HUNDRED AND TWELFTH REPORT

PUBLIC ACCOUNTS COMMITTEE
(1981-82)

(SEVENTH LOK SABHA)

SMALL FARMERS DEVELOPMENT AGENCIES

MINISTRY OF RURAL DEVELOPMENT

[Para 30 of the Advance Report of the Comptroller & Auditor General of India for the year 1979-80, Union Government (Civil)]

Presented to Lok Sabha on 30-4-1982

Laid in Rajya Sabha on 30-4-1982

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Corrigenda to 112th Report of Public Accounts Committee presented to Lok Sabha on 30.4.82.

Page	Para	Line	For	Read
iii	—	26	'Patipaban Pradhan'	'Patitpaban Pradhan'
v	1	6-7	'small marginal'	'small/ marginal'
17	2.28	2	'SFLA'	'SFDA'
18	2.31	2	'SFLA'	'SFDA'
		4	'SFLA'	'SFDA'
		7	'SFLA'	'SFDA'
19	2.36	7	'IRLP'	'IRDP'
19	2.37	10	'The short-fall ------by Govern'	'The Committee regret to observe in this connection that in spite of'
19	2.37	16	'inutilisation "	'in-utilisation'
23	2.48	7	" forhtwith "	forthwith "
70	-	28	'SFLA'	'SFDA'
		34-35	'pretically'	'practically'
74	2.47	2	'Ministry of'	'Ministry'
76	2.70	[illegible]	'Stage Hqs'	State Hqus'

CONTENTS

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(1981-82)

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INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this Hundred and Twelfth Report of the Public Accounts Committee on para 30 of the Advance Report of the Comptroller and Auditor General of India for the year 1979-80, Union Government (Civil) relating to Schemes for small marginal farmers and agricultural labourers' development agencies (Ministry of Rural Development).

2. The Report of the Comptroller and Auditor General of India for the year 1979-80, Union Government (Civil) was laid on the Table of the House on 27 April, 1981. The Committee examined the above paragraph at their sittings held on 23 December, 1981 and 2 February 1982. The Committee considered and finalised this Report at their sitting held on 28 April, 1982. Minutes of the sittings form Part II* of the Report.

3. The Report highlights some of the basic deficiencies/weaknesses noticed during the course of implementation of the scheme viz. low utilisation of grants, lack of unified administrative control, frequent transfers, inadequacy of staff, lack of orientation of Government officials, coupled with non-materialisation of the expected infrastructural support, backward and forward linkages, credit constraints and apathetic attitude of bank officials leading to shortfalls in physical and financial targets.

4. For reference facility and convenience, the observations and recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix II of the Report.

5. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

6. The Committee would also like to express their thanks to the Officers of the Ministry of Rural Development, Ministry of Finance, Planning Commission, Reserve Bank of India and to the representatives of State Bank of India, Bank of India, Punjab National Bank, Central Bank of India, State Bank of Bikaner and Jaipur, United Commercial Bank and Bank of Baroda for the cooperation extended by them in giving information to and tendering evidence before the Committee.

NEW DELHI;

April 28, 1982

Vaisakha 8, 1904(*S*)

SATISH AGARWAL

Chairman

Public Accounts Committee

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*Not printed. (One cyclostyled copy laid on the Table of the House and five copies placed in the Parliament Library).

REPORT

CHAPTER I

I. *Introductory*

[A copy of the Audit paragraph on which this report is based, is reproduced in Appendix-I]

(a) *Genesis of the programme*

1.1 The development of rural areas with some emphasis on ameliorating the conditions of the rural poor has been a central objective of Indian Planning right from its advent. Experience has shown that the fruits of development have been cornered mostly by the better endowed areas on the one hand and better off members of the farmer community on the other. This led to the realisation that special efforts are called for to enable the dis-advantaged sections of the society such as the small farmers, marginal farmers, agricultural labourers and tenants to improve their social and economic status and that special programmes are necessary to promote the quicker development of the less endowed areas in the country.

1.2 Studies have shown that the productivity of small farmers is not inferior to that of large farmers operating in similar conditions and it is possible for a considerable proportion of these small/marginal farmers to attain viability. The All India Rural Credit Review Committee, therefore, recommended the establishment of Small Farmers Development Agencies (SFDA) and the Marginal Farmers and Agricultural Labourers (MFAL) Agencies. The schemes were included in the Central Sector in the Fourth Five Year Plan (1974-78) with the specific objective of ameliorating the economic condition of small/marginal farmers and agricultural labourers in the country and to bring them into the mainstream of economic development. The schemes were introduced gradually on a pilot basis from 1970-71 onwards in selected areas of the country.

1.3 While the main objective of the SFDA was to ensure viability of tht potentially viable farmers, MFAL Development Agencies aimed at increasing participants' employment opportunities and improving their income levels. The Government of India issued guidelines from time to time regarding the criteria that may be adopted and the procedure which may be followed for identification purposes. In the Fourth Five Year Plan, 46 Agencies relating to SFDA and 41 Agencies relating to MFAL i.e. 87 Agencies in all were established. The major responsibilities of these Agencies were to identify the participants, investigate their problems, formulate economic programmes for providing gainful employment to the participants and to evolve adequate institutional financial and administrative arrangements for implementing various programmes.

1.4 From Fifth Five Year Plan, SFDAs and MFALs were merged and made composite Small Farmers Development Agencies. The programme was extended to cover 168 agency areas including the projects continuing from the Fourth Plan. These projects are composite ones covering small and marginal farmers as well as agricultural labourers.

1.5 In 1978-79 a new programme of Integrated Rural Development was launched. The strategy adopted in the programme is stated to be based on the experience gained in the formulation and implementation of the various earlier programmes for development of the rural areas and the uplift of the rural poor.

(b) *Criteria for selection of projects*

1.6 The following criteria were laid down for the selection of areas for these projects:

SFDA Projects:

1. There should be adequate number of small potentially viable farmers needing assistance in the area;
2. The infrastructure of cooperatives and the Central Cooperative Banks and Land Development Banks should be fairly strong, and capable of undertaking the credit operations expected; and
3. Either surface irrigation or groundwater potential should be available in the area.

MFAL Projects:

(a) Agricultural labourers and marginal farmers should be predominant in the area;

(b) The area should have access to an urban centre or developed or developing consuming centre which has a potential to provide off-season employment to participants and/or could provide a profitable market for products like milk, eggs, poultry, fish etc. whose production is to be intensified in the area;

(c) Some backward/tribal areas and areas near forest/mining Centres could also be selected. In these areas additional employment and income could be generated by promoting collection, processing and marketing of minor forest produce timber felling, quarrying, bee-keeping, animal husbandry and poultry activities, fishery etc;

(d) An infrastructure of institutional agencies like cooperatives is available or could be developed in the area so that the participants in the project could be grouped for joint activities;

(e) The area should be located in one district or in a contiguous area spread over more than one district, but capable of being handled conveniently as a single administrative unit.

1.7 The State Governments were requested to suggest the projects keeping the above criteria in view which were considered by the Secretaries Committee, when the State Government representatives were also present.

1.8 The criterion for selection of new Districts in the Fifth Five Year Plan was the concentration of SF/MF/AL as also the suitability of the area for the implementation of the special livestock programme recommended by the National Commission on Agriculture. Such of the Districts which were to be substantially covered under the DPAP and CAD which were also expected to cover SF/MF and provide assistance by way of subsidy etc. were excluded so as to avoid duplication of effort. Each project was to be confined to a revenue district. A tentative selection of districts was made by the Govt. of India with reference to the above principles. The projects were finally approved by the Central Sanctioning Committee in which the representatives of the State Government concerned were also present.

CHAPTER II

FINANCIAL OUTLAY AND EXPENDITURE

(a) *Amount Released by Govt. of India and credit mobilised*

2.1 The following statement shows the outlay on the programme upto the end of the fifth Plan (including 1979-80) the amount released by Government of India and the credit mobilised through cooperatives and commercial banks separately.

(Rs. in lakhs)

S. No.	Name of the State/Union Territories	Outlay upto the end of 5th Plan including 1979-80	Amount released by Govt. of India	Amount utilised	CREDIT MOBILISED		
					Cooperatives		Commercial Banks
					Medium Term	Long Term	Term Credit
1	2	3	4	5	6	7	8
1.	Andhra Pradesh	2985·00	2098·97	2203·24	762·80	1251·43	2340·47
2.	Assam	1045·00	329·66	303·48	24·47	5·49	59·93
3.	Bihar	4290·00	1556·98	1622·22	174·25	227·10	985·67
4.	Gujarat	1515·00	1119·70	1151·24	306·53	228·06	471·73
5.	Haryana	830·00	824·26	749·49	332·46	606·05	454·53
6.	Himachal Pradesh	645·00	586·71	600·64	106·30	—	432·94
7.	Jammu & Kashmir	1015·00	330·45	391·02	114·67	9·18	269·39
8.	Karnataka	1765·00	656·26	674·61	500·84	628·97	423·00
9.	Kerala	1045·00	787·07	770·74	843·89	172·75	467·90
10.	Madhya Pradesh	2527·50	1392·06	1661·44	275·07	1531·58	864·54
11.	Maharashtra	2645·00	1484·84	1467·15	579·57	1333·03	1276·72
12.	Manipur	217·50	128·29	118·36	1·87	1·60	5·40

13.	Meghalaya	430·00	230·81	216·75	4·80	—	—
14.	Nagaland	352·50	390·50	424·47	0·45	—	—
15.	Orissa	1737·50	1338·16	1496·37	1714·02	1359·68	706·46
16.	Punjab	1240·00	938·34	910·04	282·82	1179·18	881·11
17.	Rajasthan	1490·00	1023·75	1195·69	649·70	1156·11	804·20
18.	Sikkim	160·00	49·12	38·32	0·91	—	—
19.	Tamil Nadu	2617·50	1713·85	1863·49	1953·47	895·43	740·43
20.	Tripura	230·00	106·88	118·38	9·58	0·30	100·83
21.	Uttar Pradesh	4877·50	2926·81	3634·40	2215·55	1977·70	2021·83
22.	West Bengal	2082·50	1056·18	1206·70	393·98	653·97	645·76
23.	A & N Islands	—	—	—	—	—	—
24.	Arunachal Pradesh	—	—	—	—	—	—
25.	Chandigarh	—	—	—	—	—	—
26.	D & N Haveli	—	—	—	—	—	—
27.	Delhi	212·50	87·90	102·34	38·03	—	180·13
28.	Goa, Daman & Diu	230·00	128·83	138·89	39·35	—	100·74
29.	Lakshadweep	—	—	—	—	—	—
30.	Mizoram	—	—	—	—	—	—
31.	Pondicherry	210·00	103·13	104·48	29·32	44·05	96·84
	Unexplained figures	—	361·04	—	(—)72·17	758·80	270·60
	TOTAL ALL INDIA	36395·00	21759·55	23163·90	11282·53	14020·46	14601·15

2.2 Explaining the reasons for shortfall in financial terms, the Ministry have stated :

"The outlay for the scheme as a whole works out to about Rs. 364 crores from 1970-71 to 1979-80. Against this the actual releases including the State's share for 1979-80 amounted to Rs. 236.79 crores. The amount utilised works out to Rs. 231.64 crores. This represents utilisation of 64% of the outlay and 98% of the amount actually released. Taking into account the fact that this is the first scheme of this type addressed to the increase in the income of individual beneficiaries and the infrastructural and other constraints like credit, the shortfall does not appear to be much. However, there have been shortfalls in particular sectors which vary from district to district. This is because of the non-materialisation of the expected infrastructural support, backward and forward linkages and constraints of credit which could not be anticipated while drawing up the project report."

2.3 The Committee were informed during evidence that to start with 87 Agencies (46 SFDAs and 41 MFAL Agencies) were established in the Fourth Five Year Plan. The number had risen to 168 when the programme was replaced by the Integrated Rural Development Programme. The budgeting was @ Rs. 1.5 crores per SFDA and Rs. 1 crore per MFAL Agency. On that basis the total outlay worked out to Rs. 364 crores during ten years tenure of the programme. The Committee pointed out that the allocation of Rs. 364 crores was spread over a period of ten years and thus the average allocation was only Rs. 36 crores per annum. The amount released was still less being only Rs. 236.79 crores while that actually utilised was Rs. 231.64 crores i.e. only 64% of the proposed outlay. The Secretary, Ministry of Rural Development explained :

"It was an innovative programme. For the first time programme of this type was launched. We had the problems of identification, taking applications, taking them to the bank, financial assistance, etc. Our releases were tied up with the cooperatives. At that time cooperative banks were more in the field. There was the limited availability of funds from the nationalised banking sector. Naturally we could not make use of our subsidy.

There are shortcomings on our side also—that the staff took time for identification of the beneficiaries. Sometimes the administrative set up in the District was not very strong in the sense that they did not provide adequate facilities to the S.F.D.A. The S.F.D.A. was controlled by some Department and Block Development Administration was controlled by some other department. Frequent transfers, inadequacy of staff, lack of orientation of the Government officials themselves to help the poor were there. As I said most of us come from the city. We do not know the problems of poverty. Even today when we are implementing IRD Programme we are finding that this is a big stumbling block both on the Government side and the non-official side. The total commitment to help the poor is not in fact there. These are the factors which led to non-utilisation of full allocation.

Many agencies were not released the amount until we got full data, Money was released when we got full utilisation report.

In Ministry, they do not have strong accounting division. I control 400 agencies. The whole Ministry has only five men. We economise on the wrong thing. Our programme is to invest Rs. 1500 crores of Government money by 1985 and Rs. 3000 crores are to be provided by the banking sector. Rs. 4,500 crores are being looked after by five men."

2.4 He added :

"Another important point which I would like to submit before you and to get your support is that there is no unified control so far as this programme is concerned. In the States, the rural development is being handled by some Department the DRDAs by some other Department and the BDOs are controlled by the third Department. We have been telling them that this is not the way to implement the poverty amelioration programme. IRDP is one single poverty amelioration programme which needs so much of money and so much of effort. Unless they have a proper administrative set up in the States, it will be difficult to implement it. For monitoring, there has to be a strong administration at the district level and at the block level, more so at the district level. The DRDA must control the block development agencies. In more than 50 per cent of the States, this is not the case. These agencies are with different departments of the State Government."

2.5 The Committee pointed out that on the basis of funds provided and the number of participant families benefited under the programme, the average amount come to roughly Rs. 800/- per family. Asked whether with such a meagre amount it would be possible to bring the participants above the poverty line, the Secretary, Ministry of Rural Development replied :

"In fact this is what we have been emphasizing that our assistance and the assistance from the institutional finance should be such or so much that the man really comes above the poverty line. It is no use distributing Rs. 200 or Rs. 300. That will not solve the problem of poverty. If we have to solve the poverty problem on a permanent basis, then some minimum investment is necessary and according to our figures, it should be around Rs. 5000-6000 and not Rs. 400 or 500. You have very correctly observed that this is very inadequate and it is not going to solve poverty problem of these families. Now there is considerable improvement. The subsidy alone is raised to Rs. 800

per family. If we double that amount from the banking sector it comes to Rs. 1600 and so it would be Rs. 2400. I would like it to reach a level of Rs. 5000 if we want to lift a family above the poverty line."

2.6 During the Sixth Five Year Plan, Government proposes to invest a sum of Rs. 4500 crores—Rs. 1500 crores from Government subsidy and Rs. 3000 crores from banks on Rural Development under the Programme. In this context, the Committee desired to know the performance during the first year of the Sixth plan i.e. 1980-81. In reply, a representative of the Planning Commission stated during evidence :

"In 1980-81, we have SFDA and MFAL programmes also working side by side. Only from October 1980, the IRDP was extended to all the blocks in the country. The information we have for 1980-81 takes into account the combination of SFDA and IRDP. On this basis the number of beneficiaries assisted in 1980-81 was about 2.7 million with reported expenditure of subsidy of an amount of Rs. 127 crores. The total term loans disbursed through commercial banks and cooperative societies in 1980-81 are Rs. 199 crores. Central share of subsidy was Rs. 82.58 crores which was to be matched by an equal amount by the State Governments. The total subsidy actually utilised would be Rs. 150.45 crores. There was some excess of central share. The total term loan comes to Rs. 199 crores."

2.7 Asked about the performance during the year 1981-82 the Ministry of Rural Development in a note subsequently furnished to the Committee, stated that upto 31 January 1982 the utilisation was Rs. 100 crores out of the allocation of Rs. 300 crores whereas the Central releases had been Rs. 62.68 crores. Term credit mobilised was Rs. 163.70 crores and the number of beneficiaries assisted 10.45 lakhs. The Committee enquired whether it would be possible to achieve the targets set for Sixth Five Year Plan in terms of financial assistance. The Secretary, Ministry of Rural Development stated :

"No. That question does not arise. We may be able to achieve the target in respect of the number of beneficiaries. They will be 30 lakhs. It has not been possible unfortunately to be able to give the dues of credit which should be given to a family. According to our estimates, a family must be given Rs. 4,000 to Rs. 5,000 of subsidy and loan amount so that the family rises above the poverty line. We are not given the full dose of assistance. The dose is very much less than what we should give with the result we are able at present to give only Rs. 600/- to Rs. 700/- per beneficiary. But here the reason is that the full dose of assistance is not being given. We have been impressing upon the State Governments the fact that this assistance does not serve the purpose of the Programme. The full dose should be given so that the family really rises above the poverty line. According to the target that has been laid down in the Plan, the institutional assistance must be at a level of Rs. 600 crores. Last year, we reached a level of Rs. 200 crores.

> This was during 1980-81. Therefore, we are very much below the target that has been laid down in the Sixth Plan. We must reach a level of Rs. 600 crores. As I suggested during the last discussion, this has to be the level of institutional finance by the cooperative sector and by the commercial sector. This year, we will reach a level of Rs. 300 crores."

Credit Facilities

2.8 The Evaluation Study conducted by the Programme Evaluation Organisation of the Planning Commission brings out the fact that lead banks took leading part only in nine of the Project areas covered and in the rest they either did not advance any loan or played an insignificant role. Poor loaning by banks was due to their cautious approach, lack of adequate staff and insufficient delegation of powers. It was envisaged that Government outlays in each Project area would stimulate flow of institutional credit to small/marginal farmers to the extent of 3 to 4 times but 41% of the Projects could not come up to this expectation. The Study further points out that agricultural labourers have been almost totally neglected in the matter of credit. Their share in total loans advanced till 1973-74 was only about 1%. Asked in this context, the Secretary, Ministry of Rural Development stated in evidence.

> "Our aim is to help the poorest among the poor. For marginal farmer and landless, it is 33 1/3 per cent subsidy. Small farmer gets 25% subsidy. 66 per cent comes from banking sector. Banks have to play their role. Upto Rs. 5,000 no security is necessary. They give Rs. 5,000 as loan. We give our subsidy; one third. So, with 7 or 8 thousand to invest, a family comes above the poverty line."

2.9 The Committee pointed out that in actual practice it was seen that no loans were given by the banks without security. The witness stated :

> "Upto Rs. 5,000 he need not give any security......Instructions have been issued by the Reserve Bank that upto Rs. 5,000/- loan no security is necessary."

2.10 Elaborating further, the witness stated :

> "....The farmer has to be identified by the agency. Our target is to identify 600 families in the Block every year. He has to be identified by the BDO. If the BDO prepares the application and takes it to the bank, the farmer is supposed to get a loan. But it is also our experience that though the instructions are there, these are not being implemented fully and that is why repeatedly we have been taking up the matter with the Reserve Bank of India. We tell them that although they have issued instructions, the Branch Managers do not give loans. Only twenty days ago we had a meeting in the Planning Commission organised by the Finance Ministry in which the Governor of the Reserve Bank was present, all Chief Executives of Bank were present and on behalf of my Ministry I placed before them

all these problems which you have just now mentioned that although the instructions are there, even then poor farmers are required to give securities and guarantees."

2.11 During further evidence on the subject, the Additional Secretary, Department of Economic Affairs (Banking Division) stated :

"....I can say that there is no shortage of bank finance. There are several bottlenecks which need to be removed. Then there are certain drawbacks and deficiencies which we have to overcome in order to ensure flow of credit in the coming years. But mere flow of credit will not help the lot of the poor. We hope with the subsidy which is provided by the State Governments or the Central Government and bank credit, we should be able to raise the level of income and the capacity of the borrowers to repay the loans. For this, a lot of spade work is required. credit has to be given against the viable schemes which have been chosen properly and we have to take care to see that the beneficiaries really benefit from these schemes. The difficulties are of a practical nature. For instance, we have noted that a number of milch cattle schemes have been chosen in several districts of the country on a large scale. The money has been sanctioned and earmarked. The schemes have also been sanctioned, but if the cattle are not available, the beneficiaries cannot get benefit from the facilities available, and it does not help the beneficiaries in any manner. We have recently held a meeting with the Chief Executive of the various banks; and after the meeting, the Reserve Bank has issued a circular. While the instructions are there, we have tried to lay down the guidelines for being followed by the agencies concerned. You have referred in this para to the number of schemes which could not be executed as the institutional loan could not be arranged. That break up is not readily available with the banking system and it is very difficult to call out this relevant information. We have carried out sample surveys and in the course of these surveys, certain deficiencies have come to our notices. There has been, in fact, in many cases, insistence on security, even though the RBI's instructions are quite clear. Those instructions are not followed. The reason is that there is a fear in the minds of the bank people that in case a particular loan is not re-paid, then the concerned man may be pulled up. In the past, banks had been security conscious all through. Now they are expected to provide credit against viable schemes and not against the security of the borrowers. They do not distinguish very clearly between the two, they prefer security of the borrowers to viable schemes, and it is here what we are interested at the Government level and the RB level is that the schemes should be viable—if the schemes are viable, the poor beneficiaries can benefit from the schemes. His capacity to earn, to improve his standard of living and to repay the loan will definitely improve. Whereas if it is security we have to auction his land or assets, whatever they are. That does not help at all. The attitude in the Banks has to change. It is very important. We have laid down certain instructions that periodically the Branch Manager will submit to the development officer a statement of the subsidy which they might have received in the savings account and the amount of subsidy adjusted or which needs to be refunded so that the BDOs are aware of the development programmes in which subsidy has been utilised for the benefit of the beneficiaries and the extent it remains unutilised and requires to be refunded."

2.12 The Committee enquired whether an uniform application form had been prescribed by all the banks for loans upto Rs. 5000. The Executive Director, Reserve Bank of India stated :

"We have prescribed uniform application forms. But when we did a sample survey, we found that they are not being adhered to in all the banks. That is why, we have issued fresh instructions. Our Deputy Governor had addressed the Chairman of all banks, after a high level meeting held in November, we issued a detailed circular again reiterating the same point...."

2.13 The Committee desired to know the reasons for the instructions not being followed by the banks in this regard. The witness stated :

"......there are variety of reasons. It very much depends on the viability of the scheme in the opinion of the bank manager. The device which we are using is partly an educational process and partly instructional process. We have now got the system of district credit plan. A first round of district plan was attempted in 70's after the review was taken on the basis of lead bank scheme."

2.14 He added :

"What happens is that the old tradition of security oriented loaning makes an apprehension about the viability of the scheme. But we are repeatedly telling the banks at different levels that there must be no ambiguity about this particular aspect. We issued our instructions to the head office of the banks and each head office of the banks issued guidelines to their branches."

2.15 The Committee enquired whether considering the rise in prices, the ceiling of Rs. 5000 for granting loans to small and marginal farmers and agricultural labourers without insisting on security was not on the low side and insufficient to meet the economic needs of these people. The witness replied :

"This was fixed at a particular stage. Even at that stage, for certain other fields a higher limit was fixed. For example, for artisen activities which were unrelated to agriculture we have said that the security should not be asked for. That is upto Rs. 25,000 security should not be asked for. For agriculture and land-based activities, if securities can be asked for amounts exceeding Rs. 5,000/- it can be done. It can be examined whether the limit can be altered to Rs. 7,500/- taking into consideration the conditions obtaining in 1978 and 1982. I recognise that there has been price increase, but we have also to take into account what percentage of loans it will cover."

2.16 Elaborating the point further, the Additional Secretary, Department of Economic Affairs stated :

> "Our experience about recovery of loans is somewhat unhappy. There can be genuine reasons why recoveries are poor. We have State-wise figures of recovery. The default is between 65% and 75%. State Governments and Central Government are keen to recover as much as possible. But there are difficulties. In fact, current loans have been recovered much better than those disbursed several years ago. The climate for recovery has to improve, and the funds which the banking system has, should be made available for re-cycling. If these conditions are satisfied, we can undertake the liberalisation of some of the norms. But by merely doing so, we will not necessarily improve matters. There is a fear in the mind of the bank manager that if he lends to some borrowers and they do not return the money, he himself will be taken to task. Government has undertaken a certain amount of risk deliberately and consciously. They are prepared to take the risk by lending to poor people. But we cannot live with a situation in which about 75% of the loan remains unrecovered for a number of years."

2.17 The Committee desired to be furnished data regarding the loans actually disbursed by the various banks under the scheme in each State. In reply, the Secretary, Ministry of Rural Development stated :

> "That is our demand also. We asked the banks to tell us the number of loans sanctioned by them at the Block level. Hitherto, they were withholding this information. But on 10 December, they have issued instructions. Every month the bank manager will give a report to the BDO indicating the number of applications received, number sanctioned and the amount. It was not being given earlier."

2.18 Sharing the Committee's apprehensions that there were problems at the lower level, in the banking institutions in implementing the instructions of the Government of India and the Reserve Bank in this regard, the witness deposed :

> "There is no proper orientation. Some people do not know about the problems of the poor people. They come from a different level."

2.19 Asked whether any thought had been given to bring about a change in the very concept of credit-worthiness, the witness stated :

> "....certain developments have taken place in some States which have given a set-back to such a progressive outlook on lending. Some States have said : No more recoveries to be made."

2.20 Giving his suggestions to bring about improvement in the functioning of credit institutions and accelerating the pace of institutional lending to rural poor, a representative of the Planning Commission stated :

"As far as PEO's evaluation is concerned, two factors have been brought in the evaluation report. The level of institutional credit in the project areas recorded more than eight-fold increase. The volume rose from Rs. 3.92 crores in 1970-71 to as much as Rs. 33.69 crores in the year 1973-74. The loan advanced by credit institutions accounted for as much as 78% of the total credit. But this is only a partial picture. In 1980-81, for the IRDP programme, the total term lending was Rs. 200 crores. We should not also overlook the very big change that has occurred in the overall lending of the banking sector for a new section of borrowers. If the movement is in the right direction, it should and can move faster in that direction. What we suggest is that at the branch manager level, the performance of branch managers should be evaluated not with reference to total lending or bigger accounts that he has, but with reference to the number of poor people of weaker sections to whom loans have been given. This should be relevant for his promotion and his future increments.

Secondly, we have said that the regional rural banks, which are structured specially only to take care of the weaker sections, should also be expanded. The Sixth Plan provides for regional rural banks. Thirdly, we have suggested that all the commercial bank staff in the rural branches should get a clear orientation towards the weaker sections in the kind of anti-poverty programmes which we have. Lastly, the Reserve Bank of India itself appointed a high-level committee, about 18 months ago, to look into the credit arrangements for agriculture and rural development, under the chairmanship of Shri B. Sivaraman. This Committee recommended that credit should not be given with reference to the credit-worthiness of individuals, but with reference to the viability of the projects proposed for those individuals, particularly in the context of rural development. This report has been with the Reserve Bank and it has accepted it. Of course, this is not answering the whole question. It is one thing for the people at the higher level to accept this proposal and it is another thing to translate it into action at the field level. Our effort it to see that what is accepted at the higher level is translated into practice by the branch offices in the rural areas so that every branch manager goes to work in the rural area with reference to the viability of projects and not with reference to the conventional criteria of the security of the loan. We are moving in that direction. We are supporting the Ministry of Rural Reconstruction in their efforts...... There is a Committee to review the credit arrangements for his programme, under the Chairmanship of the Member-Secretary of the Planning Commission, where the Secretary, Rural Reconstructions is a member and the Joint Secretary is the convener. The Deputy Governor of the Reserve Bank is a member of the Committee. It has been constituted to look into the credit problems of the anti-poverty programmes. This Committee has met already, identified the problems and recommendations are being made. . They are being translated into circulars to various banks and the regional offices of the banks.

This problem is two-fold; it is not merely a question of credit but also a question of the efficiency with which individual projects are formulated in bankable terms, There should also be supporting services which will enable the borrower to make use of those assets. Every bank has to reorient its practices and policies to meet the credit requirements of the weaker sections. We are moving in both directions."

2.21 The Committee drew the attention of the witness to the observations made in the Evaluation study of the Planning Commission to the effect that "Agricultural labourers have been almost totally neglected in the matter of credit. Their share in the total loans advanced till 1973-74 was only about one per cent" and desired to know the latest figures. The Secretary, Ministry of Rural Development stated :

"I do not have now but I will furnish the figures (still awaited). It will not be more than five to six per cent including the artisans. It is very minimal. Hardly anything has been done for agricultural labour."

2.22 The Committee enquired about the steps devised by the Government during the Sixth Plan to help the rural poor who do not own any land or other resources. The witness replied :

"This has been given consideration at a very high level in the Planning Commission. It is the objective of IRD Programme to help the weaker section. The banks have a target of lending 40% to the priority sectors including agriculture. 40% of 40% *i.e.* 16% will go to the agriculture sector. This has been accepted by the Banks. We are going in this direction. The Reserve Bank has been telling us to link our development plans with the District Credit Plan because we know the needs of the poor people and this purpose can be achieved while we draw up the District Credit Plan. This attempt has been made through the lead banks and the rural development agencies have been set up to implement this programme. We have had meetings to bring out understanding with the State Governments. District agencies would be geared to prepare plans for landing to the weaker sections.

A great deal has to be done to re-orient banking practice for providing easier credit to the weaker section. Rs. 200 crores were given in 1980-81. We have target of lending over the Sixth Plan Rs. 3000 crores. We hope lending will improve further in the current year and the succeeding years."

2.23 The Secretary, Ministry of Rural Development added :

"There is a move in the direction. . . . but it has to be much faster. We have reached the level of Rs. 200 crores when the financing should have been of the order of Rs. 600 crores. We will be finishing the second year of the Sixth Plan in another three months. We are left with three years of the Sixth Plan. Unless there is big jump; they will not be able to fill in the gap which has been left behind.

I would not like to blame banking sector. There is inadequacy on the administrative side also. This will be removed as early as possible.

2.24 He further added :

"From October, 1980 we covered the entire country by the Integrated Rural Development Programme. But we changed the name of Small Farmers Development Agency into the District Rural Development Agency. Since the name was the Small Farmers Development Agency it was only concerned with the small and marginal farmers. The landless labourers had no place in the programme. Therefore, a change in the name was probably thought of and we came to the conclusion that the rural development was a better name. Some people said, 'Rural Development means total development of the rural area' But our Ministry is primarily concerned with the amelioration of the rural poverty and rural poor.

Now there shall be a radical change in the DRDA constitution. The MPs and the MLAs would be there in the governing body to provide guidelines on the poverty amelioration programme. We are making efforts to make it more effective and still there is a lot to be done."

2.25 In the context of the growing rural indebtedness and decrease in the size of land holdings particularly among the small and marginal farmers *vis-a-vis* capabilities of banking sector to finance schemes of rural uplift, the Committee desired to know the approach of the banking sector to solve these problems.

2.26 The Additional Secretary, Department of Economic Affairs deposed :

"I share your anxiety and I also agree that credit can play a very important part. We have the power to improve their lot. But I submit to the Committee that disbursal of the credit is not going to help. I am trying to be a little frank because there is no point in not being frank in these matters. Banks may disburse the loans and achieve financial targets without much difficulty. And here there is a distinction between what the banks are required to do and what the State Governments have to do, State Governments have to disburse subsidy. This is linked with the bank credit to be given to a particular individual which is due for recovery or which becomes due for recovery. What is important from the bank's point of view is that in the first place the scheme which is to be financed as a result of the two elements, that is, subsidy and bank credit, should be a viable scheme and it should enable the borrower to improve his economic condition. Because, achieving financial targets is one thing and achieving results is another thing. The crux of the matter lies here that we are still in the process of improving our capabilities to identify viable schemes, to work out the backward and needy areas, and to press for the disbursal of the amounts and to monitor the utilisation of credit after the disbursal of amount has taken place. There is pre-sanction security and post-sanction follow up, this is as important as anything else. The banks have to an extent failed in that respect. They have to work in close cooperation with State agencies. To an extent such agencies have also failed in this regard. The stress has been—it is again a hangover of the past—on achieving financial targets. This is not going to help us very much. My submission is, our major responsibility is to first identify all borrowers and then formulation of economic programmes of gainful employment and proper tie up of all administrative measures for the implementation of these schemes; coordination between the banks and State agencies including DRDAs and periodical review at the district level jointly by the State agencies and the banks and all problems between the banks and the State agencies must be discussed threadbare and solutions found. Those matters which are of an unpredictable nature or which are complicated can be referred to State level Committees which we have set up. Unfortunately these State level coordination committees in many State have not met or met after long intervals. Even at the district level the committees had not met as often as they should. Now, these are the areas where we can bring about better coordination, better understanding and better cohesion in the whole scheme of our operations. We have achieved very little, and I would not like to hide this from this Committee, that the reporting system of the banks also is not as efficient as it should be. I do not want to burden this Committee with detailed information about proformae and forms, etc., etc. But even the forms prescribed by Reserve Bank of India are not being used...... This information should flow from the branches at least at the district level within a quarter or less than a quarter so that the progress can be reviewed and watched. And our reporting system is deficient in that respect.

Then, apart from anything else, orientation of the staff both in the State agencies and banks has to be changed. For that periodical seminars and workshops and training programmes have to be undertaken so that they can try to understand the compulsions of Government and the nation. People will not wait for Government agencies to wake up and become responsive to the needs of the people.

Then, apart from that the procedural aspects also need attention. Application forms have been simplified. The norms regarding security have been laid down by the Reserve Bank of India. But in spite of these instructions which have been issued and directions which have been given from time to time they are not being fully followed. So this requires vigorous inspections by regional officers, zonal officers, surprise visits at the branches and erring employees whether in the banks or in the State Governments have to be taken to task.

Then, in order that the Central Government, the Reserve Bank of India and others come to know what is happening in the field selective studies are required for each bank. And these studies need to be shared with all agencies concerned. They are not in the nature of being critical of any other agency. They are in the nature of being educative and illuminative, and we can draw lessons from these studies. These are some of the essential things which require attention. The task is herculian. We have to achieve the targets which we have laid down for ourselves. We will have to put in a massive efforts. But I would like to mention a word of caution : that we should not be satisfied by achieving mere financial targets. We should lay greater stress and for that we should not spare any effort on financing viable and properly worked out schemes. Because in the end, success of these schemes alone will help the borrowers and help the system. That is my submission."

2·27 The Small Farmers Development Agencies (SFDAs) and the Marginal Farmers and Agricultural Labourers Agencies (MFALs) were set up in the Fourth Five Year Plan with the specific objective of ameliorating the economic conditions of small/marginal farmers and agricultural labourers and to bring them into the mainstream of economic development. The schemes were introduced gradually on a pilot basis from 1970-71 onwards in selected areas of the country. While the main objective of the SFDAs was to ensure viability of potentially viable farmers, MFAL Development Agencies aimed at increasing participants' employment opportunities and improving their income levels. The agencies were registered as societies under the Societies Registration Act and were entrusted with the responsibility of identifying the participants, investigating into their problems, formulating economic programmes for providing gainful employment to them and also of evolving adequate institutional, financial and administrative arrangements for implementing various programmes. In October, 1980, the programme was replaced by a new one known as Inetegrated Rural Development Programmes (IRDP).

2·28 The Committee find that as against the projected outlay of Rs. 360 crores on the SFLA/MFAL agencies during the period 1970-71 to 1970-80 (at the rate of Rs. 1·5 crores for each SFLA and Rs. 1 crore for each MFAL agency), the actual releases amounted to Rs. 236·78 crores and the amount utilised was Rs. 231·64 crores. This represents a shortfall of as much as 36% against the outlay on these schemes. Practically all the State/Union Territories failed to utilise the outlay earmarked for them. The performance of four States viz. Assam, Bihar J & K and Karnataka was noticeably poor. The ministry have explained that the shortfalls were due to non-materialisation of the expected infrastructural support, backward and forward linkages and constraints of credit which could not be anticipated while drawing up the project Reports. Lack of unified administrative control, frequent transfers, inadequacy of staff, lack of orientation of the Government officials were some

of the other specific shortcomings which hampered the proper implementation of the programme.

2·29 In their 90th Report on Food for work Programme, the Committee have drawn attention to the imperative need to strengthen the administrative infrastructure at the block and district levels and to ensure that the staff entrusted with the responsibility of executing such innovative programmes are adequately trained and oriented for the responsibilities to be shouldered by them.

2·30 The Committee find that the emphasis so far has been more on achieving the financial targets rather than on streamlining the administrative infrastructure, reorienting the attitude of both the administrative and banking institutions and drawing up viable schemes based on the felt needs of the rural poor. The result has been that the lot of the rural poor has hardly improved.

2·31 The Committee have been informed that with effect from 1 April 1979 the funding of the SFLA programme is shared with State Government on 50 : 50 basis and that the block level planning has been made applicable to SFLAs also. The representative of the Ministry, however, lamented before the Committee that there was still no unified control in the States over the various programmes of rural development. In more than 50% of the States the SFLA/MFAL agencies (now District Rural Development Agencies) were controlled by departments other than those which controlled the Block Development administration which itself was stated to be in disarray after the discontinuance of the schematic budget at the end of the Third Five Year Plan. It has now been decided by the Central Government to provide matching assistance for strengthening the block machinery.

2·32 The Committee regret to observe that it has not so far been possible to provide an integrated structure from the blocks to the State level for implementation of the various rural development schemes launched by the Central and State Governments. The Committee need hardly emphasise that a vertically integrated administrative structure alone can ensure speedy and effective implementation of such innovative schemes, keep the staff costs within limits and facilitate monitoring.

2·33 As the States are now required to provide finances for the programme on a sharing basis, the Committee expect that effective steps would be taken without delay to reorganise the administrative set up at the Districts/block level so as to achieve the stated objectives.

2·34 The total institutional finance for the SFLA/MFAL agencies by the cooperative sector and the commercial sector was of the order of Rs. 200 crores in 1980-81 and is expected to reach a level of Rs. 300 crores in 1981-82. The Committee find that the assistance rendered amounts to only Rs. 600 to Rs. 700 per beneficiary which is totally inadequate. It has been recognised that

a family must be given atleast Rs. 4000—5000 by way of subsidy and loan amount to enable it to rise above the poverty line. Considering the performance so far, the Sixth Plan target of Rs. 3000/- crores (i. e. Rs. 600 crores per annum) would therefore appear to be very difficult to achieve unless a massive effort is made without delay to clear the bottlenecks impeding the flow of institutional finances to the rural sector.

2·35 The Committee note with deep concern that in the matter of providing institutional credit, the agricultural labour have had a very raw deal so far. Their share in the total loans advanced till 1973-74 was only about 1%. Latest figures in this regard have not been made available to the Committee. The Secretary, Ministry of Rural Development, however, admitted that "hardly anything has been done for agricultural labour.' The Committee would urge that earnest efforts should be made hereafter to rectify this situation. The Committee would like to be apprised of the specific steps taken in this regard.

2·36 The Committee were assured during evidence that there was no shortage of bank finance. However, certain problems which needed to be tackled were : (i) lack of viable schemes which would ensure that the beneficiaries really benefit from such schemes; (ii) reorientation of the attitude of the financial institutions in the matter of helping the rural poor and (iii) need for changing the concept of credit worthiness. It was stated that a Committee set up to review the credit arrangement for the IRLP programme under the chairmanship of Member Secretary of the Planning Commission has already identified the problems and necessary instructions are being issued to the banks. The Committee expect that concerted steps would now be taken for effective implementation of the measures proposed by the above Committee.

2.37 The Committee are inclined to agree with the suggestion made by the representative of the Planning Commission that performance of the bank managers should be evaluated not with reference to total lending but with reference to the number of poor people of weaker sections to whom loans have been given. The Committee attach great importance to the need for giving proper orientation to the commercial staff in the rural branches of the banks towards the problems of the weaker sections. The Committee trust that the training institutions for bank staff would address themselves to this task in all earnestness.

The shortfall in utilisation of the total subsidy amount earmarked by Govern- clear instructions given by Reserve Bank of India that no security should be insisted for loans upto Rs. 5000, the Banks continued to insist on security with the result that it has not been possible to make full use of the subsidy amount being made available by Government for uplift of the rural poor—the subsidy being linked to the grant of loans by Banks in the first instance. The shortfall inutilisation of the total subsidy amount earmarked by Government for this purpose has been attributed mainly to the non-availability of loans from banks for this purpose. When this fact was brought to the notice of the Committee, they decided to summon and examine the representatives of various lead banks. The representatives assured the Committee that the instructions issued by the Reserve Bank of India in this behalf would be scrupulously followed and every effort would be made to advance loans to the weaker sections of society under these schemes so that they may not be deprived of the subsidy amount which is linked with the availability of bank loan. The Committee trust that this assurance given to them would be fulfilled.

2·39 So far as the question of changing the concept of credit-worthiness is concerned, the Committee find that a high level Committee (Sivaraman Committee) appointed by the Reserve Bank of India (RBI) 1½ years ago recommended that credit should not be given with reference to the credit-worthiness of individuals but with preference to the viability of the projects proposed for those individuals. The Committee expect that RBI would now take necessary steps to ensure that this concept is translated into practice in the field in letter and spirit.

2·40 The Committee consider that there is an imperative need for setting up a suitable machinery at the district level to bring about close coordination between the banking institutions and the development agencies, to undertake periodical reviews and sort out the various problems. The development agencies on their part must get closer to the people and draw up viable schemes and provide necessary supporting services to enable the borrowers to make use of the assets made available to them. The Committee regret to observe in this connection that the State Level Coordination Committee as well as District Level Coordination Committees have not been functioning actively. The Committee would, therefore, like to impress upon the Ministry the need for remedying this situation without delay. The Committee can only sound a word of caution that the poor masses would not wait indefinitely for Government agencies to wake up and become responsive to their needs. It is time that the discontent in the countryside is taken serious note of.

(c) *Utilisation of Grants*

2.41 Under the financial rules of Government, the sanctioning authorities are required to maintain, in a prescribed proforma, a record of grants released by them and to watch the utilisation of the grants and issue of certificates of utilisation of grants to Audit/Accounts/Officers concerned. The register is also required to be reviewed each month by an officer not below the rank of Deputy Secretary. According to Audit Para this register was, however, not maintained in the prescribed proforma by the sanctioning authority and the register that was maintained, did not contain any information relating to watching of utilisation of grants. From 1976-77, however, the sanctioning authority started maintaining a separate record for watching utilisation, according to which audited statements of accounts and utilisation certificates from the Agencies had been received to the following extent till November 1980 :—

Year	Amount of grants released	Audited statements of accounts received (Rs. in crores)	Amount of utilisation certificates received
			(Rs. in crores)
1976-77	27·50	26·29	25·15
1977-78	44·96	38·21	31·55
1978-79	40·64	31·84	23·07

The position in respect of non-receipt of audited accounts and utilisation certificates for periods prior to 1976-77 was, thus, not available with the sanctioning authority.

2.42 The Committee desired to know how in the absence of prescribed records prior to 1976-77, the sanctioning authority could ensure proper utilisation of grants. The Ministry of Rural Development have stated* :

"An Accounts Cell was established in 1976-77 to watch the utilisation of grants by various agencies. The cell maintained requisite registers for the purpose which provided, among other things, columns to indicate the receipt of audit report and utilisation certificate. Prior to that a grant-in-aid register was maintained which also included a column for receipt of audit report and utilisation certificate. However, in this column the number of the file on which the audit report and utilisation certificate were dealt with was given. According to the procedure laid down for release of funds to the agencies, the receipt of utilisation certificate and audit report for the preceding financial year signed by a Chartered Accountant in the prescribed form was a condition to be fulfilled before the release of the second instalment of funds."

2.43 The Audit para further states that a test check revealed that in 21 Agencies, advances amounting to Rs. 425.59 lakhs had been reported as utilised without ensuring their actual utilisation on the programmes and even though this irregularity was pointed out by Audit, no effective steps were taken. There was no follow-up procedure to watch utilisation of these advances. The Ministry of Rural Development have explained :

"........ Probably some accounts staff have booked such advances as expenditure in the accounts which resulted in its being shown as utilised."

2.44 The Committee desired to know why no action was taken to stop this irregularity when pointed out by Audit and why follow-up procedure was not introduced to watch utilisation of the advances. The Ministry have replied *:

"Whenever cases of advances shown as utilized without their actual utilization by the Agencies came to the notice of this Ministry, the Agencies were asked to follow the correct accounting procedure. In

*Not vetted in Audit

this connection necessary instructions were also issued to all the Agencies, to ensure that before the advances are shown as utilized, necessary accounts/utilization certificates are obtained from the financing institutions or the executing agencies concerned. Compliance report on the observations made by the Accountant General in his Audit Report is being watched in all the cases."

2.45 The Committee desired to know the action being taken by the Ministry to rectify the shortcomings which came to their notice. In reply the witness stated :—

"......We (the State Governments and the Central Government) and more concerned than the C.A.G. to see that these aberrations do not take place. We are very strict and we withhold the release of central assistance if we do not get utilisation certificates. I can cite the cases of a State Government which has not been given a single penny during 1981-82 and also during 1980-81 just because we are not satisfied with their performance. There are three or four States which have not been giving good performances. They do not send the reports. We have prescribed six monthly and yearly Reports. We have stopped giving them funds."

2.46 The Committte enquired if any case of misutilisation of funds came to the notice of the Ministry. The witness stated* :—

"The programme is being implemented by the State Governments. Whenever we get a report from the audit about misutilisation, we write to them and try to get their explanation. If we find it is not proper, we ask them to recover the amount. In regard to many objections raised by the audit which we have also considered as right, we tell the State Government that we are not going to regularise these things and that they have to recover the amount."

2·47 The Committee are concerned to note that an Accounts Cell was set up in the Ministry as late as in 1976-77 i.e. six years after the programme was launched, to watch utilisation of the grants by various agencies. Till then the sanctioning authority had no means of verifying whether all the accounts had been audited and utilisation certificates furnished. The Committee have been assured that the maintenance of records at the Ministry's level has since been streamlined and regular watch is now kept on the receipt of audit Reports and utilisation certificates. It is proposed to strengthen the Accounts Cell to pursue more vigorously the point emerging from the audit Report. It is unfortunate that this important work was allowed to suffer so long under a false sense of economy.

2·48 The Committee find that as in November, 1980, utilisation certificates in respect of an expenditure of over Rs. 23 crores out of grants amounting to Rs. 113·10 crores sanctioned during 1976-77, 1977-78 and 1978-79 were awaited. A test check in audit further revealed that in 21 agencies advances amounting to Rs. 4·25 crores had been reported as utilised without ensuring

*Not vetted in Audit

their actual utilisation. It is obvious that despite all instructions, it has not been possible for the Ministry to secure compliance with the financial rules of Government. The Committee consider this situation to be highly unsatisfactory and would like the Ministry to ensure that further Central assistance is withheld till utilisation certificates are received from the State Governments in respect of grants already disbursed. The practice of booking advances as expenditure in the Account books must be stopped forhtwith and necessary instructions in this regard should be issued to all the concerned State Governments/Union Territories.

(d) *Recovery of unutilised advances*

2.49 To encourage credit institutions, viz. cooperative/commercial banks to advance loans to the participants for implementation of the programmes liberally, subsidy admissible is paid in advance by the Agencies to these institutions, subject to adjustment within 3 months and return of balance by that date. The amounts that were reported as utilised by the Agencies, included all such advances though the advances released were far in excess of needs of the credit institutions which neither rendered accounts nor refunded unutilised amounts within the prescribed time limit. A test-check in audit revealed that in respect of 51 Agencies the amount so retained by the credit institutions out of advances paid (since 1970-71 and 1972-73 in certain cases) and reported as utilised amounted to Rs. 438.02 lakhs. In 11 Agencies the unutilised amount refunded without interest after expiry of the prescribed period amounted to Rs. 59.36 lakhs. Asked about the recovery of unutilised advances retained by the credit institutions, the Ministry of Rural Development have stated :

> "Out of 51 agencies mentioned in the report 23 agencies have reported that utilization certificates amounting to Rs. 219.39 lakhs have since been received from the financing institutions against the advance of Rs. 461.22 lakhs (and not Rupees 438.02 lakhs as reported by audit). Replies from the remaining agencies are awaited."

2.50 In a subsequent note furnished to the Committee the Ministry have stated that an amount of Rs. 133 lakhs is at present outstanding for want of utilisation certificates.

2.51 The Committee desired to know the reasons for non-recovery of interest from 11 agencies on advances amounting to Rs. 59.36 lakhs. In reply the Ministry have stated* :

> "Most of the agencies under reference have reported that they are not finding it practicable to recover the interest from the financing institutions on advances remaining unadjusted for more than three months. In fact, this issue had been taken up by this Ministry with the Banking Division of the Ministry of Finance which have since obtained the advice of Reserve Bank of India in the matter......The Reserve Bank of India have advised that according to the existing banking practices, no interest will accrue to the parties on amounts credited to a nomi-

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*Not vetted in Audit

nal account. In view of this advice, we cannot press for the payment of interest by banks. The Agencies are being advised accordingly.

Incidentally, all the agencies have been advised to, open a Saving Bank Account in the principal district branches of the bank with an authorisation to the bank to debit the subsidy due against this account under intimation to the Agency. This will obviate the need for releasing subsidy in advance to the banks."

2.52 During evidence, the Deputy Governor, Reserve Bank of India clarified the position as under :

"In a variety of schemes this kind of granting of loans and subsidies is provided for. Similarly the SFDA schemes and agricultural credit schemes are operated. I have been going through the schemes in three States. The practice varies from State to State; indeed I have seen that it varies from district to district also. Last year I had occasion to travel, for example, in Uttar Pradesh. In one district the adjustment of subsidy was made in three months. In the next district the complaint of the Collector was that the amounts were not adjusted even after years. In the high level meeting to which you referred to, we have issued clear instruction to all the Branch Managers that they cannot held on those amounts without crediting them, in an unadjusted way over in unreasonable period. After all it is a facility which is to be given. There are also one or two operational problems which come to notice. For example the bank received the money in advance of the subsidy. But the subsidy has to be adjusted to the account of the borrower. Then a completion certificate or a utilisation certificate has to be given to the agency of the State Government. Now very often what happens is in this process of obtaining the utilisation certificate from them while the amount is undisbursed and does not get adjusted to borrowers' account. Therefore, they must have a system......because accounting procedure differ from State to State. Unless this is done, this kind of problem of unadjusted subsidies on the one hand and loans on the other hand will be there. Because in some cases after release of the loan they are adjusted. For example in Gujarat the subsidy is released after the loan amount has been given. There was a lack of uniformity, in the whole procedure."

2.53 The Committee wanted to know the justification for not paying the interest on the unutilised portion of deposits made in the banks. The witness stated :

"In fact, we do not want subsidy amounts to be held in deposit for very long. They should be of the nature of Current Account. They are placed at our disposal. Within a short period, they are adjusted. So far, the concept was that Savings Bank Accounts should only be allowed for individuals and not for any corporate entities like SFDA or any other Agency, for that matter.

Taking into account the problems faced by us, we have on 9th of June 1981 revised this position. We have allowed some of the agencies which are charged specifically with serving the weaker sections of the society to hold savings account recognising the operational difficulties in the field. Accounts have to be held not only transaction-wise as was expected but they also have to be for a longer period. For that some interest should be paid. We have made this relaxation vide our circular dated 9th June 1981. But, still, I would like to submit with all respect that we would not like the banks to hold on to this subsidy amount far too long because this amount has to be got adjusted as and when the loans are realised. It is not a correct thing for an agency or for the Bank to hold on to this subsidy amount in large sums for any length of time."

2.54 The Committee pointed out that since various trusts and charitable organisations were having their savings banks accounts, there was hardly any reason why SFDAs were not permitted to hold such accounts. The witness replied :

"Only those organisations were allowed to hold savings bank accounts which did not operate in the nature of business of trading. The problem was there. So we had issued this circular in 1974. The interpretation of it was that the SFDAs and others are not charitable business organisations."

2.55 Since SFDAs were only carrying out Government policy the Committee enquired how far it was fair that their activities should be deemed to be business. The witness replied :

"This was the interpretation given by our legal adviser. I am afraid I cannot say much on this. That is why I have got this specifically excluded."

He added :

"......this should not be held for a long time. That was the other consideration. They are really in the nature of adjustment. These should be quickly carried out. These subsidies should not remain with the banks for any length of time. Certainly it is not fiscal discipline."

2.56 Audit have pointed out that though no subsidy was admissible under the programmes to participants unless they availed of loan facilities as well in 10 Agencies subsidy amounting to Rs. 85.25 lakhs had been distributed to 9057 participants who did not avail of the loan; these disbursements had also been reported as properly utilised by the Agencies to Government. Asked to explain the position, the Ministry have stated* :

"According to our guidelines, in the case of petty investments upto say Rs. 500/- no linkage with bank loan is to be insisted upon. In the cases listed, replies have been received from 7 out of 10 agencies concerned ......Out of these 5 agencies in Gujarat have mentioned a State Government order permitting the grant

*Not vettted in Audit.

of subsidy without loan in the case of purchase of bullocks. This is being taken up with the State Government. Similarly the reply of SFDA, Sirmur is not satisfactory and will be taken up with Himachal Pradesh Government. The reply of SFDA, Bhilwara is not specific. This is being got clarified from them."

2·57 The Audit report has further revealed that huge amounts of subsidy advanced to Cooperatives/Commercial banks by the Agencies to encourage and advance loans liberally to the Beneficiaries, remained unadjusted for long periods, and in some cases for years together, without earning any interest. The Committee find that it was as late as in December 1980 that the agencies were advised to open Savings Banks Account with the principal district branches of the bank with authorisation to the bank to debit the subsidy due against this account under intimation to the agency, so as to obviate the need for releasing subsidy in advance to the banks. The practice hitherto had been that the amounts were credited to a nominal account and as such no interest was payable. The Committee were informed in evidence that the Reserve Bank of India have taken the view that Savings banks account should be allowed for individuals only and not for any corporate entities like the SFDAs which were in the nature of business organisations. The Committee are really surprised to note that the activities undertaken by the SFDAs should be deemed to treated as business.

2·58 While the Committee do concede that the amounts should be adjusted as quickly as possible and the banks should not normally hold on to this subsidy amount beyond the prescribed period of three months, there is no reason why the agencies should not have been given the benefit of interest on such accounts. It is unfortunate that a decision in the matter was unduly delayed.

Monitoring and Evaluation

2.59 The Audit para points out that an evaluation study of the scheme was conducted by the Programme Evaluation Organisation of the Planning Commission during 1974-75 and its report was published in 1979. The Committee enquired about the reasons for abnormal delay of about five years in making the Report available. A representative of the Planning Commission stated during evidence :

"The delay in the publication of the report is rather glaring. I also noticed it and I looked into the matter before coming to the Committee. The study was commenced in mid 1974 and completed in January 1975. The time between 1975 and May 1977 was taken in getting the data relating to the computer centre of the PEO and the Computer Centre took a considerable time in either accepting the tables or rejecting the tables because they did not contain all the information required and so they had to collect further information and feed the computers. They had not been able to meet the other requirements of the Computer Centre till May 1977 when all the computerised tables were available. The computer centre had other problem at that time I am told. That also contributed to the delay in the computer centre. After May 1977, they prepared a note for the Planning Commission which was considered in the Planning Commission at a meeting in February 1978 and, then, it was kept for further consideration within the Commission. We wanted to look into it again. This matter was finally approved in September 1978 and the Report put out in February 1979. This has resulted in the delay. I admit. This is unusual delay. About two years of delay had been accounted for this in getting it through the institutions like the Computer Centre."

2.60 The Committee were further informed during evidence that not less than 42-45 independent evaluation studies of the working of the programme had been carried out by different agencies. Asked to state the main shortcomings pointed out in these evaluation studies, the Secretary, Ministry of Rural Development replied :

"The general observation was that there has been mis-utilisation, that schemes which were not approved were taken up and which proved a failure and money was wasted on them. They have also commented on the inadequacy of the banking sector and then the weakness of the administrative set up."

2.61 Some of the major deficiencies or lapses pointed out in the evaluation study were as under :

— Proper care had not been exercised in the selection of some of the project areas.

— The arrangements envisaged at the state level for ensuring supervision, coordination and direction had generally not worked.

— The cooperative infrastructure had continued to be very weak in most of the project areas.

— Grants of loans by commercial banks was also poor, particularly in the case of agricultural labourers, where it was only about one per cent.

— In the case of input subsidy, cases of mis-utilisation were detected in most of the projects; there was lack of extension support and follow-up action after demonstrations.

— Proper care was not exercised to ensure that only identified agricultural labourers and marginal farmers were employed in rural works programme.

— General awareness about the schemes among the target groups was not high and there was low participation.

2.62 The Committee desired to know the action taken by Government on the findings of Programme Evaluation Organisation brought out in their Report published in 1979. The Ministry of Rural Development in reply have stated :

"The findings of the Evaluation Report were circulated to the various State Governments for necessary action....... The State Governments were requested to examine the findings in detail and furnish their considered item-wise comments. So far we have received comments from 17 States/Union Territories."

2.63 The Committee enquired whether periodical reports were obtained from SFDAs regarding the progress of implementation of various schemes as to ensure proper utilisation of funds allocated to them and if whether any follow-up system was also evolved. The Ministry have replied :

"This Ministry was receiving monthly, quarterly and annual reports from the various Agencies regarding utilisation of funds, beneficiaries covered etc. The progress was reviewed and placed before the then Central Coordination Committee consisting of Member (Agriculture) of the Planning Commission, Secretary (Expenditure), Secretary (Agriculture)/RD etc. which was responsible for giving policy guidance for the programme. Annual reviews were also made and communicated to the State Governments for improving their performance. The actual performance in a particular year was kept in view before according approval for annual plan and release of funds for the next year."

2.64 In reply to another query, the Ministry have informed the Committee that senior officers of the Ministry visited the various Agencies from time to time and submitted detailed reports. The progress under the scheme was also reviewed in regional meetings held from time to time.

2.65 The Committee desired to know the specific steps taken or proposed to be taken to avoid recurrence of deficiencies/lapses noticed in the implementation of the scheme including those pointed out by Audit. The Ministry replied :—

"Necessary instructions have already been issued to various State Governments to go into the irregularities brought out in the Comptroller and Auditor General of India's Report to fix responsibility......"

2.66 The Ministry have also suggested the following remedial measures for the future :

(i) Guidelines have been issued that the District Rural Development Agencies should be manned by senior officers belonging to the IAS or the State Services. They have been provided a planning team consisting of a credit officer, a rural industries officer and an economist/statistician. Staff has also been sanctioned for monitoring. An additional post of Accounts Officer and Accountant has also been sanctioned for the maintenance of proper accounts.

(ii) The State Governments have now been more intimately involved as they also contribute 50% of the project funds. It has been decided to involve the State Governments in monitoring also. For this purpose, a monitoring cell consisting of one economist/statistician and two Joint Directors have been sanctioned for the State Headquarters to be funded out of the IRD funds.

(iii) At the cutting edge level, namely the blocks it has been decided to strengthen the block team so that the programme is implemented effectively at the field level. In most of the States the blocks are in disarray after the discontinuance of the schematic budget at the end of the Third Five Year Plan. In view of the crucial importance of the blocks in the programme it has been decided to provide 50% assistance for strengthening the block machinery in the various States. Proposals for six States have already been considered by a Sanctioning Committee set up for this purpose.

(iv) At the Ministry's level the maintenance of records has been streamlined. Regular watch is now kept on the receipt of audit report and utilisation certificate through a separate register. The issue of utilisation certificate by the sanctioning authority is also watched through an appropriate column in the Grants-in-aid Register. The Grants-in-aid Register is now being periodically put up for review by the competent authority. It is proposed to strengthen the Accounts Cell of the Ministry to pursue more vigorously the points emerging in the audit report. At present there are posts of one Accounts Officer, 1 Accountant and 2 Junior Accountants who have to examine some 400 Chartered Accountants' reports and an equal number of Inspection Reports from the Accountants General in a year. It is now being ensured that not only the release of second instalment is with-held for non-submission of audited statements and utilisation certificates for the previous year but no release for the subsequent year is also being made unless the outstanding audit reports and utilisation certificates are received, except under certain special circumstances. The drill prescribed in this connection for 1981-82 may kindly be seen vide this Ministry's D.O. letter No. 14012/1/81-IRD(I), dated the 27th April, 1981. The low utilisation of funds is being brought to the notice of the Chief Secretaries of the States concerned for necessary action.

(v) It has been decided to select one District in each State to study how the money is being utilised—whether it is locked up with financing institutions, executive agencies etc. and whether proper records are being kept.

(vi) Currently, the Ministry is holding a series of regional seminars on Accounting Procedure so as to bring home among other things the various failings brought out in the audit reports to the project authorities and to take remedial action. Two regional seminars have been held so far, one in Delhi on 29th and 30th June, 1981 for northern region and another at Hyderabad on 28th and 29th August, 1981. It is expected to cover the other regions also before the end of this year. It is proposed to bring out an accounting manual for the use of all Agencies. A group is being set up to go in the existing accounting procedure and suggest suitable modifications.

(vii) In order to avoid locking up of huge amounts with financing institutions and at the same time to avoid delay in the remittance of subsidy, the Agencies have been advised to open a savings bank account in the principal district branches of banks with an authorisation to the effect that the subsidy due may be adjusted against this account."

2·67 The Committee find the Programme Evaluation Organisation of the Planning Commission carried out an evaluation study of the SFDA/MFAL programme during 1974-75. The study covered 21 SFDAs and 13 MFALs in 17 States. The publication of the report was, however, delayed by nearly five years and the same became available only in February, 1979. About 2 years' delay was caused in computerising the tables. Another 2 years were lost in getting the approval of the Planning Commission. The Committee consider it very unfortunate that there was an inordinate time-lag between the collection of data from the field and in preparation and finalisation of the Evaluation Report. Obviously much of the data which was based on experiences gained of the working of the programme during the first few years would not reflect the latest trends and more so, deprive the Administration of taking necessary rectificatory steps in time. The Committee consider that for such studies to be really beneficial it is necessary that the requisite preparatory work is planned sufficiently in advance so that the time-lag in making the findings available to the planners is reduced to the barest minimum.

2·68 The Committee understand that the findings of the Evaluation Report were circulated by the Ministry of Rural Development to the State Governments in August, 1979 for necessary action. So far, comments from only 17 States/Union Territories have been received. The Committee would like the matter to be pursued actively with the State Governments/Union Territories which have not yet indicated the remedial action taken in pursuance of the findings of the evaluation study. It must be impressed upon the State Governments that the deficiencies pointed out in the evaluation report of the Planning Commission as well as in the other evaluation studies carried out by different agencies in different States must be followed up earnestly and responsibility fixed for the lapses if any.

2·69 As stated earlier, the SFDA programme was replaced by the Integrated Rural Development programme which was launched in October, 1980. The Committee consider that it would be in the fitness of things if a comprehensive evaluation of the working of the SFDA programme during 10 years of its existence is undertaken so as to facilitate the proper implementation of the present programme.

2·70 The Committee understand that in order to involve the State Governments in monitoring, a Monitoring Cell consisting of one economist/statistician and two Joint Directors has been sanctioned for the State HQrs to be funded out of the IRD funds. The Committee have elsewhere in this Report emphasised the need for activising the State Level Coordination Committees. The Committee trust that the monitoring cells at the State HQrs would function as the eyes and ears of these Committees and provide them the necessary feedback for ensuring effective implementation of the programme.

CHAPTER III

TARGETS & ACHIEVEMENTS

A. *Identification of beneficiaries*

3.1 The following statement* shows the number of beneficiaries actually identified under the SFDA Programme upto 31-3-1980 vis-a-vis the target (Statewise) :—

S. No.	Name of the State/ Union Territories	Target of beneficiaries	Total beneficiaries upto 31-3-80
1	2	3	4
1.	Andhra Pradesh	8,66,800	4,40,528
2.	Assam	2,71,600	1,17,342
3.	Bihar	12,37,200	10,60,197
4.	Gujarat	4,07,200	1,83,112
5.	Haryana	2,16,400	2,00,868
6.	Himachal Pradesh	1,83,600	1,95,863
7.	Jammu & Kashmir	2,69,200	1,32,604
8.	Karnataka	5,03,200	3,22,484
9.	Kerala	2,71,600	2,45,832
10.	Madhya Pradesh	7,16,200	5,75,212
11.	Maharashtra	7,63,600	3,37,320
12.	Manipur	51,400	21,745
13.	Meghalaya	1,02,400	11,675
14.	Nagaland	84,200	5,64,681
15.	Orissa	4,63,000	5,70,476
16.	Punjab	3,25,200	1,27,697
17.	Rajasthan	4,05,200	3,54,056
18.	Sikkim	50,800	1,872
19.	Tamil Nadu	7,23,400	9,09,954
20.	Tripura	52,400	86,109
21.	Uttar Pradesh	14,58,200	16,33,095
22.	West Bengal	5,66,600	2,59,964
23.	A & N Islands	—	—
24.	Arunachal Pradesh	—	—
25.	Chandigarh	—	—
26.	D & N Haveli	—	—
27.	Delhi	51,000	13,364
28.	Goa, Daman & Diu	52,400	35,858
29.	Lakshadweep	—	—
30.	Mizoram	—	—
31.	Pondicherry	50,800	12,551
	Unexplained figures	—	51,236
	TOTAL ALL INDIA	101,43,600	79,65,695

*Not Vetted in Audit

3.2 Explaining the reasons for shortfall the Ministry of Rural Development have stated* :—

> "The target of beneficiaries to be achieved upto 31st March, 1980 was 101 lakhs and the achievement was about 80 lakhs, which works out to 80%. The shortfall cannot be considered much in a scheme of this magnitude and is due to factors like lack of adequate supporting infrastucture, credit constraints etc."

3.3 According to the Audit Paragraph the work of identification of participants had not been taken up by the Agencies as a first task before taking up the programme for execution. Though the Agencies reported to Government identification of 167.77 lakh participants and provision of benefits to 79.66 lakhs out of them up to 31st March, 1980, several Agencies had not been maintaining up-to-date and proper records of participants/beneficiaries, but were depending upon information given by the Block Officers. Asked what steps were taken to ensure that benefits under the programme were extended only to eligible participants, the Ministry have stated* :—

> "Clear guidelines were issued defining the target group. At first it was not considered desirable to lay down any uniform definition of the target group in terms of the size of the holdings as it was felt that the size of the holdings may vary from area to area, according to the productivity and economics of the land. However, it was laid down that generally the size of the holding of potentially viable small farmers would range from 2.5 acres to 5 acres in the case of irrigated or irrigable land and 7.5 acres in the case of dry area. For marginal farmers the maximum limit of holding was fixed at 2.5 acres (irrigated land). Agricultural labourers were to be those having a homestead and earning 50% or more of their income from agricultural wages. Subsequently in 1974 when it was found that there was a lot of diversity in the application of criteria and the benefits were accruing to comparatively bigger farmers, a revised definition of the target group was prescribed as recommended by the NCA and absolute ceiling fixed for land holdings of small and marginal farmers—5 acres of dry land in the case of small farmers and 2.5 acres in the case of marginal farmers. In the case of Class I irrigated land the limit was 50% of the above or according to the conversion ratio existing under the State Land Ceiling Laws. In addition to the land holding limits a ceiling on off-farm income was also fixed. Those with off-farm income of Rs. 200/- per month or more for the family are not to be included under any programme.
>
> Detailed guidelines were issued regarding the procedure for identification. The list of eligible farmers was first to be prepared with reference to the land revenue records; thereafter it should be verified with reference to the actual cultivation so that account is taken not merely of land ownership but also of land cultivated under other tenurial systems (e.g. tenents and share-croppers). The identification was to be done by the

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*Not vetted in Audit

block officials (VLWs, Agri. Extension Officers or Cooperative Extension Officers) or Revenue Officials. The list was to be test-checked at least to the extent of 10% by the B.D.O. and the Extension Officers to see that the list represents the true position in the field. Wherever possible, a representative of the Central Cooperative Bank was also to be associated with the identification work. Wide publicity was to be given so that genuine small farmers not included in the list can represent their case at that stage itself. Some test-check was also to be done by the project authorities (Project Officers and Assistant Project Officers)."

3.4 The Committee enquired about the steps taken to ensure that multiple benefits were not provided to the same person. The Ministry have stated :—

"Initially each Agency was directed to maintain in the Project Office a complete list of programme participants and maintain registers which will indicate at a glance the specified programme/programmes under which each of the identified participants has been benefited to see whether multiple subsidies were being given to the same beneficiary. In spite of this, when it was found on the basis of some studies conducted that participants have derived benefits from more than one programme of investment, clear instructions were issued to the effect that a participant should not be given subsidy on investment for more than one single major programme of investment (*e.g.* minor irrigation dairying, poultry and piggery etc.) There would, however, be no objection to a participant farmer availing of necessary supplies and services and other minor programmes. Besides, a ceiling on total subsidies which can be given to a participant on all programmes was fixed Rs. 2500/-. Later in 1975 due to increase in investment costs of various programmes, the ceiling was raised to Rs. 3000/-. But the restriction on allowing subsidies on only one item was removed. The participants were allowed to avail of subsidy on more than one item subject to the condition that the total subsidy paid to an individual does not exceed the revised limit of Rs. 3000/-"

3.5 The Programme Evaluation Organisation of the Planning Commission have pointed out in their Evaluation Study that lack of precision in the definition of target groups and absence of proper instructions from higher authorities led to use of varying norms for identification and inclusion of those not intended to be covered by the schemes. A contributory factor was non-availability of up-to-date land records. In this connection, the Secretary, Ministry of Rural Reconstruction explained during evidence :—

"The first point I would deal with is in regard to definition of small farmer, marginal farmer and landless labourer. Originally in the case of a small farmer. It was mentioned that the irrigated area should be within 7.5 acres; in regard to marginal farmer, it was 2.5 acres of irrigated land. Then we got the Report of the National Commission. Finally the taking into consideration the Report of the National Commission, Government decided to fix the ceiling of the landholding. From the Fifth Plan, the definition is like this; a small farmer is one who owns five acres of dry land or 2.5 acres of irrigated land; a marginal farmer is one who owns 2.5 acres of dry land or 1.25 acres of irrigated land; landless are those who do not have any land but whose income does not exceed Rs. 200 per month. Realising that the benefit should go to the poorest among the poor, all these restrictions are imposed; we are not supposed to help people who hold more than five acres of dry land. It has been clearly observed by the Programme Evaluation Organisation that the benefit has gone to people for whom it is not meant only to the extent of nine per cent it is not 60 percent. It has to be kept in view that this evaluation was done when the programme had run only for two years. It was in its infancy. That was the period when more mistakes would have been made than we are making now. Therefore, it goes to the credit of the people who ran the programme at that time that only nine per cent of the total beneficiaries were those who did not belong to these categories."

3.6 Explaining the *modus-operandi* of some bigger farmers to avail of the benefits under the SFDA Scheme, the witness stated :—

"What is happening is that in order to become a small farmer many big farmers have partitioned their holdings. A person may be having 10 acres. "He will say I own only 3 acres". He will give the rest to his sons. That is how they take advantage of the SFD Programme."

3.7 Elaborating the point further, the witness added :—

"There is another thing also. When the beneficiaries are identified, according to our instructions, the list has to be published in the gram sabha. If there are some persons who want to take undue advantage of these benefits, that can be pointed out in the meeting of the gram sabha. It is a different matter if the people are not vocal or raise their voice against the vested interests. At least from the Government side we give them an opportunity to voice their protest against that."

3.8 Audit have further pointed out that a test-check of records revealed that the lists of identified beneficiaries prepared by the Blocks had not been test-checked by the Agencies for their correctness though required under the rules; the lists were incomplete in respect of 15 Agencies; 1944 ineligible persons were provided with benefits amounting to Rs. 11.72 lakhs, no register of beneficiaries was maintained in 18 Agencies and in 9 Agencies financial benefits in excess of the prescribed rates of subsidy amounting to Rs. 29.65 lakhs were extended to 23.221 participants.

3.9 The Evaluation Report of the Programme Evaluation Organisation has also pointed out that the progress of identification was slow in most of the areas and there was provision of benefits to wrong persons to the extent of about 9%. The Ministry have informed the Committee that the State Govts./Union Territories have been asked to review all cases of wrong identification brought out in the Report and to fix responsibility.

3·10 The Committee find that as against a target of 101·44 lakh beneficiaries to be identified upto 31 March, 1980, the total number of beneficiaries actually identified was 79·66 lakhs. The shortfall of over 20 per cent is stated to be due to factors like lack of adequate supporting infrastructure, credit constraints etc. Some of the States/Union Territories where the performance was not satisfactory are Andhra Pradesh, Assam, Gujarat, J and K, Karnataka, Maharashtra, Manipur, Meghalaya, Punjab, Nagaland, Sikkim, Delhi and Pondicherry. However, a few States viz. Himachal Pradesh, Orissa, Tamilnadu, Tripura, U.P. and West Bengal exceeded the prescribed targets.

3·11 Audit have pointed out that the work of identification of participants was not taken up by the agencies as a first task before taking up the programme for execution. Several agencies did not maintain up-to-date and proper records of participants/beneficiaries; lists prepared by block officers were not test-checked by the Agencies as to their correctness and that these lists were incomplete in respect of 15 Agencies. Cases of ineligible persons having been provided with benefits also came to notice. In several cases, benefits in excess of prescribed rates of subsidy were extended to the participants.

3·12 The Evaluation Report of the Programme Evaluation Organisation of the Planning Commission has also confirmed that the progress of identification was slow in most of the areas and there was provision of benefits to wrong persons to the extent of about 9 per cent. The Committee have been informed that the State Governments/Union Territories have been asked to review all cases of wrong identification brought out in the report of the Programme Evaluation Organisation and to fix responsibility.

3·13 The Committee would like to point out that the Report of the Programme Evaluation Organisation covered only the first two years of the operation of the scheme and as such it does not give an up-to-date picture. The lacunae pointed out by Audit are also based on the test check only. The Committee, therefore, recommend that the Ministry of Rural Development should impress upon the State Governments/Union Territory administrations the need to ascertain precisely the nature and extent of the deficiencies, Agency-wise, with a view to taking remedial measures. The Committee would like the Ministry to report to them the results of such measures within six months.

3·14 The Committee would also like to draw attention to the observations made by the Programme Evaluation Organisation in the evaluation report that lack of precision in the definition of target groups and absence of proper instructions from higher authorities led to the use of varying norms for identification. Consequently, bigger farmers also availed of the benefits under the SFDA programme by partitioning their holdings among the family members. The Committee expect that suitable steps would be taken by the State Governments/executive agencies concerned to ensure that benefits under the scheme are extended only to the eligible persons and that the guidelines in this regard are strictly followed.

3.15 Another serious omission pointed out in the Evaluation Report is that very little attention was paid to the identification of Agricultural labourers. The Committee would urge the Ministry of Rural Development to obtain special reports regarding the remedial measures since taken by the State Governments/Union Territories to rectify this omission and intimate to the Committee the progress made in this regard within six months.

3·16 The Evaluation Study has also shown that inspite of clear instructions, multiple benefits were availed of by some of the participants. The Committee desire that the lists of identified participants should be completed without delay and thoroughly screened with a view to eliminating persons who are not eligible for availing the benefits and the programme. These should also be inspected periodically with a view to ensuring that such situations are avoided.

(B) *Sectoral targets and achievements*

3.17 The Audit para mentions that a test-check revealed that in several sectors the achievements were far less than the targets fixed in the approved project reports as detailed below :

Sector	No. of agencies	Targets	Achievements	Shortfall
			(Rs. in lakhs)	
Agriculture	62	1,946·61	1,034·15	912·46
Dairying .	29	870·36	557·05	313·31
Poultry	16	60·54	10·87	49·67
Other Animal husbandry	49	743·47	380·86	362·61
Minor irrigation . .	65	3,762·16	1,889·56	1,872·60
Rural artisans .	20	105·83	52·95	52·88
Rural works .	15	267·15	187·23	79·92
Cooperatives	43	487·82	328·69	159·13
Risk fund . .	6	31·53	10·30	21·23
Fisheries	6	38·75	21·04	17·71
Marketing & godowns .	33	259·70	162·91	96·79
Other Schemes .	19	306·96	58·79	248·17
		8,880·88	4,694·40	4,186·4

3.18 Some of the important deficiencies highlighted by audit and the remedial measures taken by the State Govts./concerned agencies are detailed in the succeeding paragraphs.

(a) *Agriculture*

3.19 The Audit para states that the agency at Simla incurred expenditure of Rs. 16.60 lakhs duri,ng 1976-77 and 1977-78 for 3644 participants to meet cost of GCI sheets, grain bins, seeds, ploughs, and other implements under land development. The scheme had been executed without obtaining approval of Government. Although Rs. 16.60 lakhs had been spent on various items *viz.* G.C.I. sheets, grain bins, seeds, fertilizers, ploughs etc. the intended purpose had not been served as the distribution of seeds and fertilizers before land development/reclamation could not have been of use. Although assistance under the scheme was not admissible to those who did not raise loans, subsidy of Rs. 6.23 lakhs was paid during 1976-77 and 1977-78 to participants who did not raise loans. The Committee desired to know who had authorised the scheme without obtaining approval of Government and how seeds and fertilizers were purchased and distributed before reclamation of land. The Ministry of Rural Development have informed the Committee as under* :—

> "The Agency has stated that under the 20 point economic programme, the Himachal Pradesh Government provided 5 bighas of land to all the landless agricultural labourers numbering 3664. For settling these new farmers, who were allotted land, the SFDA, Simla, took up a programme to establish them and to bring them above the poverty line, by assisting in tilling and cultivating the land at the earliest. It is also stated that the scheme was got approved by the Governing Body of the Agency as well as the State Level Coordination Committee. The State Level Coordination Committee prior to 1978-79 was meant mainly to review the progress of implementation and not to approve any new scheme. The matter is being looked into and particulars of actual assistance given are being called for."

3.20 In respect of some of the schemes taken up under agriculture sector, the Agencies had not restricted the assistance to the scales laid down and the excess assistance was also provided without specific sanction of Government resulting in substantial over-payments. In 6 such cases a sum of Rs. 29.95 lakhs was overpaid. The Committee enquired if the over-payment of Rs. 29.95 lakhs had been recovered or regularised. In reply, the Ministry have furnished the following details* :—

> "This point relates to SFDAs Mysore, Tumkur, Delhi, Nellore and Sirmur which are stated to have incurred expenditure under Agriculture Sector in excess of the scales laid down and the excess assistance is also stated to have been provided without specific

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*Not vetted in Audit

sanction. In this connection, the comments of the Agencies are as follows :—

Mysore

The SFDA, Mysore has stated that the cost of cultivation was met by the beneficiaries themselves. The seedlings (cost Rs. 0.54 lakh) were supplied by the Agency and thereby the total subsidy paid has not exceeded 25% of the total cost of the cultivation. This position is not correct. The subsidy has to be calculated on the cost of seedlings. The Agency is being asked to recover the excess.

Regarding the subsidy of Rs. 0.41 lakhs on land reclamation, the Agency has stated that 240 farmers were helped without restricting the benefit to 1 acre farmers. It is not clear whether these farmers belong to the target group and whether the subsidy was given at the approved rate. These are being ascertained from the agency. There is however no restriction on extending the benefit to 1 acre farmers only.

Tumkur

The Agency has pointed out that the excess payment cannot be recovered at this distance of time and that this may be waived. This will be considered. The circumstances in which this happened will also be looked into.

Delhi

SFDA, Delhi has approached this Ministry for regularisation. This is under examination.

Nellore

The Govrnment of Andhra Pradesh have intimated that the cost of land reclamation was part of the outlay of the community Irrigation wells. The Community Irrigation wells were sanctioned for excavation in the assigned lands after organising cooperative joint farming societies. While computing the loan admissibility, no distinction was made between the investment cost for wells, pumpsets, land development etc. Total investment cost was subsidised on 50% basis. The Agency has approached the Govt. of India for ratification. This is under examination.

Sirmur

The Agency has stated that according to the common custom being followed in the district brothers and sisters though living separately and cultivating their lands separately keep their common Khata because division of land amongst brothers is considered bad in the area and it takes place only when the brother and sister grow too old and feel like passing ownership to their sons and grandsons. Since basically the programme was to benefit the farmers and not to deprive them of benefits because of their social customs, the guidelines relating to taking family as unit, was overlooked. This will be looked into."

3.21 Audit have further pointed out that in 19 Agencies out of the 142 Agenceis test-checked, Rs. 65.64 lakhs were spent on demonstrations for demonstrating modern methods of agriculture and use of fertilizers to small and marginal farmers. However, the Agencies neither maintained any details regarding identity of participants, in whose fields demonstrations were held, varieties of crops grown, yield per acre in the area before and after the demonstration nor any follow up action had been taken. The Ministry of Rural Development have explained* :—

> "According to the guidelines issued by the Government of India, the demonstrations are to be arranged through the existing extension staff and Block Development Officers with adequate supervision to ensure propagation of the results to a larger number. The demonstrations may either be by way of laying out composite demonstration plots in the lands of selected beneficiaries or by way of a demonstration farm in a central block of land. The Agencies may meet the cost of inputs upto a ceiling in the case of the former. Different practices have been followed by different agencies. The position indicated by the 14 out of 19 Agencies under reference is indicated below :—
>
> 1. *SFDA, Hoshiarpur* :
>
> The Agency has stated that the scheme of laying demonstration plots for the use of fertilizer was implemented through the Agriculture Department and the follow-up was also done by the latter. Since the Agency had no Technical Officer from Agriculture Department, it was not possible for the Agency to analyse the results afterwards. However, benefit was afforded to the persons duly identified by the Agency staff. Nevertheless the scheme was not found very feasible and has since been dropped.
>
> 2. *SFDA, Jullundur-Kapurthala* :
>
> The Agency has intimated that in no case was subsidy released by the Agency without proper identification of the beneficiaries. As regards varieties of crop grown, no monitoring was done.
>
> 3. *SFDA, Simla* :
>
> The Agency has stated that these demonstrations were laid out by the Agriculture Extension Officer posted in various blocks under their strict supervision. The demonstrations were laid out in the fields of pre-identified and selected small and marginal farmers whose lists have already been submitted to the Agency which are available. Since these demonstration trials were directly conducted by the Agriculture Extension Officers of the Blocks, the Agency did not initiate any follow-up action.
>
> 4. *SFDA, Sirmur* :
>
> The Agency has stated that the demonstrations were laid out by the Department of Agriculture who are maintaining records of these to the extent it is possible for the field staff. Field visits,

*Not vetted in Audit

field days and farmers camps are being held at the site of these demonstrations plots as a part of the follow-up action. Since the Agency had not adequate staff for this purpose it was not in a position to maintain this record in its office but this can always be produced by getting it from the Department of Agriculture.

5. *SFDA, Tirunelveli* :

The Agency has intimated that demonstration plot registers have been maintained at the village level as well as at the block level. The demonstration have been conducted in the fields of only identified farmers. All details regarding identity of participants, the name & address of the farmers in whose field demonstrations were held, varieties of crops grown, yield per acre in the area after the demonstration etc. have been incorporated in the demonstration registers. Follow-up action had been taken in all cases in the villages for the adoption of the new improved method of cultivation and production.

6. *SFDA, North Arcot* :

The Agency has stated that on account of severe drought conditions prevailing at that time, the details regarding yield per acre could not be recorded. No follow-up action could be taken up for want of field staff. Other details *viz.* identification of participants and varieties of crops grown were available with the Gram Sevaks and Extension Officers (Agriculture) of the concerned Blocks.

7. *SFDA, Salem* :

The Agency has stated that the details of participants with their identification numbers and address are available for all the years. Varieties and name of crops are also available. Field before a demonstration is laid out in a village cannot be collected as the plot where demonstration is laid out in a particular area is not known. However, when demonstration are laid, the yield is generally known. A control plot in the same field side by side is being laid out to compare the yields with the demonstration plots.

8. *SFDA, Madurai* :

The Agency has stated that the demonstration plots were laid to demonstrate the modern methods of Agriculture and use of fertilizers etc. There was an increase in yield. There was follow-up action. Farmers really felt the results and were benefited much.

9. *SFDA, Tiruchirapalli* :

The Agency has stated that suitable instructions have been issued to the Block Development Officers concerned to take follow-up action in the cases in which input subsidies were paid to demonstration plots in their blocks.

10. *SFDA, Nilgiris* :

The Agency has stated that the follow-up of demonstrations during the year 1976-77 was done by the Deputy Agricultural Officers assisted by Demonstration Assistants of the Agency who maintained the registers of demonstration plots in which all particulars regarding the cultivation practices starting from land preparation for planting upto the time of harvest had been recorded. During 1977-78 and 1978-79 there were neither Deputy Agricultural Officers nor Demonstration Assistants in the Agency. But the follow-up action was done by the Agricultural Officer (Extension) of the Panchayat Unions concerned assisted by the Rural Welfare Officer. During the year 1979-80 the Deputy Agricultural Officers and Demonstration Assistants were pos,ted separately to the Agency who looked after the follow-up action as it was done during the year 1976-77.

11. *SFDA, Thanjavur* :

The Agency has stated that upto 31-3-1979, 2184 demonstration plots were laid at a cost of Rs. 4.08 lakhs. Details of persons in whose fields demonstration plots were held, varieties of crops grown, yield per acre etc. are maintained at block level.

12. *SFDA, Coimbatore* :

The Agency has stated that for the amounts spent on demonstration under Agriculture, the Agency had taken up follow-up action and the results were obtained from the concerned authorities. The details regarding the crops grown, yield per acre in the area, before and after the demonstration were also obtained and kept in the Agency's Office. The identification of the participants have also been recorded in the concerned registers.

13. *SFDA, Kanyakumari* :

The Agency has stated that demonstration were laid in ryots fields and observation made and the details of the results of demonstrations have been incorporated in the demonstration plot registers. The neighbouring ryots have closely observed the demonstrations and have taken up the practices themselves. They have adopted improved technology like improved seedings and fertilisation and plants protection aspects.

14. *SFDA, Pudukkottai* :

The Agency has stated that the demonstration plots were laid out on the crops recommended by the Department of Agriculture, according to the local conditions etc. All the plots were laid out in the holding of identified, eligible farmers. The yield data of the demonstration plots are being maintained in the Demonstration plots Register itself by the concerned Panchayat Union Commissioners. The crops demonstrated were indicated in the claim itself. The requisite follow-up action has been taken by the Block staff, since the Agency does not have any field level staff.

Replies from the remaining five Agencies *viz.*, SFDA, Ropar, Amritsar-Ferozepur, Patiala-Sangrur, Cuddalore and Kanchipuram have not been received so far."

(b) *Animal Husbandry*

3.22 The Evaluation Study undertaken by the Planning Commission points out that programmes relating to supply of milch cattle had been taken up by all the Project Agencies but they were of significance only in a limited number from the coverage point of view. Most of the Agencies failed to grasp the import of guidelines issued by the Central Government in regard to programmes of subsidiary occupations. By and large they neither exercised proper care in selecting beneficiaries nor in ensuring extension service or supporting facilities which were crucial for the successful working of these schemes. As a result in nearly 15% of SFDAs and 8% of MFALs, dairying instead of augementing income, proved to be a liability for beneficiaries. The Audit para has also brought out a number of lapses in the implementation of various schemes relating to animal husbandry. In one of the schemes executed by the Agency of Khasi and Jaintia Hills (Meghalaya), 2 Cooperative Societies were promoted for implemontation of a dairy development programme and paid a subsidy of Rs. 2.98 lakhs. The scheme could not make any headway because the cattle supplied to the farmers were not of their choice and there was shortage of feed also. The societies became defunct and no lasting benefit could accrue to the participants. In yet another case of dairy development in Garo Hills, the scheme could not materialise as the bank did not sanction loan. The Committee enquired as why such schemes were taken up without proper planning and going into their viability. The Ministry of Rural Development stated that information with regard to these cases is awaited from the concerned Authorities.

3.23 The Audit para brings out another case in which the target of distribution of 5 lakh cocks and hens to small and marginal farmers could not be achieved due to inability of farmers to raise loans and lack of enthusiasm in them. The Committee enquired why such factors were not taken note of before the scheme was introduced. The Ministry of Rural Development have stated* :—

"The farmers could not get sufficient loans from financing institutions. Such difficulties do come at the time of implementation, which cannot be foreseen in the initial stages. Moreover the farmers were not able to make a marginal profit because of large variation in the cost price of eggs and feed. This discouraged the farmers from going in for poultry farming as a subsidiary occupation."

3.24 The audit para brings out another case where the Government declined to approve a scheme of supplying annually 120 pullet chicks each to 2500 selected farmers by the Agency at Quilon and the expenditure of Rs. 0.83 lakh failed to render any benefit to identified participants.

The Government of Kerala have intimated the Ministry as follows* :—

"The agency gave assistance to the State Poultry Farm in Quilon

*Not vetted in Audit

District. The assistance was given to the State Poultry Farm in the District, with the good intension of providing adequate source of birds for supplying to small and marginal farmers. The programme did not succeed considerably because of the high cost of production and low margin of profit and also the competition in this field from other States in the market. However, the incubators had been put to use within this District and also in other Districts. The fact that they are being utilised should serve the objective with which they had been purchased although not exclusively in this District."

3.25 In Tamil Nadu, 5 Agencies paid Rs. 24.64 lakhs during 1972-73 to 1973-74 as advance subsidy to Tamil Nadu Poultry Development Corporation for establishment of feed mixing units, and strengthening of poultry extension centres without drawing up proper plans and estimates. The entire subsidy of Rs. 24.64 lakhs had not served the desired objective. The Committee enquired why these schemes were taken up without drawing up plans and estimates and desired to know the position regarding recovery of due subsidy given. The Ministry have stated :—

"No specific reply has been received from the Government of Tamil Nadu. This is being taken up with them for investigation and fixing of responsibility. . . ."

3.26 The Audit para further states that in 6 Agencies, schemes of poultry farming failed after incurring an expenditure of Rs. 11.24 lakhs. The failures were attributed to non-availability of good quality feeds, medical check-up, inadequate training and illiteracy of participants; supply of chicks of only 2 to 3 months age, non-erection of sheds of approved size and inability to compete with big poultry breeders etc.

3.27 The Committee desired to know why these factors were not visualised before taking up the schemes. The Ministry of Rural Development stated* :

"Obviously adequate attention has not been paid by some of the agencies to these factors. . . ."

(c) *Minor Irrigation*

3.28 Audit have stated that the Agency at Hoogly (West Bengal) decided to sink 1970 shallow tubewells through Anchal Panchayats Cooperative Societies and registered associations and to finance 50 percent of the total cost as subsidy to the executing agencies. Contrary to this decision, the Agency took execution of the scheme itself and placed orders for supply of one lakh metres of galvanised mild steel tubes till 1974 at a cost of Rs. 33.94 lakhs (Rs. 30 lakhs paid up to December 1974). The agency received short supply of 5399 metres costing Rs. 1.55 lakhs and a claim was lodged in September 1980 with the Railway. The settlement was still awaited.

*Not vetted in Audit

3.29 Asked to indicate the reasons why Agency took upon itself the execution of the scheme, the Ministry of Rural Reconstruction have stated :

> "No reply has been received from the Agency/State Government. However, the State Governments have been requested to fix responsibility and take suitable action in all such cases."

3.30 In another case relating to the Agency at Mysore, out of 170 community irrigation wells planned to be taken up, the Agency undertook 34 wells; 11 were reported to be under execution till March 1979. of the remaining 13 were not taken up at all, 3 were abandond and only seven completed. The subsidy of Rs. 2.27 lakhs relating to the 13 wells had not been recovered by the Agency. In this connection the Ministry have stated :—

> "SFDA Mysore has intimated that under SFDA Scheme, the work of construction of 33 Community Irrigation wells was taken up in Mysore district and the work was entrusted for execution by the P.W.D., as deposit contribution work, by placing 50% contribution as subsidy at their disposal. Out of these 33 Community Irrigation Wells taken up at that time only 10 C.I. Wells were completed by the P.W.D., 13 C.I. Wells were dropped and 3 wells abandoned. The remaining 7 C.I. wells are under progress according to the P.W.D.
>
> In respect of 13 dropped wells, a total subsidy of Rs. 2.27 lakhs was released to the P.W.D. at the time of entrusting the work for execution out of which, a sum of Rs. 57,250/- has been recovered from the P.W.D. and another Rs. 3,389.36 was adjusted to Well I at Bevinahalli, leaving a balance of Rs. 1,66,413/- to be recovered from the P.W.D. Correspondence is being carried on to recover this amount from the P.W.D. The Superintendent Engineer, Mysore Division, Mysore has aslo been requested to furnish a detailed report on the present condition of the 7 wells which are under progress.
>
> After the receipt of the same, a consolidated report on each well will be sent to the Government of India as well as to the State Government."

3.31 The Audit para states that the Agency at Quilon incurred an expenditure of Rs. 4.56 lakhs on 7 tubewells and other ancillary works of which Rs. 2.28 lakhs were recoverable from the beneficiaries. While Rs. 1.15 lakhs were yet to be realised (April, 1980), irrigation had not commenced from 6 of the tubewells since field channels had not been completed nor pumpsets were installed in 2 tubewells. Irrigation from another tubewell was discontinued due to disconnection of electricity. The Committee enquired about the recovery of Rs. 1.15 lakhs from the beneficiaries and the reasons for delay in the completion of field channels. The

Ministry of Rural Development have forwarded to the Committee the following reply sent by the Government of Kerala* :—

"Out of the seven tube wells, five have been commissioned and the remaining two have not been commissioned as the pump sets have not been installed by the Agriculture Department which has to supply these items. As regards the five wells commissioned, the position is that these could not be put to use in the absence of field channels. These wells were constructed with the aim of stabilising the paddy crop and raising additional crops at a time when paddy cultivation was very profitable. Construction of field channels could be taken up only after successful completion of the wells. But on completion of the wells the beneficiaries failed to make field channels. The farmers are not now enthusiastic to invest any additional amount on construction of field channels and make use of these wells as paddy cultivation is no longer attractive from the financial point of view of the agriculturists. Panchayats have been approached for taking up these wells. But they also do not show any interest in this for want of funds.

The main item of work remaining other than re-connection of electricity, is the construction of field channels.

The question of reconnection of electricity will be taken up when the field channels are completed."

3.32 The Agency of Vadodara (Gujarat) paid (June 1977 to March 1979) Rs. 13.56 lakhs as advanced subsidy to 3 banks in connection with construction of 15 tubewells, 16 dug-cum-borewells and 11 lift irrigation schemes. Till May, 1980, no work had been started and the amount (Rs. 13.56 lakhs) was lying unutilised with the banks. The farmers had not even formed societies and no loan had been sanctioned. In 15 other cases, where advance subsidy (Rs. 5.67 lakhs) had been paid during December 1977 to March 1979, construction work was incomplete (May 1980); besides, in 5 cases, where a subsidy of Rs. 2.83 lakhs was paid during August 1972 to December 1975, water was found to be unsuitable for irrigation.

3.33 The Committee desired to know the present position of completion of these schemes for which advance subsidy amounting to Rs. 13.56 lakhs had been given. The Ministry have stated* :—

"The Government of Gujarat have since sent the following reply :

(i) Eight tubewells have been completed and work on four tubewells is in progress. Three tubewells are not to be undertaken.

(ii) Three dug-cum-borewells have been completed and works on five is in progress. Eight dug-cum-borewells are not to be undertaken.

*Not vetted in Audit

(iii) One lift irrigation scheme has been completed and 8 are in progress. Two lift irrigation schemes are not to be undertaken.

One Tubewell has been completed and one is in progress. Seven tubewells have been discontinued. Five dug-cum-borewells have been completed and work on one is in progress.

In the beginning water was found suitable in five tubewells but after some-time it turned brackish and unsuitable for irrigation. The pumping machinery is being used on two other tube wells.

The State Government have also stated that the subsidy amount deposited in the Bank is withdrawable with interest."

3.34 In the case of 5 community irrigation tubewells installed by the Agency at Ropur at a cost of Rs. 4.88 lakhs the beneficiaries were not satisfied with the functioning of tubewells due to their low discharge and less coverage of area (150 acres) than that proposed in the scheme (272 acres) and stopped taking water from the tubewells with the result that tubewells were closed rendering the entire investment unproductive. A sum of Rs. 60 lakhs was due to be paid by the participants to the banks (March 1980) towards repayment of loan and interest. The Committee wanted to know the reasons for low discharge of water from tubewells. The Ministry of Rural Development stated that the information from the Agency was still awaited.

3.35 The Audit para gave 14 instances involving Rs. 2.41 crores which could not fructify to the desired extent or the Agencies had no information about them. In this context, the Committee wanted to know what corrective steps have been taken or are proposed to be taken to obviate such references. The Ministry have stated as under* :—

"The individual cases brought to the notice in the Comptroller and Auditor General's Report are already being looked into. Instructions have already been issued that all the projects taken up should be scrutinised from the point of view of availability of groundwater resources. Instructions have also been issued that subsidy for long gestation projects should be released only in suitable instalments linked to the progress in construction. These instructions will be reiterated and the agencies will be instructed to have proper planning and follow-up of such schemes in future."

(d) *Cooperative loans*

3.36 It would be seen that in 28 Agencies Rs. 49.15 lakhs were overdue in May 1980 for recovery since 1971-72 onwards. The Com-

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*Not vetted in Audit

mittee enquired about the present position of recovery of overdue amount. In reply the Ministry have stated :

> "....Out of the total capital share loan of Rs. 50.15 lakhs (Rs. 49.15 lakhs pointed out by audit) recoverable by 28 Agencies, a sum of Rs. 10.90 lakhs has been recovered by 11 of the Agencies, leaving a balance of Rs. 39.25 lakhs yet to be recovered."

3.37 Audit have pointed out that in Karnataka a balance of Rs. 11.37 lakhs on account of risk fund subsidy advanced to various financing institutions was outstanding at the end of March 1980 and a part of it had been outstanding for recovery for over seven years without payment of any interest. The Committee desired to know the latest position of the recovery/adjustment of the amount outstanding. In reply the Ministry have furnished the following details of adjustment of Rs. 11.37 lakhs on account of advance risk fund subsidy by 3 Agencies :

Name of Agency	Amount of advance risk fund subsidy (Rs. in lakhs)	Amount since adjusted	Remarks
Mysore	0·33 7·33	—	Yet to be adjusted
Bijapur	0·04	—	No reply has been received
Karwar	3·67	0·37	The balance yet to be adjusted
	11·37	0·37	

3.38 In other case Rs. 22.30 lakhs (out of Rs. 30 lakhs advanced) were overdue for recovery in May 1980 besides interest in respect of loan assistance extended to deserving Cooperative Central Banks to provide the non-overdue cover for assistance rendered to participants. The Committee enquired about the present position of recovery of this amount which was over due for recovery. The Ministry have stated* :

> "This point relates to four Agencies *viz.* Kamrup, Darjeeling, Baramulla and Hazaribagh. The position of recovery of NODC† loan is indicated below :

Name of the Agency	Amount due for recovery	Amount Recovered	Remarks
1. Kamrup	10·00 lakh	Nil	Yet to be recovered
2. Darjeeling	2·30 lakh	1·00 lakh	Balance of Rs. 3·24 lakh including interest is yet to be recovered.
3. Baramulla	3·33 lakh	Nil	No reply has been received from the Agency.
4. Hazaribagh .	6·67 lakh	6·67 lakh	Only interest for the loan to be recovered now."

* Not vetted in Audit

† Non Over due Cover.

(e) *Markets and godowns*

3.39 The Audit para points out that subsidy of Rs. 54.30 lakhs was disbursed by 17 Agencies for establishing 57 regulated markets during 1978-79. Only 17 markets had been established till 1980 and work on 7 markets had not yet started while the Agencies had no information with regard to other 8 markets. The conditions relating to disbursement of subsidy in 5 or 6 instalments, constitution of State level committees & matching contributions etc. had not been adhered to in any case. The Committee enquired whether all the 57 regulated markets have been set up and why the subsidy was not paid in 5 or 6 instalments and why a State Level Committee was not set up as required under the rules. The Ministry of Rural Development have stated as under* :

"According to the information received so far, out of 57 markets, 32 have been completed, 2 abandoned and 9 are in progress. Position in respect of the remaining is not clear.

As regards release of assistance in suitable instalments and getting the proposals approved by a State Level Committee, the practice is not uniform. While certain Agencies have followed the guidelines, some have not. One of the reasons for certain Agencies not giving the assistance in instalments is that the work was entrusted to P.W.D. and the entire amount had to be deposited in advance. The State Governments have already been requested to look into all such cases of omissions and commissions and fix responsibility."

3.40 In 8 Agencies, subsidy amounting to Rs. 12.91 lakhs was disbursed to Cooperative Societies during 1970-71 to 1977-78 for construction of 82 godowns by 82 Cooperative Societies within a period of 6 months after the payment in each case. Upto March/April, 1980 only 12 societies had completed the work, 30 societies had not taken up the works while 8 societies had reported the works under progress. The Committee desired to know the latest position of construction of godowns and also details of cases where actual cost was less than the subsidy. In reply the Ministry of Rural Development have furnished the following details :

"The following 8 Agencies are involved in this case (i) Bharatpur (ii) Alwar (iii) Bhilwara (iv) Gulbarga (v) Bellary (vi) Hassan (vii) Mysore and (viii) Karwar.

The position in respect of each Agency is indicated below :

(i) *Bharatpur* .	No reply has been received
(ii) *Alwar*	SFDA Alwar paid a sum of Rs. 0·41 lakh to 13 Cooperative Societies for construction of godowns. Out of 13 societies,

*Not vetted in Audit.

9 refunded Rs. 0·28 lakhs as the State Government did not contribute its share for the construction of godowns. Of the remaining 4 societies, 3 have already constructed the godowns and furnished the utilization certificates. The fourth society has also completed the godown but it has not furnished the utilization certificate.

(iii) *Bhilwara* . . SFDA, Bhilwara has intimated that out of 10 societies to whom subsidy was given for the construction of godowns, 8 cooperative societies have refunded the amount . One Society has completed the Godown and has also furnished the utilization certificate. The position of construction of godown by the remaining one society is being ascertained from the Agency.

(iv) *Gulbarga* . . SFDA, Gulbarga has intimated that construction of godown at Chittapur has been completed and the construction of godown in Shahbad is in progress.

(v) *Bellary* SFDA, Bellary has intimated that both the godowns have been completed and are in operation.

(vi) *Hassan* . . . SFDA, Hassan has intimated that out of 4 godowns, 3 have already been completed and are functioning for the benefit of SF/MF. The fourth godown has come up to the vetilator level but not yet completed.

(vii) *Mysore* . . SFDA, Mysore has intimated that Tagarapura Service Cooperative Society refunded the amount during 1976 and work in respect of the other 10 Cooperative Societies has not at all been taken up so far and no reasons are also known. Action has already been taken to recover the subsidy and the matter is under correspondence with the societies concerned.

(viii) *Karwar* . . SFDA, Karwar has intimated that all the 5 godowns have been completed.

Regarding the details of cases, where the actual cost is less than the subsidy, information is being obtained from the respective Agencies."

3·41 The Committee find that there was a wide gap between the targets and achievements in several agencies whose accounts were test-checked by Audit. The table given in para 3·17 shows that the performance in 12 sectors was short of the targets by as much as 47%. 19 schemes in as many agencies failed due to defective planning/improper implementation and were abandoned, resulting in infructuous expenditure of nearly Rs. 42 lakhs.

3·42 In the agricultural sector, overpayments to the tune of nearly Rs. 30 lakhs were made in six cases due to excess assistance having been provided without specific sanction of Government. In 19 agencies, Rs. 65.64 lakhs were spent on demonstrations but no details were maintained regarding the identity of participants or the crops grown, yield per acre etc. The agencies also failed to take follow-up action. Similarly, in respect of the schemes of dairy farming, poultry development and other subsidiary occupations, it was found that several agencies did not exercise proper care in selecting the beneficiaries. In fact, most of the agencies failed to grasp the import of guidelines in regard to such programmes. The necessary extension services and supporting facilities were also not forthcoming. As many as ten instances have been cited in the Audit Report in which subsidy of about Rs. 55·59 lakhs had been given for implementation of different schemes of animal husbandry and poultry farming but the schemes either could not materialise or failed to yield desired results. The poultry farming schemes in particular failed in most of the agencies because of non-availability of good quality feed, medical check-up, inadequate training etc. The Evaluation Study has also inter alia pointed out that in number of project areas, proper care was not exercised to ensure that only identified agricultural labourers and marginal farmers were employed in rural works programme. Therefore, it is doubtful whether whatever employment was generated, actually went to the target groups.

3·43 The Evaluation Report has further pointed out that cases of misutilisation of input loans were detected in most of the projects. Lack of follow-up and non-availability of inputs at the required time were responsible for this situation.

3·44 The Committee find that pursuant to their decision to examine the working of the SFDA scheme, the Ministry of Rural Development issued a circular to all the State Governments requesting them to prepare a detailed brief covering all the points mentioned in the Audit Report by convening a meeting of the agencies concerned so that a final view could be taken on the various deficiencies brought out therein. It was also emphasised that it was not only necessary to recover the excess payment from the parties concerned but also to fix responsibility for the various acts of omission and commission resulting in irregularities/excess payment by the agencies.

3·45 The Committee consider that many of the deficiencies in the implementation of the programme could have been rectified had the States been vigilant enough in monitoring their progress. The evaluation study of the

Planning Commission has clearly brought out that the coordination and review committees at the State level had not been active in most of the States and had failed to provide guidance or support to the agencies. The State level Cells which were expected to exercise general supervision and ensure coordination of activities of various departments have also generally not been able to discharge their functions. The Committee have elsewhere in this Report emphasised the need for activising these Committees so as to strengthen the monitoring system.

3·46 The Committee would like the Ministry to undertake a comprehensive review of the working of the SFDA Programme in the light of the detailed comments received from the State Governments and ensure that prompt and effective steps are taken to fix responsibility for the various lapses and also to recover the excess payments made by the Agencies. The Committee trust that the State Governments who are now required to provide matching funds for the new Integrated Rural Development Programme would ensure that the nation's money is well spent on ameliorating the conditions of the rural poor and the short-comings noticed over the years are rectified without loss of time.

NEW DELHI;
April 28, 1982

Vaisakha 8, 1904(S)

SATISH AGARWAL
Chairman
Public Accounts Committee

APPENDIX I

(Vide Para 1 of Introduction)

Schemes for small/marginal farmers and agricultural labourers

Audit Paragraph

1. *Introduction*

During the Fourth Five Year Plan, a central sector scheme was introduced to bring the benefits of modern technology to the small and marginal farmers and agricultural labourers (hereafter referred to as participants) and to raise their standard of living by improved agricultural subsidiary occupation and supplementary employment. Small farmers are those having holdings of 2.5 to 5 acres of unirrigated land and marginal farmers are those having less than 2.5 acres of unirrigated land—50 *per cent* of these limits for irrigated land. The scheme was to be implemented by societies, known as Small Farmers Development Agencies (SFDA) and Marginal Farmers and Agricultural Labourers Agencies (MFAL) established under the Societies Registration Acts as applicable to the areas where the societies were established. In the Fourth Plan, 46 Agencies relating to SFDA and 41 Agencies relating to MFAL—87 Agencies in all—were established. All these were combined and continued as SFDAs (hereafter referred to as Agencies) in the Fifth Plan and further 81 such Agencies were established. They have been continued after the Fifth Plan also. The major responsibility of these Agencies are to identify the participants, to investigate their problems, to formulate economic programmes for providing gainful employment in the participants and to evolve adequate institutional, financial and administrative arrangements for implementing various programmes. During the Fifth Plan, each SFDA was to serve 50,000 small/marginal farmers.

2. *Finance, accounts and audit*

2.1 During the Fourth Plan, each SFDA and MFAL unit was entitled to an allotment of Rs. 1.50 crores and Rs. 1.00 crore respectively and each of the continuing Agency was entitled to a further allotment of Rs. 1.00 crore during 1976-77 to 1978-79. Every new Agency started in the Fifth Plan was entitled to an allotment of Rs. 1.50 crores from 1979-80 onwards, each Agency was entitled to Rs. 2.50 lakhs *per annum* per block in it and in addition, Agencies having integrated rural development programme and intensive employment programme, were entitled to an additional allocation of Rs. 5 lakhs and Rs. 10 lakhs per block respectively. While up to 1978-79, the entire expenditure on the scheme was met by the Central Government it was decided (June 1979) that from 1979-80, the expenditure of the Agencies would be shared equally by the Central and State Governments.

2.2 Outlays of Rs. 103 crores and Rs. 174.50 crores had been provided for the Agencies during the Fourth and Fifth Plan periods respectively, against which Rs. 46.84 crores and Rs. 151.55 crores respectively were released during the two Plan periods. Further during 1979-80, an amount of Rs. 53.33 crores was released to the Agencies against allocation of Rs. 63.70 crores. The overall release of funds up to 1979-80 was thus, Rs. 251.72 crores against the earmarked outlay of Rs. 341.20 crores. Out of this, the Agencies had spent only Rs. 231.64 crores as intimated by them to Government and thus, the Agencies could not utilise even the reduced allocations.

2.3 The accounts of the Agencies are maintained in the form prescribed by Government and are audited by Chartered Accountants appointed by the Agencies. Since the Agencies are financed substantially by Government, they attract audit under section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The records of 142 Agencies were test-checked in audit in different States and the important points noticed are mentioned in the succeeding paragraphs.

3. *Utilisation of grants*

3.1 Under the financial rules of Government, the sanctioning authorities are required to maintain, in a prescribed *pro forma*, a record of grants released by them and to watch the utilisation of the grants and issue of certificates of utilisation of grants to Audit/Accounts offices concerned. The register is also required to be reviewed each month by an officer not below the rank of Deputy Secretary. This register was, however, not maintained in the prescribed *pro forma* by the sanctioning authority and the register that was maintained, did not contain any information relating to watching of utilisation of grants. From 1976-77, however, the sanctioning authority started maintaining a separate record for watching utilisation, according to which audited statements of accounts and utilisation certificates from the Agencies had been received to the following extent (November 1980) :—

Year	No. of Agencies to which grants released and amount		No. of Agencies from which audited statements of accounts received and amount		Percentage to total No. of agencies	No. of agencies from which utilisation certificates received and amount		Percentage to total No. of Agencies
	No.	Amount (Rs. in crores)	No.	Amount (Rs. in crores)		No.	Amount (Rs. in crores)	
1976-77	160	27·50	155	26·29	97	150	25·15	94
1977-78	166	44·96	145	38·21	87	122	31·55	73
1978-79	163	40·64	121	31·84	74	87	23·07	53

The position in respect of non-receipt of audited accounts and utilisation certificates for periods prior to 1976-77 was, thus, not available with the sanctioning authority.

3.2 The several programmes are implemented through institutions sponsored by the Agencies for the purpose, who are advanced funds by the Agencies. Such advances are being booked as final expenditure under the relevant programme in the books of the Agencies and the utilisation certificates furnished by the Agencies included such advances as well, without ensuring their actual utilisation by the institution. A test-check in audit revealed that in 21 Agencies, such advances amounting to Rs. 425.59 lakhs had been reported as utilised without ensuring their actual utilisation on the programmes. Even though this irregularity was earlier pointed out by Audit, no effective steps were taken to stop it. There was no follow-up procedure to watch utilisation of these advances.

3.3 To encourage credit institutions, viz. cooperative/commercial banks to advance loans to the participants for implementation of the programmes liberally, subsidy admissible is paid in advance by the Agencies to these institution, subject to adjustment within 3 months and return of balance by that date. The amounts that were reported as utilised by the Agencies, included all such advances though the advances released were far in excess of needs of the credit institutions which neither rendered accounts nor refunded unutilised amounts within the prescribed time limit. A test-check in audit revealed that in respect of 51 Agencies the amount so retained by the credit institutions out of advances paid (since 1970-71 and 1972-73 in certain cases) and reported as utilised amounted to Rs. 438.02 lakhs. In 11 Agencies the unutilised amount refunded without interest after expiry of the prescribed period amounted to Rs. 59.36 lakhs. Further, though no subsidy was admissible under the programmes to participants unless they availed of loan facilities as well, test-check in audit revealed that in 10 Agencies, subsidy amounting to Rs. 85.25 lakhs had been distributed to 9057 participants who did not avail of the loan; these disbursements had also been reported as properly utilised by the Agencies to Government.

3.4 Under the scheme, the expenditure to be incurred on administration should not exceed 7.5 per cent (5 per cent up to August 1975) of the total project expenditure. A test-check in audit of accounts of 15 Agencies from inception to 31st March 1978 and of 24 Agencies from inception to 31st March 1979 showed that the ceilings had substantially been exceeded and that the expenditure on administration amounted to Rs. 433.41 lakhs (10.9 per cent) as against total project expenditure of Rs. 3977.12 lakhs, resulting in an excess expenditure of Rs. 135.12 lakhs over the prescribed ceiling; in 10 of these cases the excess was more than double the authorised amount on administration

3.5 A test-check in audit disclosed several cases wherein subsidies were paid by the Agencies in excess of the ceilings laid down. Two such cases (amount : Rs. 44.33 lakhs) are mentioned below :

(i) According to guidelines, subsidy by Agency and State Government for any programme should be limited to the maximum ceiling as per State or Agency rates, whichever was higher. For sinking new wells, the rate of subsidy admissible, whether paid directly by the Government of Tamil Nadu or through the Agencies was the same, *viz*. 25 per cent of the cost or Rs. 500 whichever was less. However, the Agency at Cuddalore paid a subsidy of Rs. 8.20 lakhs representing 25 per cent of the cost of 1641 new wells over and above Rs. 8.20 lakhs paid by the State Government for the same wells. This resulted in an overpayment of subsidy of Rs. 8.20 lakhs.

(ii) For digging community irrigation wells, 3 harijan development cooperative societies were paid subsidy in excess of the prescribed ceiling of 50 per cent by the Agency at Cuddapah (Andhra Pradesh), resulting in overpayment of Rs. 36.13 lakhs; of this, Rs. 6.60 lakhs had since been recovered.

3.6 The funds of the Agencies are to be utilised up to the ceiling approved by Government for each programme. A test-check in audit, however, revealed that in 7 Agencies the funds had been utilised in excess of the prescribed ceilings or in financing projects on behalf of credit institutions without any recovery from them involving expenditure of Rs. 15.82 lakhs. Such expenditure has also been reported to Government as utilised.

4. *Identification of beneficiaries*

4.1 The benefits under the scheme were to be confined essentially to the small and marginal farmers and agricultural labourers identified by each Agency. The number identified by the Agencies at the end of each year from 1971-72 to 1979-80 was reported by Government to be 20.30 lakhs, 34.93 lakhs, 39.27 lakhs, 46.03 lakhs, 84.59 lakhs, 122.36 lakhs, 146.64 lakhs, 163.34 lakhs and 167.77 lakhs respectively. According to records of Government, the number of identified participants benefited had increased from 16.43 lakhs as on 31st March 1974 to 79.66 lakhs as on 31st March 1980. A test-check in audit of records of the Agencies in this connection revealed that :

— the lists prepared by the blocks had not been test-checked by 14 Agencies for their correctness (though required under the Rules);

— the lists were incomplete in many respects in 15 Agencies;

— in 18 Agencies 1944 persons ineligible to be classified as small or marginal farmers (as their land holdings were more than the prescribed limits) were provided with benefits amounting to Rs. 11.72 lakhs;

— in 9 Agencies financial benefits in excess of the prescribed rates of subsidy amounting to Rs. 29.65 lakhs were extended to 23,221 participants; and

— no register of beneficiaries under each programme had been maintained in 18 Agencies.

5. *Non-maintenance of register of assets and block accounts*—Under the financial rules of Government the grantee institutions are required to maintain an account of permanent assets acquired wholly or mainly out of Government grants and to furnish extract from it annually to the sanctioning authority; the sanctioning authority is also required to maintain block accounts of the assets in question. No such accounts had, however, been maintained by the Agencies and the sanctioning authority.

6. *Targets and achievements.*—Under the scheme a comprehensive project report was required to be prepared by each Agency outlining the main features of its area of operations, its economic characteristics, infrastructure, cropping pattern, irrigation and the various components of the project; this report is considered by a committee of Secretaries constituted by Government and approval given. After approval, the Agency is entitled to make changes subject to the condition that only major variations would need approval of Government. It was, however, noticed in audit that 13

Agencies undertook 18 schemes (cost : Rs. 68.09 lakhs) which were either not included in the approved schemes of the respective Agencies or rejected by Government.

A test-check in audit revealed that in several sectors the achievements were far less than the targets fixed in the approved project reports as detailed below :

Sector	No. of agencies	Targets	Achievements	Shortfall
		(Rupees in lakhs)		
Agriculture	62	1,946·61	1,034·15	912·46
Dairying	29	870·36	557·05	313·31
Poultry	16	60·54	10·87	49·67
Other animal husbandry	49	743·47	380·86	362·61
Minor irrigation	65	3,762·16	1,889·56	1,872·60
Rural artisans	20	105·83	52·95	52·88
Rural works	15	267·15	187·23	79·92
Cooperatives	43	487·82	328·69	159·13
Risk fund	6	31·53	10·30	21·23
Fisheries	6	38·75	21·04	17·71
Marketing and godowns	33	259·70	162·91	96·79
Other schemes	19	306·96	58·79	248·17
TOTAL		8,880·88	4,694·40	4,186·48

7. *Animal husbandry programme*

7.1 Till March 1980, 9.00 lakh participants are reported to have been benefited under various schemes relating to animal husbandry, such as dairying, poultry, goat-keeping, sheep-breeding, piggery, fisheries, etc. The following points were noticed in audit in respect of some of the schemes executed by the Agencies.

7.2 The Agency at Khasi and Jaintia Hills (Meghalaya) promoted 2 co-operative societies for implementation of a dairy development programme and paid to them a subsidy of Rs. 2.98 lakhs from July 1972 to November 1974. The cattle supplied to the farmers were not as per their choice and there was insufficient supply of feed. As a result, the scheme failed and the societies also became defunct; thus, no lasting benefit actually accrued to the participants.

7.3 The Agency at Garo Hills (Meghalaya) incurred Rs. 1.21 lakhs during 1973-74 to 1975-76 towards purchase of 20 cows (Rs. 1.09 lakhs) and constructions of sheds (Rs. 0.12 lakh). The scheme, however, did not materialise as the bank did not sanction loan and the Agency decided (June 1976) that the scheme be wound up and the cattle disposed of by public auction. Further developments of the case were not available.

7.4 The Agency at Simla (Himachal Pradesh) undertook a scheme in 1975-76 for provision of one milch cow each to 1000 small farmers and 2530 marginal farmers in a period of 5 years at an estimated subsidy of Rs. 21.95 lakhs and estimated loan amounting to Rs. 48.65 lakhs to be raised by farmers. The Agency incurred an expenditure of Rs. 10.22 lakhs (nearly 50 per cent of the provision) on the scheme up to 1978-79 and supplied one cow each to 176 small farmers and 1234 marginal farmers only, resulting in a shortfall of 82 per cent in the case of small farmers and 51 per cent in the case of marginal farmers.

7.5 For the distribution of 5 lakh cocks and hen to small and marginal farmers over a period of 2 years (1973-74 and 1974-75), the Agency at Cannanore (Kerala) incurred an expenditure of Rs. 2 lakhs towards purchase of incubators and other equipment which were installed in a State Government poultry farm. The incubators were commissioned in March 1974 raising the incubation capacity of the farm by 25,000 chicks per month. The number of eggs additionally hatched during 6 years (1974-75 to 1979-80) averaged 0.572 lakh per year against the additional installed capacity of 3 lakh eggs *per annum* and the number of birds distributed during 6 years was 1.10 lakhs against 5 lakhs programmed for distribution within 2 years. Government stated (April 1980) that the Agency could not achieve the target due to inability of the farmers to raise loans and lack of enthusiasm in them.

7.6 For supplying annually 120 pullet chicks each to 2500 selected farmers, the Agency at Quilon (Kerala) agreed to provide Rs. 4 lakhs to a state poultry farm for construction of poultry houses, purchase of incubators, etc. The poultry farm purchased 14 incubators (cost : Rs. 0.83 lakh), 4 of which were installed in an existing poultry building and the remaining were stored in the office verandah of the Agency. Government declined to approve the scheme; the scheme was abandoned and the incubators transferred to other State Government farms. The expenditure (Rs. 0.83 lakh), thus, failed to render benefit to any identified participant.

7.7 To provide a viable subsidiary occupation to the participants, many Agencies financed the establishment of poultry units by providing subsidies for constructing poultry sheds, supply of chicks of commercial age groups (5 months) and provision of other equipment. In 6 Agencies, such schemes had failed after incurring expenditure of Rs. 11.24 lakhs. The failures were attributed to non-availability of good quality feed, medical check-up, inadequate training and illiteracy, supply of chicks of only 2 to 3 months age, non-erection of sheds of approved size, inability to complete with big poultry breeders, etc.

7.8 The Agency at Visakhapatnam (Andhra Pradesh) undertook in 1971-72 the preparation of nylon nets for supply to fishermen and incurred in all an expenditure of Rs. 4.70 lakhs on the scheme. It was noticed that 222 nets (approximate cost : Rs. 0.76 lakh) prepared in 1972-73 could not be distributed reportedly due to their mesh being larger than the local requirements and other defects. The life of the unused nylon nets having also expired in about 4 years, the expenditure of Rs. 0.76 lakh became infructuous.

7.9 In Tamil Nadu, 5 Agencies paid (1972-73 to 1973-74) Rs. 24.64 lakhs as advance subsidy to Tamil Nadu Poultry Development Corporation/Animal Husbandry Department for establishment of feed mixing units, hatching units and strengthening of poultry extension centres without drawing up proper plans and estimates. The units had not been set up in 3 Agencies and Rs. 15.50 lakhs were pending recovery (May 1980). In the 4th Agency out of advance subsidy of Rs. 7.80 lakhs paid, Rs. 4.84 lakhs only were spent and the balance of Rs. 2.96 lakhs was pending recovery

(June 1980); out of the amount spent (Rs. 4.84 lakhs), Rs. 1.94 lakhs were spent outside the project area. In the 5th Agency, a cattle feed mixing unit established in November 1977 (cost : Rs. 1.34 lakhs) after 4 years from the release of funds produced 1000 kgs. of feed out of raw material (cost : Rs. 0.11 lakh) purchased in 1973 and 803 kgs. of feed became unfit resulting in loss of Rs. 0.07 lakh. The unit had not functioned thereafter for want of technical assistance (May 1980). Thus, the entire subsidy of Rs 24.64 lakhs had not served the desired objective.

(ii) The Agencies at Thanjavur and Kanyakumari (Tamil Nadu) released Rs. 3.36 lakhs as advance subsidy to cooperative institutions for installation of milk chilling plants and purchase of laboratory equipment for quality control and vehicles. The entire amount (Rs. 1.50 lakhs) advanced by the Agency at Thanjavur was refunded in July 1978 due to poor progress in work. In the other Agency, the chilling plant (subsidy : Rs. 1.27 lakhs) had not been established so far (May 1980) and Rs. 0.44 lakh had been spent on milk testing equipment which was not covered under the scheme.

8. *Minor Irrigation*

8.1 The Agency at Hooghly (West Bengal) decided to sink 1970 shallow tubewells through Anchal Panchayats, cooperative societies and registered associations and to finance 50 per cent of the total cost as subsidy to the executing agencies. Contrary to this decision, the Agency itself placed orders for supply of one lakh metres of galvanised mild steel tubes till April 1974 at a cost of Rs. 33.94 lakhs (Rs. 30 lakhs paid up to December 1974). The Agency received (November 1974 to April 1975) 94,601 metres of pipes only from the suppliers and for 5,399 metres (Cost : Rs. 1.55 lakhs) received short, a claim for Rs. 1.55 lakhs lodged (March and July 1975) with the railways still (September 1980) awaited settlement. Out of 94,601 metres 37,601 metres (Cost : Rs. 13 lakhs) were utilised and 740 shallow tubewells were sunk. As the bankers refused to finance such schemes, the whole programme was disrupted : 20,115 metres of pipe were transferred (September 1979) to other Agencies leaving a balance of 36,885 metres (value : Rs. 12 lakhs) as on 31st March, 1980. No part of the expenditure (Rs. 13 lakhs) had been recovered from the beneficiary societies.

8.2 As per project report of the Agency at Mysore (Karnataka), 170 community irrigation wells were planned to be taken up till March 1979, against which the Agency undertook 34 wells only at a cost of Rs. 5.72 lakhs towards subsidy of these 7 were completed. 3 abandoned, 13 were not taken up and 11 were under execution (March 1979). In respect of 23 of these wells, no loans had been sanctioned either by the State Land Development Bank or the State Government and the subsidy of Rs. 2.27 lakhs relating to 13 wells that were not taken up at all, had not been recovered by the Agency (September 1979).

8.3 An irrigation project was approved by the Agency at Shillong (Meghalaya) in November 1975 as a community work with 50 per cent subsidy though the farmers had not registered themselves as a society and Rs. 3.26 lakhs had been spent (till April 1980), the work was not yet completed. It was noticed in audit that proper survey had not been done and estimates had not been properly checked to assess the feasibility of the scheme. The release of subsidy of Rs. 3.26 lakhs for the benefit of 22 farmers (increased to 60 as reported by the Agency in April 1980) was substantially in excess of the ceiling prescribed for assistance to each participant (Rs. 3,000).

8.4 The Agency at Quilon (Kerala), undertook in 1972 reclamation of 945 acres of paddy fields through a cooperative society to facilitate conversion of single crop to double crop fields at an estimated cost of Rs. 12.51 lakhs to benefit 619 farmers. The scheme was abandoned in October 1974 after spending Rs. 1.82 lakhs. Against subsidy of Rs. 0.91 lakhs admissible for the work done (value: Rs. 1.82 lakhs), Rs. 2 lakhs had been paid by the Agency as advance subsidy during March—October 1973 and the amount paid in excess (Rs. 1.09 lakhs) had not been recovered so far (April 1980) from the society.

In addition, the society was paid Rs. 0.51 lakh in July 1972 towards share capital contribution as interest free loan (to be repaid in 2 years) against which a sum of Rs. 0.43 lakh was outstanding (April 1980). Government stated (April 1980) that non-completion of the scheme was due to fall in the prices of foodgrains, that arbitration cases had been filed by the Agency against the society for recovery of unadjusted advances and that in future, subsidy would be paid after assessing the value of work done. The Agency stated (April 1980) that possibilities were being explored for completing the work under "People Participation Programme".

8.5 Five deep tubewells sunk by the Central Ground Water Board during 1972-73 and 2 other deep tubewells sunk by the State Government of Kerala during 1976—78 were taken over by the Agency at Quilon at a cost of Rs. 3.65 lakhs with a view to irrigating 667 acres of paddy lands. The total expenditure on the 7 tubewells and other ancillary works amounted to Rs. 4.56 lakhs, of which Rs. 2.28 lakhs were recoverable from the beneficiaries. Of this, Rs. 1.15 lakhs were yet to be realised (April 1980). Irrigation had not commenced from 6 of the tubewells since field channels had not been completed (April 1980), nor were pumps installed in 2 tubewells. Irrigation from the seventh tubewell, which commenced in April 1976, was discontinued in March 1978 when electricity was disconnected due to non-payment of electricity charges. Re-connection of electricity had not been made so far (April 1980).

Government stated (April 1980) that the farmers had no enthusiasm in the cultivation of paddy or raising of additional crops in the ayacut of the tubewells owing to the fall in the price of the foodgrains and that the Agency was making efforts to utilise satisfactorily the wells and also to recover the outstanding dues.

8.6 The Agency of Vadodara (Gujarat) paid (June 1977 to March 1979) Rs. 13.56 lakhs as advanced subsidy to 3 banks in connection with construction of 15 tubewells, 16 dug-*cum*-borewells and 11 lift irrigation schemes. Till May 1980, no work had been started and the amount (Rs. 13.56 lakhs) was lying unutilised with the banks. The farmers had not even formed societies and no loan had been sanctioned.

In 15 other cases, where advance subsidy (Rs. 5.67 lakhs) had been paid during December 1977 to March 1979, construction work was incomplete (May 1980); besides, in 5 cases, where a subsidy of Rs. 2.83

lakhs was paid during August 1972 to December 1975, water was found to be unsuitable for irrigation.

8.7 In the project area at Bidar (Karnataka), 5 commercial banks, while intimating (July 1979) the progress of work in respect of loans sanctioned by them for irrigation wells etc. during 1971-72 to 1977-78, stated that 424 beneficiaries had misutilised the assistance amounting to Rs. 3.84 lakhs and in 9 cases wells had failed. No information regarding the recovery of the subsidy paid in this connection was available with the Agency.

8.8 The Agency at Alwar (Rajasthan) paid Rs. 1.06 lakhs during 1975-76 to 1977-78 to the financing institutions as subsidy for the construction of 82 dugwells. A spot inspection of some wells by an officer of the State Government revealed (October 1977 to November 1978) that in 29 cases (subsidy Rs. 0.33 lakhs), no wells had been constructed and in 53 cases (subsidy : Rs. 0.73 lakhs), the wells were incomplete. The Agency stated (February 1980) that inspite of their persistent efforts, the financing institutions had not effected recoveries from the beneficiaries.

8.9 To provide irrigation facilities to 142 participants, the Agency at Ropar (Punjab) installed (1972-73) 5 community irrigation tubewells in 2 villages at a cost of Rs. 4.88 lakhs (Rs. 2.23 lakhs paid by the Agency as subsidy and Rs. 2.65 lakhs raised as loan from the commercial banks). The wells were to be run by the societies formed by the Agency. The beneficiaries were not satisfied with the functioning of tubewells due to their low discharge and less coverage of area (150 acres) than that proposed in the scheme (272 acres) and stopped taking water from the tubewells with the result that the operation of the tubewells was closed from July 1977/February 1978 rendering the entire investment (Rs. 4.88 lakhs) unproductive. A sum of Rs. 5.60 lakhs was due to be paid by the participants to the banks (March 1980) towards repayment of loan and interest.

The Agency stated (March 1980) that the question of transfer of tubewells to the Government/State Tubewells Corporation Limited (as desired by the participants) was under consideration.

8.10 Four Agencies in Tamil Nadu advanced (1972-73 to 1976-77) Rs. 7.94 lakhs as subsidy (at 50 per cent of estimated cost) to 51 lift irrigation societies for sinking of community wells. Of these, 47 socities in 3 Agencies were under the process of liquidation (May 1980) due to non-availability of funds etc. In one Agency, the beneficiaries covered under the scheme were found to be viable farmers and hence recovery of amount paid to them (Rs. 1.24 lakhs) was ordered of which Rs. 0.46 lakh had been recovered, the balance of Rs. 0.78 lakh was yet to be recovered (May 1980).

8.11 The Agency at Chengam (Tamil Nadu) paid (January 1972) Rs. 0.71 lakh for sinking of 7 community irrigation wells with loan assistance from cooperation department. The work still remained to be completed after a lapse of 8 years (May 1980).

8.12 The Agency at Pondicherry paid (1971-72 to 1975-76) Rs. 6.02 lakhs as subsidy (at 50 per cent rate) to 22 lift irrigation societies, each formed of 20 to 25 participants. Of these, 9 societies (subsidy paid : Rs. 2.20 lakhs) were either wound up or were under liquidation due to uneconomical working; 4 societies (subsidy paid : Rs. 0.80 lakh) were yet (May 1980) to receive loans from financing institutions and of the remaining, only 4 were functioning and the others (5) were dormant. The outlay of Rs. 6.02 lakhs was, thus, largely infructuous.

8.13 During 1975-76 to 1978-79, 4 Agencies (2 in Madhya Pradesh and 2 in Maharashtra) paid Rs. 140.80 lakhs to the participants as subsidy for construction of wells, installation of pump sets, repairs to old wells, etc. The Agencies had no information (September 1979) regarding the number of wells actually constructed/repaired, pump sets installed, the extent of additional irrigation facilities provided and whether the funds had been utilised for the intended purpose.

The Agency at Sirmur (Himachal Pradesh) took up in 1973-74 execution of 11 community irrigation schemes at an estimated cost of Rs. 74.74 lakhs with 50 per cent assistance by the Agency, balance to be met by 552 participants. The participants did not form themselves into a registered society and hence were entitled for assistance at 33-1/3 per cent; only, resulting in overpayment of subsidy by Rs. 12.46 lakhs. Further the extent of assistance per participant worked out to over Rs. 7,100 whereas the maximum ceiling fixed was only Rs. 3,000 : the extra cost had not been regularised by sanction of Government. It was further noticed in audit that :

- 10 schemes were completed at a cost of Rs. 37.97 lakhs and expenditure on the remaining one scheme amounted to only Rs. 1.43 lakhs till September 1979, thus indicating over-estimation of cost and substantial overpayment of subsidy (estimated at Rs. 17.67 lakhs);
- the beneficiaries had contributed for the scheme only a sum of Rs. 10.69 lakhs; and
- the State Government had retained a sum of Rs. 6.59 lakhs towards cost of administration, whereas no such charges were debitable to the Agency under the arrangement.

8.14 The Agency at Delhi paid Rs. 3.08 lakhs to the Central Public Works Department (CPWD) in 1974-75 for the construction of 12 community tubewells in 12 villages. The work was completed in 1977-78 at 100 per cent (instead of 50 per cent) resulting in overpayment of Rs. 1.57 lakhs. Out of the 12 tubewells 10 were reported to be in operation and 2 affected by floods were not in working order.

9. *Customs service scheme*

Under this scheme, the Agencies could help cooperative societies agro-industries corporation, etc. to procure tractors and other equipment by providing 50 per cent as subsidy subject to condition which, *inter alia* provided that the equipment be hired at concessional rates to the participants. A test-check in audit revealed that in 8 Agencies, tractors and other equipment so procured at a cost of Rs. 14.48 lakhs had not been adequately utilised for the needs of the participants (details in Annexure).

10. *Rural artisans programme*

10.1 The scheme for rural artisans provides for training of artisans/participants in trades like carpentry, masonry, etc. and the selected participants are to be given stipend for a period of one/two years for training and then assisted to set up workshops in the villages. Till March 1978, an expenditure of Rs. 123.78 lakhs was incurred and 0.12 lakh artisans had been trained during 7 years ending March 1978; most of these had not, however, been provided with subsidy to set up workshops, nor was any follow-up action taken with the result that the entire expenditure (Rs. 123.78 lakhs) on the scheme proved unproductive. Government stated (December 1979) that the programme had been given up in the Fifth Plan.

10.2 The Agency at Kamrup (Assam) incurred an expenditure of Rs. 1.31 lakhs during 1973-74 and 1974-75 for imparting training to 250 candidates. The scheme was abandoned during 1974-75 after imparting training to 215 candidates on the ground that 20 per cent out of 215 trained personnel were engaged either in their own or other trade and that the remaining 80 per cent could not be engaged in any business/profession mainly due to non-availability of financial assistance from banks. The expenditure of Rs. 1.31 lakhs, thus, proved to be largely unproductive.

10.3 Despite the advice of the Directorate of Employment and Training (Tamil Nadu) that the rural artisan training programme would result in duplication of efforts as a similar programme was already in force in the project area, the Agency at Madurai started the programme in November 1974. Up to April 1976, 383 persons were trained at a cost of Rs. 1.39 lakhs after which the scheme was closed on the ground that the trained persons had no scope for employment in their trade in their villages. The entire expenditure of Rs. 1.39 lakhs, thus, proved infructuous.

11. *Markets and godowns*

11.1 The Agencies can grant subsidy at prescribed scales for the development of regulated markets, construction of godowns, market yards, etc. in the project area for the benefit of the participants. A test-check in audit revealed that out of subsidy of Rs. 54.30 lakhs disbursed by 17 Agencies for establishing 57 regulated markets during 1972-73 to 1978-79, only 17 markets had so far (April 1980) been established; the works in 22 markets were in progress; subsidy of Rs. 1.51 lakhs had been refunded in 3 cases; work in 7 markets was not yet started and no information was available with the Agencies regarding 8 markets. Further, the conditions relating to disbursement of subsidy in 5 or 6 instalments, constitution of state level committees, matching contributions, etc. had not been adhered to in any case.

11.2 In 8 Agencies, subsidy amounting to Rs. 12.91 lakhs was disbursed to cooperative societies during 1970-71 to 1977-78 for construction of 82 godowns by 82 cooperative societies, within a period of 6 months after payment of subsidy in each case. Up to March/April 1980, only 12 societies had completed the work; 32 societies refunded Rs. 1.20 lakhs without utilisation and work in 8 societies was reported to be in progress and that in 30 societies had not so far (March/April 1980) been taken up. Completion reports of 3 works revealed that actual cost was Rs. 2.14 lakhs against subsidy of Rs. 2.79 lakhs paid to the societies.

12. *Agriculture*

12.1 The schemes relating to agriculture are to be given priority attention by the Agencies and these included intensive agriculture, multiple cropping, introduction of high yielding varieties of seeds, soil conservation, horticulture etc. According to Government 61.57 lakh participants had been benefited (77 per cent of the beneficiaries under all sectors) to end of March 1980. The expenditure incurred on this sector amounted to Rs. 28.66 crores, representing 14.5 per cent of total expenditure to the end of March 1979. A test-check in audit of the records of the Agencies in implementation of these schemes disclosed the following points :

12.2 Four Agencies in Kerala paid during the period ended 1979-80 subsidy of Rs. 117.95 lakhs to 21,350 participants for soil conservation work in 9,040 hectares. The Agencies had not carried out any survey to ascertain whether the lands benefited by the soil conservation works were brought under cultivation and whether the benefit had actually accrued to the participants. Details of increased agricultural output, if any, were also not available with the Agencies. No report in this connection had been asked for by Government also. Nine works, for which subsidy of Rs. 9.54 lakhs had been paid, were lying (April 1980) incomplete since 1975 (3 works), 1977 (1 work) and 1978 (5 works). Government stated (April 1980) that the incomplete works were being got completed under a loan scheme of the State Soil Conservation Department and that the works were in progress.

12.3 The Agency at Simla (Himachal Pradesh) incurred expenditure of Rs. 16.60 lakhs during 1976-77 and 1977-78 for 3,644 participants to meet cost of G.C.I. sheets, grain bins, seeds, ploughs and other implements under land development; the scheme had been executed without obtaining approval of Government. Although Rs. 16.60 lakhs had been spent on various items, viz. G.C.I. sheets, grain bins, seeds, fertilisers, ploughs, etc. the intended purpose had not been served as the distribution of seeds and fertilisers before land development/reclamation could not have been of use. Of the material purchased, material worth Rs. 0.84 lakh was lying unutilised (July 1979). Although assistance under the scheme was not admissible to those who did not raise loans, subsidy of Rs. 6.23 lakhs was paid (during 1976-77 and 1977-78) also to participants, who did not raise loans. Government stated (December 1980) that the matter regarding regularisation of expenditure was under consideration.

12.4 In respect of a few schemes taken up under agriculture sector, the Agencies had not restricted the assistance to the scales laid down and the excess assistance was also provided without specific sanction of Government, resulting in substantial over-payments. In 6 such cases, a sum of Rs. 29.95 lakhs was overpaid.

12.5 To intensify horticulture and kitchen gardening activities, the Agency at Hazaribagh (Bihar) decided (July 1976) to subsidise 14,000 participants during 1976-77 and 1977-78 at the rate of Rs. 25 per participant, in the form of seedlings worth Rs. 20 and pesticides worth Rs. 5 anticipating that the farmers would spend Rs. 75 in the shape of cost of enclosures, supervision, watering, etc. and bring the trees to the fruit-bearing stage. The programme, when submitted to Government (August 1976), was rejected (September 1977). In the meantime, however, Rs. 3.22 lakhs had been spent during 1976-77 and 1977-78 on supply of seedlings and pesticides to 13,200 participants. The Agency had no information (May 1980) as to whether the participants incurred any expenditure on the nurturing of the plants and how many of the plants reached the fruit-bearing stage.

12.6 With a view to demonstrating the modern methods of agriculture and use of fertilisers to the small/marginal farmers, in 19 agencies, Rs. 65.64 lakhs were reported as spent during 1971-72 to 1977-78 on such demonstrations. The Agencies had, however, no details regarding identity of the participants, in whose fields demonstrations were held, varieties of crops grown, yield per acre in the area before and after the demonstrations. No follow-up action had either been taken.

13. *Cooperatives*

13.1 For strengthening the cooperative sector, the scheme provided for grant of share capital loans, risk fund subsidy, managerial subsidy and non-overdue cover advance by the Agencies to the cooperative societies/banks etc. The Agencies could pay share capital loan to the societies at Rs. 40 per member they enrol; the loan was free of interest and repayable in 2 annual instalments. A test-check in audit showed that in 28 agencies, Rs. 49.15 lakhs were overdue (May 1980) for recovery since 1971-72 onwards.

13.2 The purpose of risk fund subsidy is to cover the risk of the societies and banks in extending credit to the participants and the subsidy is to be calculated on the total amount of loan reduced by the amount of subsidy paid to the institution by the Agencies. It was noticed in test-check in audit that :

— in 4 Agencies the risk fund subsidy was paid on the subsidy portion also resulting in overpayment of Rs. 1.50 lakhs; and

— in Karnataka, 7 Agencies advanced Rs. 30.60 lakhs (1971-72 to 1978-79) on account of risk fund subsidy to various financing institutions, out of which Rs. 19.23 lakhs were adjusted, leaving a balance of Rs. 11.37 lakhs outstanding with the institutions as at the end of March 1980; part of it had been outstanding for recovery for over 7 years without payment of any interest; in 10 Agencies, Rs. 18.11 lakhs were paid during 1970-71 to 1978-79 as risk fund subsidy without verifying whether claims submitted by the institution were in respect of identified participants or not; the possibility of overpayment/wrong payment in these cases could not, thus, be ruled out.

13.3 To compensate the credit institutions for extra staff to be employed for work connected with the scheme, managerial subsidy was paid on a tapering pattern (100 percent in the first year, 66⅔ percent in the second year, 33⅓ percent in the third year and nil thereafter). A test-check in audit revealed that :

— in 6 Agencies subsidy during second and subsequent years also was paid at 100 percent resulting in overpayment of Rs. 0.81 lakh;

— the Agency at Bilaspur (Madhya Pradesh) paid (September 1977 and March 1978) Rs. 1.20 lakhs to 11 societies on *ad hoc* basis without taking into account the expenditure incurred by the societies in connection with the scheme. The Agency stated (September 1979) that the position of staff deployed by the societies for the Agency work would be ascertained and excess payment made, if any, would be recovered.

13.4 The Agencies are authorised to extend loan assistance to deserving Cooperative Central Banks to provide the non-overdue cover for assistance rendered to participants. In 4 Agencies, Rs. 22.30 lakhs (out of Rs. 30.00 lakhs advance) were overdue for recovery in May 1980 besides interest in respect of such loan assistance.

14. *Other points of interest*

14.1 The Agency at Khasi and Jaintia Hills (Meghalaya) allowed a cooperative bank to set apart Rs. 4.50 lakhs from the Agency's funds as marginal security in respect of cash credit accommodation provided by it to a cooperative society. The society failed to fulfil its commitment with the bank and the latter debited Rs. 1.39 lakhs to the Agency's account. The extension of such security out of Agency's funds was not covered under the scheme, nor was approval of the governing body obtained.

14.2 The Agencies at Simla and Sirmur (Himachal Pradesh) had been getting certain schemes executed through two autonomous bodies—Development Project, Simla and Sirmur Agricultural Development Project. These bodies, formed in September 1976 and February 1975 respectively without approval of Government/State Government, had the same office and working officials as the Agencies. The Project Officers of the Agencies were also the Managing Directors of these projects and the Accounts were audited by Chartered Accountants.

All amounts paid to the projects were shown as utilised by the Agencies in their accounts and certificates furnished to Government though part of the funds was lying unspent with the projects. The expenditure so reported as utilised included contingent expenses amounting to Rs. 8.60 lakhs of the two projects, though such expenditure was outside the scope of the scheme. It was noticed in audit that Rs. 6.01 lakhs and Rs. 18.50 lakhs were transferred by the Agency at Simla in 1976-77 and 1977-78 respectively to the Development Project, Simla as subsidy under various schemes and amounts shown as utilised in their accounts whereas actually Rs. 3.00 lakhs and Rs. 14.07 lakhs were lying unspent with the project at the close of 1976-77 and 1977-78 respectively.

Similarly, Rs. 12.64 lakhs, Rs. 40.50 lakhs, Rs. 28.43 lakhs and Rs. 9.15 lakhs were transferred by the Agency at Sirmur to Sirmur Agricultural Development Project in 1974-75, 1975-76, 1976-77 and 1977-78 respectively out of which Rs. 9.59 lakhs, Rs. 29.66 lakhs, Rs. 32.52 lakhs, and Rs. 16.12 lakhs were lying unspent, with the project at the end of 1974-75, 1975-76, 1976-77 and 1977-78 respectively though in the accounts of the Agency amounts were shown as fully utilised.

Further a test-check in audit of the records of projects showed that in the case of Sirmur Project, Rs. 41.70 lakhs were spent on unapproved schemes like construction of consumer stores (Rs. 31.76 lakhs), ginger marketing (Rs. 3.98 lakhs), construction of farmers' homes (Rs. 3.94 lakhs) and purchase of trucks (Rs. 2.02 lakhs).

14.3 The Agency at Tirunelveli (Tamil Nadu) deposited (March 1977 to March 1978) Rs. 2.23 lakhs with the Tirunelveli Central Co-operative Bank in favour of the Project Co-ordinator, Whole Village Development Scheme, Sankarankoil for execution of certain schemes without examining their viability. The amount was yet (May 1980) to be utilised/refunded.

15. *Evaluation*

An evaluation study of the scheme was conducted by the Programme Evaluation Organisation of the Planning Commission during 1974-75, report of which was published in 1979. The main points brought out in the report were as under :—

- Proper care had not been exercised in the selection of some of the project areas.
- The progress of identification was slow in most of the areas and there was provision of benefits to wrong persons to the extent of about 9 percent.
- The arrangements envisaged at the state level for ensuring supervision, coordination and direction had generally not worked.
- The cooperative infrastructure had continued to be very weak in most of the project areas.
- Grant of loans by commercial banks was also poor, particularly in the case of agricultural labourers, where it was only about one percent.
- In the case of input subsidy, cases of misutilisation were detected in most of the projects; there was lack of extension support and follow-up action after demonstrations.
- Proper care was not exercised to ensure that only identified agricultural labourers and marginal farmers were employed in rural works programme.
- General awareness about the schemes among the target groups was not high and there was low participation.

Summing up.—Out of 142 Agencies test-checked in audit, the following are the main points that emerge :—

— Though the Agencies had reported the utilisation of Rs. 231.64 crores out of Rs. 251.72 crores released to them, it included advances released to the executing organisations without actual utilisation in respect of several schemes. In 21 Agencies grants of Rs. 425.59 lakhs had been reported as utilised based on the advances disbursed.

— The work of identification of participants had not been taken up by the Agencies as a first task before taking up programme for execution. Though the Agencies reported to Government identification of 167.77 lakh participants and provision of benefits to 79.66 lakhs out of them up to 31st March 1980, several Agencies had not been maintaining up-to-date and proper records of participants/beneficiaries, but were depending upon information given by the block officers. Consequently, Rs. 11.72 lakhs were paid wrongly in 18 Agencies.

— There was a wide gap between targets and achievements in several Agencies. In many Agencies, achievements (up to March 1980) in 12 sectors were Rs. 46.94 crores against target of Rs. 88.81 crores. On the other hand unapproved schemes and works (subsidy paid Rs. 68.09 lakhs) were undertaken in 13 Agencies. The expenditure on administration in 39 Agencies was in excess of the prescribed ceiling by Rs. 135.12 lakhs.

— In 19 Agencies, 19 schemes (subsidy paid Rs. 41.99 lakhs) failed due to defective planning/improper implementation and were abandoned and, thus, Rs. 41.99 lakhs spent did not provide any benefit to the participants.

— In 7 Agencies, 4 schemes (subsidy paid : Rs. 24.15 lakhs) could not be executed as institutional loans could not be arranged.

— Rupees 542.33 lakhs advanced by 99 Agencies to banks/societies were lying blocked for periods ranging from 1 to 7 years without recovery of interest. Further in 20 Agencies, several schemes, for which subsidy of Rs. 69.39 lakhs had been paid, had been lying incomplete for the last 2—8 years.

— The Agencies had, generally, no arrangement for follow-up action in various programmes and for assessing whether the benefits envisaged had actually accrued to the participants.

— An evaluation study of the schemes conducted by the Programme Evaluation Organisation of the Planning Commission in 1974-75 (report published in 1979), *inter alia,* brought out that the general awareness about the schemes was not high and, thus, there was low participation.

ANNEXURE

Location of Agency	Equipment procured and when	Assistance involved (in lakhs of rupees)	Findings of audit
1	2	3	4
Bidar (Karnataka) .	Tractors March 1974	2·00	Required to be utilised to plough 11900 acres of identified participants by March 1976 at concessional rates, utilised to plough only 570 acres till October 1977; society superseded and assets disposed of in auction.
Hassan (Karnataka) .	Tractors August 1976	1·87	Out of 5 societies that were given subsidy to benefit 2188 participants, 317 were only benefited by 4 societies and none by the 5th society.
Karwar (Karnataka) .	Power tillers & other equipment March 1977	1·82	Assistance given to 14 societies of which 8 societies disposed of the equipment. Participants did not avail themselves of facility as they found it cheaper to have work done by hiring bullocks.
Delhi	Tractors and other equipment March 1974	1·28	Assistance given to 2 societies which hired equipment to 3526 participants at concession of 8 to 25 *percent* only against 50 *percent* admissible. One society had disposed of the tractor in May 1980.
Alwar (Rajasthan) .	Tractors & other equipment October 1976	1·38	Assistance given to 4 societies without fixing any target. Assisted 905 persons till March 1978, of which only 472 belonged to identified category.
Chengam (Tamil Nadu) .	Tractor & other equipment November 1973	0·66	Paid to society which spent Rs. 0·60 lakh, resulting in overpayment of subsidy Rs. 0·36 lakh. Till July 1979, benefit rendered to only 239 participants.

1	2	3	4
Madurai (Tamil Nadu) .	Tractors 1973-74	2·73	Paid to 9 societies to benefit 3600 participants each year. Information available for 1977-78 revealed benefit having been extended only to 1007 participants. 2 societies intended to dispose them as it was uneconomical to maintain them (May 1980).
Pondicherry . .	9 Tractors 1972-73 to 1975-76	2·74	Paid to a society to purchase 9 tractors to cover 3600 participants *per annum*—benefited in all only 809 participants during 1972-73 to 1978-79. Mostly utilised to to serve big farmers.
		14·48	

APPENDIX II

Main Conclusions/recommendations

1	2	3	4
1.	2·27 & 2·28	Min. of Rural Development/ Min. of Finance/ Planning Commission.	The Small Farmers Development Agencies (SFDAs) and the Marginal Farmers and Agricultural Labourers Agencies (MFALs) were set up in the Fourth Five Year Plan with the specific objective of ameliorating the economic conditions of small/marginal farmers and agricultural labourers and to bring them into the mainstream of economic development. The schemes were introduced gradually on a pilot basis from 1970-71 onwards in selected areas of the country. While the main objective of the SFDAs was to ensure viability of potentially viable farmers, MFAL Development Agencies aimed at increasing participants' employment opportunities and improving their income levels. The agencies were registered as societies under the Societies Registration Act and were entrusted with the responsibility of identifying the participants, investigating into their problems, formulating economic programmes for providing gainful employment to them and also of evolving adequate institutional, financial and administrative arrangements for implementing various programmes. In October, 1980, the programme was replaced by a new one known as Integrated Rural Development Programme (IRDP). The Committee find that as against the projected outlay of Rs. 360 crores on the SFLA/MFAL agencies during the period 1970-71 to 1979-80 (at the rate of Rs. 1·5 crores for each SFDA and Rs. 1 crore for each MFAL agency). the actual releases amounted to Rs. 236·79 crores and the amount utilised was Rs. 231·64 crores. This represents a shortfall of as much as 36% against the outlay on these schemes. Pretically all the States/Union Territories failed to utilise the outlay earmarked for them. The performance of four States viz. Assam, Bihar, J & K and Karnataka was noticeably poor. The Ministry have explained that the shortfalls were due to non-materialisation of the expected infrastructural support, backward and forward linkages and constraints of credit which could not be anticipated while drawing up the project Reports. Lack of unified administrative control frequent transfers, inadequacy of staff, lack of orientation of the Government officials were some of the other specific shortcomings which hampered the proper implementation of the programme.

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2.	2·29	Min. of Rural Development/ Planning Commission/ Min.of Finance	In their 90th Report on Food for Work Programme the Committee have drawn attention to the imperative need to strengthen the administrative infrastructure at the block and district levels and to ensure that the staff entrusted with the responsibility of executing such innovative programmes are adequately trained and oriented for the responsibilities to be shouldered by them.
3.	2·30	Do.	The Committee find that the emphasis so far has been more on achieving the financial targets rather than on streamlining the administrative infrastructure, reorienting the attitude of both the administrative and banking institutions and drawing up viable schemes based on the felt needs of the rural poor. The result has been that the lot of the rural poor has hardly improved.
4.	2·31	Min. of Rural Development/ Finance	The Committee have been informed that with effect from 1 April, 1979 the funding of the SFDA programme is shared with State Governments on 50:50 basis and that the block level planning has been made applicable to SFDAs also. The representative of the Ministry, however, lamented before the Committee that there was still no unified control in the States over the various programmes of rural development. In more than 50% of the States, the SFDA/MFAL agencies (now District Rural Development Agencies) were controlled by departments other than those which controlled the Block Development administration which itself was stated to be in disarray after the discontinuance of the schematic budget at the end of the Third Five Year Plan. It has now been decided by the Central Government to provide matching assistance for strengthening the block machinery.
5.	2·32 & 2·33	Do.	The Committee regret to observe that it has not so far been possible to provide an integrated structure from the blocks to the State level for implementation of the various rural development schemes launched by the Central and State Governments. The Committee need hardly emphasise that a vertically integrated administrative structure alone can ensure speedy and effective implementation of such innovative schemes, keep the staff costs within limits and facilitate monitoring. As the States are now required to provide finances for the programme on a sharing basis, the Committee expect that effective steps would be taken without delay to reorganise the administrative set up at the Districts/block level so as to achieve the stated objectives.

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6.	2·34	Min. of Rural Dev./Finance/ Planning Commission.	The total institutional finance for the SFDA/MFAL agencies by the cooperative sector and the commercial sector was of the order of Rs. 200 crores in 1980-81 and is expected to reach a level of Rs. 300 crores in 1981-82. The Committee find that the assistance rendered amounts to only Rs. 600 to Rs. 700 per beneficiary which is totally inadequate. It has been recognised that a family must be given at least Rs. 4000-5000 by way of subsidy and loan amount to enable it to rise above the poverty line. Considering the performance so far, the Sixth Plan target of Rs. 3000/- crores (i.e. Rs. 600 crores per annum) would therefore appear to be very difficult to achieve unless a massive effort is made without delay to clear the bottlenecks impeding the flow of institutional financies to the rural sector.
7.	2·35	Do.	The Committee note with deep concern that in the matter of providing institutional credit, the agricultural labour have had a very raw deal so far. Their share in the total loans advanced till 1973-74 was only about 1%. Latest figures in this regard have not been made available to the Committee. The Secretary, Ministry of Rural Development, however, admitted that 'hardly anything has been done for agricultural labour'. The Committee would urge that earnest efforts should be made hereafter to rectify this situation. The Committee would like to be apprised of the specific steps taken in this regard.
8.	2·36	Do.	The Committee were assured during evidence that there was no shortage of bank finance. However, certain problems which needed to be tackled were: (i) lack of viable schemes which would ensure that the beneficiaries really benefit from such schemes; (ii) reorientation of the attitude of the financial institutions in the matter of helping the rural poor and (iii) need for changing the concept of credit worthiness. It was stated that a Committee set up to review the credit arrangements for the IRDP programme under the Chairmanship of Member Secretary of the Planning Commission has already identified the problems and necessary instructions are being issued to the banks. The Committee expect that concerted steps would now be taken for effective implementation of the measures proposed by the above Committee.

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9.	2·37	Min. of Rural Dev./Finance/ Planning Commission	The Committee are inclined to agree with the suggestion made by the representative of the Planning Commission that performance of the bank managers should be evaluated not with reference to total lending but with reference to the number of poor people of weaker sections to whom loans have been given. The Committee attach great importance to the need for giving proper orientation to the commercial staff in the rural branches of the banks towards the problems of the weaker sections. The Committee trust that the training institutions for bank staff would address themselves to this task in all earnestness.
10.	2·38	Do.	The Committee regret to observe in this connection that inspite of clear instructions given by Reserve Bank of India that no security should be insisted for loans upto Rs. 5000, the Banks continued to insist on security with the result that it has not been possible to make full use of the subsidy amount being made available by Government for uplift of the rural poor—the subsidy being linked to the grant of loans by Banks in the first instance. The shortfall in utilisation of the total subsidy amount earmarked by Government for this purpose has been attributed mainly to the non-availability of loans from banks for this purpose. When this fact was brought to the notice of the Committee, they decided to summon and examine the representatives of various lead banks. The representatives assured the Committee that the instructions issued by the Reserve Bank of India in this behalf would be scruplously followed and every effort would be made to advance loans to the weaker sections of society under these schemes so that they may not be deprived of the subsidy amount which is linked with the availability of bank loan. The Committee trust that this assurance given to them would be fulfilled.
11.	2·39	Min. of Finance	So far as the question of changing the concept of credit -worthiness is concerned, the Committee find that a high level Committee (Sivaraman Committee) appointed by the Reserve Bank of India (RBI) 1½ years ago recommended that credit should not be given with reference to the credit-worthiness of individuals but with reference to the viability of the projects proposed for those individuals' The Committee expect that RBI would now take necessary steps to ensure that this concept is translated into practice in the field in letter and spirit.

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12.	2·40	Min. of Rural Dev./Finance/ Planning Commission.	The Committee consider that there is an imperative need for setting up a suitable machinery at the district level to bring about close coordination between the banking institutions and the development agencies, to undertake periodical reviews and sort out the various problems. The development agencies on their part must get closer to the people and draw up viable schemes and provide necessary supporting services to enable the borrowers to make use of the assets made available to them. The Committee regret to observe in this connection that the State Level Coordination Committees as well as District Level Coordination have not been functioning actively. The Committee would, therefore, like to impress upon the Ministry the need for remedying this situation without delay. The Committee can only sound a word of caution that the poor masses would not wait indefinitely for Government agencies to wake up and become responsive to their needs. It is time that the discontent in the countryside is taken serious note of.
13.	2·47	Do.	The Committee are concerned to note that an Accounts Cell was set up in the Ministry of as late as in 1976-77 *i.e.* six years after the programme was launched, to watch utilisation of the grants by various agencies. Till then the sanctioning authority had no means of verifying whether all the accounts had been audited and utilisation certificates furnished. The Committee have been assured that the maintenance of records at the Ministry's level has since been streamlined and regular watch is now kept on the receipt of audit Reports and utilisation certificates. It is proposed to strengthen the Accounts Cell to pursue more vigorously the points emerging from the audit Report. It is unfortunate that this important work was allowed to suffer so long under a false sense of economy.
14.	2·48	Min. of Rural Dev.	The Committee find that as in November, 1980, utilisation certificates in respect of an expenditure of over Rs. 23 crores out of grants amounting to Rs. 113·10 crores sanctioned during 1976-77, 1977-78 and 1978-79 were awaited. A test check in audit further revealed that in 21 agencies advances amounting to Rs. 4·25 crores had been reported as utilised without ensuring their actual utilisation. It is obvious that despite all instructions, it has not been possible for the Ministry to secure compliance with the financial rules of Government. The Committee consider this

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			situation to be highly unsatisfactory and would like the Ministry to ensure that further Central assistance is withheld till utilisation certificates are received from the State Governments in respect of grants already disbursed. The practice of booking advances as expenditure in the Account books must be stopped forthwith and necessary instructions in this regard should be issued to all the concerned State Governments/Union Territories.
15.	2·57 2·58	Min. of Rural Dev./Finance	The Audit report has further revealed that huge amounts of subsidy advanced to Cooperatives/Commercial banks by the Agencies to encourage and advance loans liberally to the beneficiaries, remained unadjusted for long periods, and in some cases for years together without earning any interest. The Committee find that it was as late as in December, 1980 that the agencies were advised to open Savings Banks Account with the principal district branches of the bank with authorisation to the bank to debit the subsidy due against this account under intimation to the agency, so as to obviate the need for releasing subsidy in advance to the banks. The practice hitherto had been that the amounts were credited to a nominal account and as such no interest was payable. The Committee were informed in evidence that the Reserve Bank of India have taken the view that Savings banks account should be allowed for individuals only and not for any corporate entities like the SFDAs which were in the nature of business organisations. The Committee are really surprised to note that the activities undertaken by the SFDAs should be deemed to be treated as business. While the Committee do concede that the amounts should be adjusted as quickly as possible and the banks should not normally hold on to this subsidy amount beyond the prescribed period of three months, there is no reason why the agencies should not have been given the benefit of interest on such accounts. It is unfortunate that a decision in the matter was unduly delayed.
16.	2·67	Planning Commission/Min. of Rural Dev.	The Committee find the Programme Evaluation Organisation of the Planning Commission carried out an evaluation study of the SFDA/MFAL programme during 1974-75. The study covered 21 SFDAs and 13 MFALs in 17 States. The publication of the report was, however, delayed by nearly five years and the same became available only in February, 1979. About 2 years' delay was caused in computerising the tables. Another 2 years were lost in getting the approval of the Planning Commission. The Committee consider it very unfortunate that there was an inordinate

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			time-lag between the collection of data from the field and in preparation and finalisation of the Evaluation Report. Obviously much of the data which was based on experiences gained of the working of the programme during the first few years would not reflect the latest trends and more so, deprive the Administration of taking necessary rectificatory steps in time. The Committee consider that for such studies to be really beneficial it is necessary that the requisite preparatory work is planned sufficiently in advance so that the time-lag in making the findings available to the planners is reduced to the barest minimum.
17.	2·68	Planning Commission/Min. of Rural Dev.	The Committee understand that the findings of the Evaluation Report were circulated by the Ministry of Rural Development to the State Governments in August, 1979 for necessary action. So far, comments from only 17 States/Union Territories have been received. The Committee would like the matter to be pursued actively with the State Governments/Union Territories which have not yet indicated the remedial action taken in pursuance of the findings of the evaluation study. It must be impressed upon the State Governments that the deficiencies pointed out in the evaluation report of the Planning Commission as well as in the other evaluation studies carried out by different agencies in different States must be followed up earnestly and responsibility fixed for the lapses, if any.
18.	2·69	Do.	As stated earlier, the SFDA programme was replaced by the Integrated Rural Development programme which was launched in October, 1980. The Committee consider that it would be in the fitness of things if a comprehensive evaluation of the working of the SFDA programme during 10 years of its existence is undertaken so as to facilitate the proper implementation of the present programme.
19.	2·70	Do.	The Committee understand that in order to involve the State Governments in monitoring, a Monitoring Cell consisting of one economist/statistician and two Joint Directors has been sanctioned for the State HQrs to be funded out of the IRD funds. The Committee have elsewhere in this Report emphasised the need for activising the State Level Coordination Committees. The Committee trust that the monitoring cells at the State HQrs would function as the eyes and ears of these Committees and provide them the necessary feedback for ensuring effective implementation of the programme.

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20.	3·10	Min. of Rural Dev.	The Committee find that as against a target of 101·44 lakh beneficiaries to be identified upto 31 March, 1980; the total number of beneficiaries actually identified was 79·66 lakhs. The shortfall of over 20 per cent is stated to be due to factors like lack of adequate supporting infrastructure, credit constraints etc. Some of the States/Union Territories where the performance was not satisfactory are Andhra Pradesh, Assam, Gujarat, J & K, Karnataka, Maharashtra, Manipur, Meghalaya, Punjab, Nagaland, Sikkim, Delhi and Pondicherry. However, a few States viz. Himachal Pradesh, Orissa, Tamilnadu, Tripura, U. P. and West Bengal exceeded the prescribed targets.
21.	3·11 & 3·12	Min. of Rural Dev./Planning Commission	Audit have point out that the work of identification of participants was not taken up by the agencies as a first task before taking up the programme for execution. Several agencies did not maintain up-to-date and proper records of participants/beneficiaries; lists prepared by block officers were not test checked by the Agencies as to their correctness and that these lists were incomplete in respect of 15 Agencies. Cases of ineligible persons having been provided with benefits also came to notice. In several cases benefits in excess of prescribed rates of subsidy were extended to the participants. The Evaluation Report of the Programme Evaluation Organisation of the Planning Commission has also confirmed that the progress of identification was slow in most of the areas and there was provision of benefits to wrong persons to the extent of about 9 per cent. The Committee have been informed that the State Governments/Union Territories have been asked to review all cases of wrong identification brought out in the report of the Programme Evaluation Organisation and to fix responsibility.
22.	3·13	Do.	The Committee would like to point out that the Report of the Programme Evaluation Organisation covered only the first two years of the operation of the scheme and as such it does not give an up-to-date picture. The lacunae pointed out by Audit are also based on a test check only. The Committee therefore recommend that the Ministry of Rural Development should impress upon the State Governments/Union Territory administrations the need to ascertain precisely the nature and extent of the deficiencies, Agency-wise, with a view to taking remedial measures. The committee would like the Ministry to report to them the results of such measures within six months.

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23.	3·14	Min. of Rural Dev./Planning Commission	The Committee would also like to draw attention to the observations made by the Programme Evaluation Organisation in the evaluation report that lack of precision in the definition of target groups and absence of proper instructions from higher authorities led to the use of varying norms for identification. Consequently, bigger farmers also availed of the benefits under the SFDA programme by partitioning their holdings among the family members. The Committee expect that suitable steps would be taken by the State Governments/executive agencies concerned to ensure that benefits under the scheme are extended only to the eligible persons and that the guidelines in this regard are strictly followed.
24.	3·15	Do.	Another serious omission pointed out in the Evaluation Report is that very little attention was paid to the identification of agricultural labourers. The Committee would urge the Ministry of Rural Development to obtain special reports regarding the remedial measures since taken by the State Governments/Union Territories to rectify this omission and intimate to the Committee the progress made in this regard within six months.
25.	3·16	Do.	The Evaluation Study has also shown that inspite of clear instructions, multiple benefits were availed of by some of the participants. The Committee desire that the lists of identified participants should be completed without delay and thoroughly screened with a view to eliminating persons who are not eligible for availing the benefits under the programme. These should also be inspected periodically with a view to ensuring that such situations are avoided.
26.	3·41	Min. of Rural Dev.	The Committee find that there was a wide gap between the targets and achievements in several agencies whose accounts were test checked by audit. The table given in para 3·17 shows that the performance in 12 sectors was short of the targets by as much as 47%. 19 schemes in as many agencies failed due to defective planning/improper implementation and were abandoned, resulting in infructuous expenditure of nearly Rs. 42 lakhs.
27.	3·42	Do.	In the agricultural sector, over payments to the tune of nearly Rs. 30 lakhs were made in six cases due to excess assistance having been provided without specific sanction of Government. In 19 agencies, Rs. 65·64

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			lakhs were spent on demonstrations but no details were maintained regarding the identity of participants or the crops grown, yield per acre etc. The agencies also failed to take follow-up action. Similarly, in respect of the schemes of dairy farming, poultry development and other subsidiary occupations, it was found that several agencies did not exercise proper care in selecting the beneficiaries. In fact, most of the agencies failed to grasp the impart of guidelines in regard to such programmes. The necessary extension services and supporting facilities were also not forthcoming. As many as ten instances have been cited in the Audit Report in which subsidy of about Rs. 55·59 lakhs had been given for implementation of different schemes of animal husbandry and poultry farming but the schemes either could not materialise or failed to yield desired results. The poultry farming schemes in particular failed in most of the agencies because of non-availability of good quality feed, medical check up, inadequate training etc. The Evaluation Study has also *inter alia* pointed out that in a number of project areas, proper care was not exercised to ensure that only identified agricultural labourers and marginal farmers were employed in rural works programme. Therefore, it is doubtful whether whatever employment was generated, actually went to the target groups.
28.	3·43	Min. of Rural Dev.	The Evaluation Report has further pointed out that cases of misutilisation of input loans were detected in most of the projects. Lack of follow-up and non-availability of inputs at the required time were responsible for this situation.
29.	3·44	Do.	The Committee find that pursuant to their decision to examine the working of the SFDA scheme, the Ministry of Rural Development issued a circular to all the State Governments requesting them to prepare a detailed brief covering all the points mentioned in the Audit Report by convening a meeting of the agencies concerned so that a final view could be taken on the various deficiencies brought out therein. It was also emphasised that it was not only necessary to recover the excess payment from the parties concerned but also to fix responsibility for the various acts of omission and commission resulting in irregularities/excess payment by the agencies.

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30.	3·45	Min. of Rural Dev.	The Committee consider that many of the deficiencies in the implementation of the programme could have been rectified had the States been vigilant enough in monitoring their progress. The evaluation study of the Planning Commission has clearly brought out that the coordination and review committees at the State level had not been active in most of the States and had failed to provide guidance or support to the agencies. The State level Cells which were expected to exercise general supervision and ensure coordination of activities of various departments have also generally not been able to discharge their functions. The Committee have elsewhere in this Report emphasised the need for activising these Committees so as to strengthen the monitoring system.
31.	3·46	Min. of Rural Dev./Planning Commission	The Committee would like the Ministry to undertake a comprehensive review of the working of the SFDA Programme in the light of the detailed comments received from the State Governments and ensure that prompt and effective steps are taken to fix responsibility for the various lapses and also to recover the excess payments made by the Agencies. The Committees trust that the State Governments who are now required to provide matching funds for the new Integrated Rural Development Programme would ensure that the nation's money is well spent on ameliorating the conditions of the rural poor and the shortcomings noticed over the years are rectified without loss of time.

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