning, absence of comprehensive data base of beneficiaries and improper use of resources. Need based realistic targets were not fixed and funds were parked in interest earning deposits.

The land purchase scheme of TAHDCO suffered from implementation deficiencies such as assistance for purchase of fragmented and over exploited land. The coverage of land irrigation scheme by TABCEDCO was poor due to its inability to identify the beneficiaries.

TAHDCO extended loans to manual scavengers for trades other than in which they were trained. Both TAHDCO and TABCEDCO sanctioned lower amount of loans for purchase of milch animals defeating the objectives of the schemes.

TAHDCO did not ensure that the self help groups obtaining the initial subsidy came back for the main part of the loan. The self employment programme of TAHDCO did not concentrate on high income generating activities as prescribed by GOI. Beneficiaries were subjected to high interest rates and delays due to poor control and monitoring by TABCEDCO and TAMCO. TAHDCO imparted training through unrecognised institutes and did not compile the data of the employment status of the trained beneficiaries.

The post disbursement monitoring by these companies was also poor and revealed non-verification of assets created, poor recovery of loans and lack of adequate impact studies.

Recommendations

These companies need to:

- **prepare the annual plans and the need based strategic plans for the schemes in consonance with the goals of the Government.**
- **improve implementation of the schemes by correct identification of beneficiaries.**
- **avoid procedural delays and ensure that the assistance given would help achieve the objectives.**
- **constantly monitor and assess the impact of the schemes to enable mid-term corrections and adjustments wherever required.**