

CHAPTER V
AUDIT OF TRANSACTIONS
(PANCHAYAT RAJ INSTITUTIONS)

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AUDIT OF TRANSACTIONS

This chapter contains the audit findings on implementation of the Swarnajayanthi Gram Swarozgar Yojana in The Nilgiris and Perambalur districts of the State.

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

5.1 Implementation of the Swarnajayanthi Gram Swarozgar Yojana

5.1.1 Introduction

The Swarnjayanti Gram Swarozgar Yojana (SGSY) introduced in April 1999 aims to bring the poor families in the rural areas above the poverty line by providing them income-generating assets through a mix of bank loan and government subsidy. The rural poor such as landless labourers, educated unemployed, rural artisans and disabled are covered under the scheme. It is a holistic scheme covering all aspects of self-employment by formation of Self Help Groups (SHGs), imparting training, extending credit and setting up of infrastructure and marketing facilities for economic activities. Government of India and State Government share the cost in the ratio of 75:25. The scheme provides subsidy and economic assistance to SHGs and individual beneficiaries. Subsidy is a minor and enabling component.

The major part of investment consists of bank loan from financial institutions. Each Self Help Group is permitted to use upto ₹ 25,000 as revolving fund. Subsidy for individuals under SGSY is given at 30 *per cent* of the project cost, subject to a maximum of ₹ 7,500. In respect of SC/STs and disabled persons, it is given at 50 *per cent* of the project cost, subject to maximum of ₹ 10,000. For SHGs subsidy is given at 50 *per cent* of the project cost subject to ₹ 1.25 lakh or per capita subsidy of ₹ 10,000, whichever is less. The loan amount would be equal to total project cost including the amount of subsidy admissible.

In March 2008, Government of Tamil Nadu transferred implementation of the scheme from the Directorate of Rural Development and Panchayat Raj to the Tamil Nadu Corporation for Development of Women (TNCDW) at the state level and from the Project Officer, District Rural Development Agency to the Project Officer, Mahalir Thittam at the district level.

5.1.2 Scope of audit

Audit of implementation of the scheme covering the period 2008-09 to 2010-11 was conducted during July 2011 to December 2011 by test-checking records in The Nilgiris and Perambalur districts. Records of the Project Officers, Mahalir Thittam at The Nilgiris and Perambalur districts, the four Panchayat Unions¹ in each of the districts and records at the offices of TNCDW, Chennai and

¹ Perambalur District : Alathur, Perambalur, Veppanthattai and Veppur.
The Nilgiris District : Coonoor, Gudalur, Kothagiri and Udagamandalam.

Commissioner of Rural Development and Panchayat Raj Department were test checked. The audit findings noticed in implementing the scheme in the two districts are discussed in the succeeding paragraphs.

5.1.3 Planning

The scheme envisaged detailed planning for key activities to be undertaken by the beneficiaries. The key activities selected were to match with the abilities of the beneficiaries to generate adequate income for them. The State Government directed (October 1999) a detailed five year perspective block plan to be drawn by each block, covering at least 30 *per cent* of the swarozgaris.

SGSY committees at block level and district level are responsible for identifying the key activities under the scheme. The list of selected key activities along with recommendations should be forwarded by the Block Development Officer to the district SGSY committee for consideration. The block committee should prepare a brief project report before forwarding the list to the district committee. The district SGSY committee should scrutinize the proposals for each key activity in consultation with the concerned experts including officials of the line departments.

It was noticed in audit that in both the test checked districts, the SGSY committees were not formed both at the block level and district level. The Project Officer, Mahalir Thittam, The Nilgiris District stated (December 2011) that SGSY block committee had been formed in the Gudalur block but it was not functional. The Project Officer, Mahalir Thittam, Perambalur admitted that the committees were not formed. In the absence of SGSY committees to identify the key activities and prepare plan, TNCDW, the State level nodal agency fixed the physical and financial targets and funds were released with reference to such targets. Thus, targets were fixed not based on any plan approved by the SGSY committees.

5.1.4 Implementation

5.1.4.1 Selection of activities

The identification of activities is critical for the success of SGSY. Care could be taken that market is either readily available or there is a potential for market creation for the products. This may require engaging the services of professionals in the field of market research and survey. A detailed time table has to be drawn up by each DRDA for each block and the schedule publicized so that everyone is aware of the selection of key activities.

Audit scrutiny revealed that in Perambalur District the activities identified were (i) tailoring and (ii) bee keeping. During 2008-11, skill training was given to 273 individuals in the above mentioned activities at a cost of ₹ 13.93 lakh. However, economic assistance in the form of bank loan and subsidy was given for bakery, sweet making, candle making, brick making, soap powder/agarbathi making, poultry farm, etc., for which no training was given during 2008-11. No economic assistance for activities connected with tailoring was given in the district.

The Project Officer, Perambalur District stated (March 2012) that as per the funds allotted and target fixed by the Headquarters those who had undergone training on tailoring could not be given economic assistance. The reply is not convincing as the assistance was given for purposes for which no training was given and at the same time no assistance was given for tailoring for which training was given.

5.1.4.2 Formation of Self Help Groups

SHGs are groups of rural poor volunteered to organize themselves into groups for reduction of poverty of the members. They agree to convert their savings into a common fund known as the Group corpus. The members of the group agree to use the common fund and such other funds that they may receive as a group.

The number of SHGs formed and the number of groups that took up economic activities during 2008-09 to 2010-11 are given in **Table 5.1**.

Table 5.1: Economic assistance availed by SHGs

Year	Number of groups that existed at the beginning of the year	Number of SHGs formed	Number of groups provided with Revolving fund	Number of groups who took up economic activities
The Nilgiris District				
2008-09	6,847	185	444	44 (10)
2009-10	7,032	400	413	68 (16)
2010-11	7,432	350	405	74 (18)
Total		935	1,262	186 (15)
Perambalur District				
2008-09	3,066	350	557	61 (11)
2009-10	3,416	600	490	72 (15)
2010-11	4,016	700	585	72 (12)
Total		1,650	1,632	205 (13)

(Source: Details furnished by the Project Officers, Mahalir Thittam, The Nilgiris and Perambalur Districts)

(Figures in the bracket denote the percentage to number of groups provided with Revolving Fund)

From the above it could be seen that, though the SHGs were formed every year and revolving funds were provided to them to start the economic activities, the percentage of groups who took up the economic activities was only 10 to 18 *per cent* in The Nilgiris District and 11 to 15 *per cent* in Perambalur District. Lack of involvement of village panchayats in planning, less allotment of funds by TNCDW etc., contributed to the state of poor economic activities of the groups. Thus, though large number of SHGs were established, only a fraction of them were involved in performing economic activities, hence the purpose of setting-up of such groups was not largely achieved.

(i) The scheme envisaged that the groups should maintain basic records such as minutes book, attendance register, loan register, general ledger, cash book, bank pass book and individual pass books.

Test check of records disclosed that in five SHGs in The Nilgiris District and 19 SHGs in Perambalur District neither the members of SHGs nor the SHGs maintained accounts of expenditure, cost of inputs and other items. The scheme objective of assessing the rise/fall in income level of the groups/individuals by

way of undertaking the identified key activities could not be evaluated in the absence of maintenance of accounts.

(ii) The scheme guidelines envisaged that for each key activity there should be a project report indicating various elements such as training requirement, credit availability, technology, infrastructure and marketing. The project report should indicate how many people could be covered economically in a block under a key activity. The project report should specifically include a chapter on the levels of investment required at the individual swarozgari's level or by a group. It should indicate the details of investment required, the details of returns, the repayment schedule and the net income accruable to the swarozgari.

Test check of records disclosed that in 37 SHGs in The Nilgiris District and 11 SHGs in Perambalur District, no project reports for the key activities were prepared. In the absence of project reports laying down the bench mark etc., the projected income of the groups/individuals earned out of the key activities could not be ascertained.

(iii) Test check of records relating to release of subsidy in The Nilgiris District revealed that in respect of 34 SHGs, subsidy of ₹ 42.50 lakh was released by the Project Officer, Mahalir Thittam without insisting on documents like project report, annual income and expenditure statement and savings bank account statement relating to the period of grant of revolving fund. Even in the group profile submitted to the banks, the details of savings and liabilities mentioned by the SHGs were not supported by any documentary proof and not verified before sanction of the assistance. Thus, subsidy was released without verifying the documents.

The Joint Director/Project Officer, Tamil Nadu Women Development Project, The Nilgiris District stated (March 2012) that the detailed project reports containing projected income, cost of input and annual income and expenditure statement were not collected from the beneficiaries on the assumption that the banks at the time of sanctioning of loans would collect the same. The reply is not tenable as the scheme guidelines stipulated that the project should be approved by the District SGSY Committee and for approval the detailed project report was an essential document. The Joint Director/Project Officer, Tamil Nadu Women Development Project failed to comply with the guidelines.

5.1.5 Infrastructure

Proper infrastructure is essential for the success of micro enterprises. The infrastructure may be either for production, processing, quality testing, storage, design development, value addition and diversification of products or marketing. In order to meet the expenditure on infrastructure, SGSY scheme provides fund, known as "SGSY Infrastructure Fund". Twenty *per cent* of the SGSY allocation for each district was to be set apart for this fund. Funds allocated for infrastructure during 2008-09 to 2010-11 are shown in **Table 5.2**.

Table 5.2: Total allocation and funds allocated for infrastructure

(₹ in lakh)						
Year	Total allocation	Twenty per cent of the allocation	Amount allotted for infrastructure	Total allocation	Twenty per cent of the allocation	Amount allotted for infrastructure
The Nilgiris District			Perambalur District			
2008-09	103.65	20.73	5.04	82.43	16.49	Nil
2009-10	105.97	21.19	2.41	195.19	39.04	14.56
2010-11	113.86	22.77	18.63	147.23	29.45	11.34
Total	323.48	64.69	26.08 (8)	424.85	84.98	25.90 (6)

(Source: Details furnished by the Project Officer, Mahalir Thittam, The Nilgiris and Perambalur Districts)

(Figures in the bracket represent percentage to total allocation)

The extent of allocation of fund for creation of infrastructure over the years in the districts was insignificant. It was eight *per cent* in The Nilgiris District and six *per cent* in Perambalur District as against 20 *per cent* envisaged in the programme.

Audit noticed that one village HAAT constructed in Coonoor block at a cost of ₹ 15 lakh was not put to use for want of electricity connection and other infrastructures taken up during 2008-09 to 2010-11 are yet to be completed. The details are given in **Table 5.3**.

Table 5.3: Details of infrastructure created

Name of the Infrastructure	Cost of construction (₹ in lakh)	Scheduled date of completion	Remarks
The Nilgiris District			
Additional Building to Panchayat level federation in Kothagiri Block	2.50	28.02.2011	Not completed.
Work shed-cum-training hall in Kothagiri Block	2.60	28.02.2011	Not completed.
Additional hall in SHG buildings Udagamandalam, Kothagiri and Gudalur blocks	5.65	15.10.2010	Not completed.
One Village HAAT (Shandy) in Coonoor Block	15.00	31.10.2010	Completed. But yet to put into use for want of electricity connection.
Perambalur District			
16 Training sheds	10.48	29.06.2011	Not completed.
Onion Peeling shed	3.81	20.02.2011	Completed. But yet to put into use.
Three Village HAAT - One in Veppur block and two in Veppanthattai block.	45.00 (₹ 15 lakh per HAAT)	06.09.2010	Work not completed for want of funds.

(Source: Details furnished by the Project Officer, Mahalir Thittam, The Nilgiris and Perambalur Districts)

The delay in completion of infrastructure of village HAAT in Perambalur District was due to non-release of second instalment of fund by GoI. Some of the infrastructures already created out of infrastructure funds were not put to use for want of electricity connection depriving the benefits to the beneficiaries.

5.1.6 Credit linkage with banks

Financial assistance to the swarozgaris under SGSY comprises two components viz., loan and subsidy. The major part of investment consists of bank credit from financial institutions. The size of loan for the project depends on the nature of project. The loan was to be a composite loan comprising both fixed and working

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capital. The loan amount would be equal to the total project cost including the amount of subsidy admissible to the swarozgari. Banks would disburse the full project cost including subsidy to the swarozgaris as loan.

The total credit approved and subsidies released in the districts during 2008-09 to 2010-11 are given in **Table 5.4**.

Table 5. 4: Credit approved and subsidies released during 2008-09 to 2010-11

Year	Economic Activities (Self Help Groups)			Economic Activities (Individuals)			Revolving Fund		
	Number	Credit	Subsidy	Number	Credit	Subsidy	Number	Credit	Subsidy
		₹ in lakh)			₹ in lakh)			₹ in lakh)	
The Nilgiris District									
2008-09	44	111.00	37.00	18	7.95	1.55	444	222.00	44.40
2009-10	68	211.50	47.00	41	12.65	3.79	413	206.50	41.30
2010-11	74	186.55	54.95	140	27.43	12.25	405	202.50	40.50
Total	186	509.05	138.95	199	48.03	17.59	1,262	631.00	126.20
Perambalur District									
2008-09	61	136.05	54.65	37	8.22	3.22	557	250.50	55.70
2009-10	72	203.25	67.75	24	5.40	1.80	490	245.00	49.00
2010-11	72	228.00	76.00	40	9.00	3.00	585	292.50	58.50
Total	205	567.30	198.40	101	22.62	8.03	1,632	788.00	163.20

(Source: Details furnished by the Project Officer, Mahalir Thittam, The Nilgiris and Perambalur Districts)

Test check of records of the Project Officers/Banks in The Nilgiris and Perambalur districts revealed that the banks did not release the loan assistance even though the Project Officers released the subsidy as described below:-

(i) Indian Bank, Pandalur branch in The Nilgiris District sanctioned revolving fund of ₹ 3 lakh to five groups (₹ 60,000 each) between July 2010 and February 2011. Accordingly, the Project Officer, Mahalir Thittam, The Nilgiris District released subsidy of ₹ 0.50 lakh to Indian Bank, Pandalur branch between July 2010 and February 2011 (₹ 10,000 to each group). However, an amount of ₹ 1.80 lakh (₹ 1.50 lakh loan and ₹ 30,000 subsidy) to three groups was disbursed in February/March 2012 only. Though the subsidy was released between July 2010 and February 2011, this remained with the bank without any use to the beneficiary.

(ii) Union Bank of India, Kollakombai and Thummannaty in The Nilgiris District sanctioned loan for economic assistance of ₹ 10.50 lakh to four groups in September 2010. Accordingly, the Project Officer, Mahalir Thittam, The Nilgiris District released subsidy of ₹ 3 lakh (₹ 75,000 to each group) in September 2010 to the Union Bank of India. However, the bank did not release the loan assistance of ₹ 10.50 lakh including the subsidy of ₹ 3 lakh received from the Project Officer to the beneficiaries as of December 2011.

The Bank Manager, Kollakombai stated (March 2012) that when the beneficiaries were asked to submit registered lease deed of land for tea cultivation, the beneficiaries did not turn up with the documents. The Bank Manager, Thummannaty stated (March 2012) that the group did not turn-up to receive the amount.

(iii) Union Bank of India, Chettikulam and Padalur branch of Perambalur District received ₹ 2.25 lakh for two groups towards subsidy between November 2010 and January 2011. However, the Union Bank of India, Chettikulam branch disbursed only ₹ 1.00 lakh during August 2011.

The Bank Manager, Chettikulam stated (March 2012) that as the group had not shown the assets created out of the loan released, it did not release the balance amount of ₹ 25,000. The Union Bank of India, Padalur stated (March 2012) that the amount ₹ 1.00 lakh was not released as according to the SHG, the project was changed from brick making to brick trading.

(iv) Tiruchirappalli District Central Co-operative Bank, Perambalur which received subsidy of ₹ 1.25 lakh for one group returned the amount to the Project Officer, Mahalir Thittam, Perambalur as the group had returned the amount without utilisation.

Tiruchirappalli District Central Co-operative Bank, Perambalur Branch stated (March 2012) that as the group did not require the loan, the subsidy of ₹ 1.25 lakh was returned to the Project Officer, Mahalir Thittam, Perambalur in March 2011.

Thus, the banks could not release the sanctioned loans due to non-fulfilment of the requirement by the beneficiaries. But the Project Officers did not co-ordinate with the banks in getting the loan and subsidy to the beneficiaries by collecting the required documents as required for sanctioning the loan and subsidy to the beneficiaries to make the scheme success. Project Officers also did not follow up with the banks to ascertain release of the loans and to get back the subsidy of ₹ 5.25 lakh in all cases of non-sanction/non-release of the bank loans.

5.1.7 Monitoring and evaluation

Guidelines prescribed by the State Government required maintenance of a monitoring card for each Swarozgari to keep a watch on the income earned and repayment of the loans. There were 48,260 Swarozgaris in the two test checked districts. But monitoring cards were not maintained in both the districts. As such, the achievement of the important objective of Swarozgaris crossing the poverty line could not be ascertained.

Annual physical verification of assets was to be undertaken on a drive basis at the end of every year. The result of such verification should be incorporated in the Annual Plan for the next year. No physical verification of assets was undertaken in Perambalur District and the Project Officer, Perambalur stated (January 2012) that instructions would be issued to the Assistant Project Officer to conduct annual physical verification of assets and to submit report to the Project Officer.

5.1.8 Conclusion


SGSY Committees at district and block levels were not formed in both the districts for identifying the key activities. The purpose of setting up of the Self Help Groups was not largely achieved as many of them remained without undertaking any economic activities. The extent of money allotted for creation of infrastructure was insignificant and some of the infrastructure already created had

not been put to use depriving the benefits to the beneficiaries. The banks could not release the loan as envisaged largely due to non-fulfilment of the requirement by the beneficiaries. The Project Officers did not co-ordinate with the banks in providing the loan and subsidy to the beneficiaries by collecting the required documents as required for sanctioning the loan and subsidy to the beneficiaries to make the scheme success.

5.1.9 Recommendations

- Formation of SGSY Committee at district level and block level to identify the key activities should be expedited.
- Functioning of the Self Help Groups need to be reviewed and effective steps taken to ensure that they take up economic activities.
- Infrastructure requirements need to be assessed, created and put into use.
- Project Officers should guide the beneficiaries in getting the required documents and co-ordinate with the banks for releasing the loan and subsidy.

The matter was referred to Government in February 2012; reply is awaited (December 2012).



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