

EVALUATION STUDY OF SERUY AND SEPUP SCHEMES

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GOKHALE INSTITUTE OF POLITICS AND ECONOMICS

POONA 411 004

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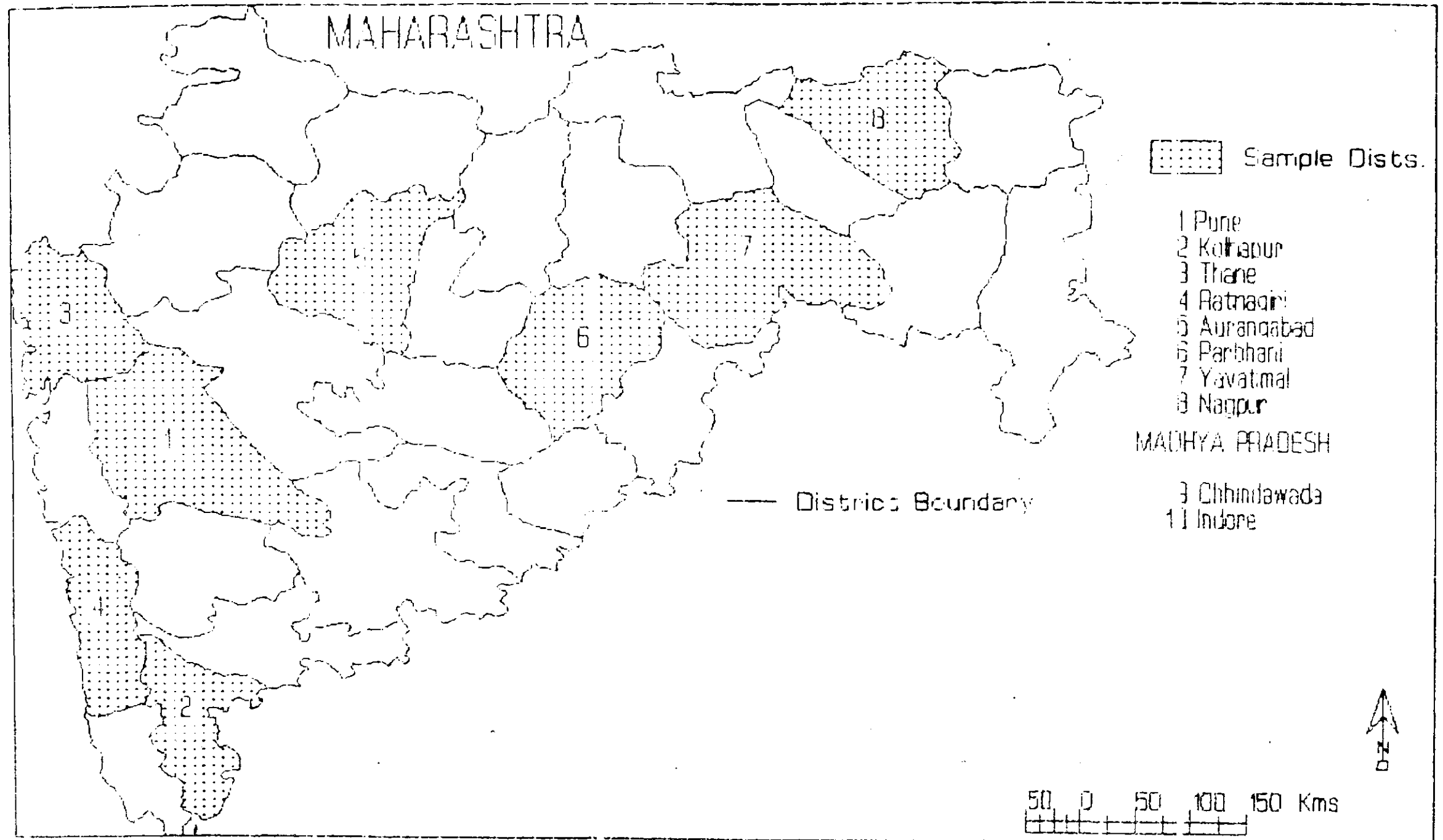
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## 1. INTRODUCTION

India's strategy for quite some time was to focus on economic growth without specifically considering the manner in which the benefits of growth are to be distributed. The assumption has been that the increased growth would automatically lead to reduction in poverty. This did not happen. In spite of the economic growth achieved at the national level during the first three five year plans, the conditions of the poor did not improve much. Despite the green revolution, the rural poor remained poor and their number grew. It was realized that the direct attack on poverty needs to be launched and special programmes for target groups and area development were introduced. During the Fourth and Fifth Five Year Plans, various programmes like 'Small Farmers Development Agency' (SFDA), 'Marginal Farmers and Agricultural Labourers Development Agency' (MFALA) were introduced. Similarly other special programmes were introduced for the development of backward and disadvantaged areas like Drought Prone Areas, Desert Areas, Hill Areas, Tribal Areas, etc., with a view to removing disparities. In order to supplement the benefit of these special programmes and to increase the employment opportunities for the weaker section, 'Food for work' programme was started.

Subsequently need for comprehensive programme for rural poverty alleviation was indicated and the Integrated Rural Development Programme was introduced. Simultaneously the National Rural Employment Programme (NREMP), Rural Labour Employment Guarantee Programme (RLEGP) were also introduced.

A large scale unemployment among educated youth in the country also became a matter of concern and a programme called 'Scheme for

Providing Self Employment to Educated Unemployed Youth (SEEUY) was started during the year 1983-84. Subsequently, since earlier poverty alleviation programmes were mainly introduced for rural poor, a need for direct attack on urban poverty was felt. This led to the introduction of the programme called Self Employment Programme for Urban Poor (SEPOP) during the year 1986-87.

### Objectives Of The Study

The Bank of Maharashtra is concerned with the performance of the above schemes and also about low recovery in the SEEUY and SEPOP programmes and therefore wanted to conduct an evaluation study of these two programmes. The present study was undertaken at the request of the Bank of Maharashtra.

For the evaluation of these two programmes, the following objectives were set :-

- (1) To assess the general performance of the scheme.
- (2) To assess the recovery performance of the beneficiaries of the scheme.
- (3) To identify the problems, if any, and to suggest remedial measures.

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## II. METHODOLOGY

The study was planned to include the following three components :-

- (i) A questionnaire to be filled in for each of the sample beneficiary.
- (ii) Two proformae to be filled in by the sample of bank branch giving information regarding the sample beneficiary's account including the repayment data.
- (iii) Discussions with the bank officers and the officers of the concerned government departments.

In order to achieve this the first step was to prepare a sampling plan. It was learnt that as far as the Bank of Maharashtra is concerned, almost 80 percent beneficiaries in both the schemes are in Maharashtra. The share of the other states is meagre. Among the rest of the states, the Madhya Pradesh has the highest number of beneficiaries of the order of 8 to 10 percent. Taking this into consideration, it was decided to restrict the study to Maharashtra and Madhya Pradesh only.

### Selection Of Districts

For proper geographical representation, it was decided to cover two districts in each of the four regions of Maharashtra namely, western Maharashtra, Konkan, Marathwada and Vidarbha. From Madhya Pradesh, it was decided to cover two districts. Initial plan was to take up one branch from each of the sample district for the study but subsequently it was decided to take two branches from each district. However, actually more than two branches were covered in certain districts in order to get adequate sample.

While selecting the districts it was considered that developed and backward regions should be covered; at the same time since SEPUP

coverage in and around cities like Pune, Nagpur and Aurangabad is sizeable, these districts were included in the sample. The following eight districts were thus selected from Maharashtra: Pune, Kholapur, Thane, Ratnagiri, Aurangabad, Parbhani, Nagpur and Yavatmal. Indore and Chhindawada were selected from Madhya Pradesh.

### Selection Of Branches

The Regional Managers were requested to select two branches for this study from each of the district in such a way that,

- (i) One of the branches should be in the vicinity of the district town or in district town and another should be in semi-urban area.
- (ii) There should be sufficient number of beneficiaries under these schemes.
- (iii) There should be a wide coverage of activities. Where more than two branches were suggested by Regional Manager, we have covered all of them. In addition in certain districts we had taken more than two branches in order to get adequate sample.

### Selection Of Beneficiaries

Taking into consideration the fact that the number of cases sanctioned was almost double under SEPUP than under SEUY, it was decided to cover 80 cases of SEPUP and 40 cases of SEUY in each of the sample districts.

The sample size at the branch level was allotted in proportion to the total number of cases in the branches selected in a district. In certain districts, the sample size was only approximately proportionately allotted since the requisite information was not available in advance from the selected branches and the field work was to be carried

out as fast as possible.

At the branch level the sampling of borrowers was done by using systematic sampling method. All the beneficiaries to whom the loan was disbursed under each scheme since its inception were listed and the sample was drawn from these lists separately for SEFOY and SEPOP. The lists were made right from the inception of the schemes so that all types of borrowers, such as having working business, having changed the activity, having closed the activity and also those who have not started the activity could appear in the sample. Those who have repaid the loan fully and the accounts were closed could also be studied in this framework. Thus, procedure laid down was helpful to cover all types of cases. The randomness involved in the systematic sampling method was also useful in covering the variety of activities.

### III. SALIENT FEATURES OF SEEUY SCHEME

The scheme for providing Self-Employment to Educated Unemployed Youth (SEEUY) was announced on 15th August 1983. The Government of India in consultation with the Reserve Bank of India has formulated the scheme. The salient features of the scheme as amended in July 1986 are as under.

#### Objective

To encourage educated unemployed youth to undertake self-employment ventures in industry, service and business through the provision of a package of assistance.

#### Target Group

The scheme covers all educated unemployed youth who are matriculates or ITI and above, within the age group of 18 to 35 years. Women and Technically trained persons are given due weightage/consideration. It is meant for such educated youth who are not able to raise/muster their own capital. An annual family income of Rs. 7200 was fixed as ceiling income for eligibility initially and since 1986-87, ceiling income level is fixed at Rs. 10,000/- per annum per family as a criteria for eligibility under this scheme.

#### Size of the Target

The scheme aims at providing self-employment to about 2,00,000 educated unemployed youth through industry, service and business routes in each year.

### Coverage

It is extended to all areas of the country except cities with more than one million population as per 1981 census.

### Reservation

From 1986-87, minimum 30% of total sanctions has been reserved for SC/ST persons.

It is further stipulated that proportions of industrial ventures to be sanctioned out of total targets set for each state shall not be less than 50% and that for business ventures shall not be more than 30% of the cases sanctioned. This is relaxed in respect of some hilly states.

### Nodal Agency

District Industries Centers are assigned operational responsibility of the scheme at district level over and above their normal activity. The small Industries Service Institute (SISI) is to assist District Industries centre in carrying out surveys, assessment of potentials and preparation of projects. District Industries Centre in consultation with Lead Bank of respective area would function as Nodal Agency for formulation of self-employment plans, their implementation and monitoring under overall guidance of State Government. District Industries Centre will formulate location specific plans of action which would be based on realistic demand assessment for various services and projects and the number of entrepreneurs.

### Implementation

District Industries Centre is to select beneficiaries, identify specific activities and the support system required by beneficiaries.

to escort services, to maintain close liason with banks and other local agencies.

### Task Force

At the district level, there will be Task Force consisting of General Manager DIC as its Chairman, Credit Manager DIC, representative each from Lead Bank, SISI, District Employment Officer and two representatives of other major banks operating in the district.

DIC Task Force will be responsible for,

- (1) Motivating and selecting the entrepreneurs.
- (2) Identifying and preparing schemes in trade, service establishments and cottage and small industries.
- (3) Determining the avocation/activity for each of the entrepreneurs.
- (4) Recommending loans for entrepreneurs.
- (5) Getting speedy clearance as necessary from concerned authorities.

Adequate publicity will be given by District Industries Centre and applications invited directly.

### FINANCE

#### (a) Composite Loans From Banks

After identification of benefication and subject to their projects being found feasible/viable by the Task Force of District Industries Centre, banks would provide to each entrepreneur a composite loan. Initially the amount of composit loan was Rs. 25000. Here this working capital portion was tobe workedout sep-erately and it was expected to convert this portion into Cash Credit/ overdraft facility. And the repayment schedule was tobe worked out for the term loan amount. However generally it is

observed that this procedure was not followed by the bank.

The Government of India, while continuing the scheme for 86-87, has modified the ceiling amount of composite loan for different sectors as follows :

1) Rs. 35000/- for Industrial venture 2) Rs. 25000/- for Service venture 3) Rs. 15000/- for Business ventures.

The beneficiaries are not required to bring their margin money amount since the banks are to finance 100% loan to the beneficiary. Banks would not require collateral guarantee or owner's contribution as margin.

(b) Government Assistance

Government will provide assistance in the shape of an outright capital subsidy to the extent of 25% of loan contracted by entrepreneurs from the banks. The subsidy will be released to the banks after disbursement of loan. The subsidy portion will be kept as a fixed deposit and will be held by banks under the name of the borrower and would earn interest applicable to the relevant term of maturity.

Total financial requirement of the project will be given by banks in the form of a composite loan (Term loan + working capital). Three-fourth of the loan amount due is to be recovered and balance 1/4 th will be adjusted by banks against the deposit in the name of the borrower. Assets created by bank loan will be mortgaged to the banks till full repayment of the loan.

(c) Rate Of Interest

The rate of interest on the composite loan would be 10% per annum in the backward areas and 12% per annum in other areas.

(d) Repayment

Repayment will be in installments beginning after an initial moratorium between 6 months to 18 months. Repayment would spread over 3-7 years depending upon nature and profitability of the activity.

(e) Recovery

Recovery of the loan will be the responsibility of concerned bank. Branch Managers are given flexibility in dealing with cases of default. In case of bonafied default, rescheduling is to be prepared.

(f) Training

Many of the educated unemployed may have some basic knowledge about financial management, accounting and inventory management. Some training will be necessary for industry sector. DIC and SISI are to coordinate all training courses wherever necessary.

(g) Other Inputs

For beneficiary under prefer industrial sector preference is to be given by State Government in allotting suitable sheds etc. For trade and services, sites may have to be preferentially organized from state and municipal authorities.

(h) Monitoring

DIC will monitor implementation of the scheme at district level for each sector of entrepreneurs.

Monthly progress report by DIC will be given to Development Commissioner, Small Scale Industries. Monthly progress report will be reviewed by District Advisory Committee of which collector is



the Chairman. The problems faced would be sorted out by the Committee.

#### IV. SALIENT FEATURES OF SEPUP SCHEME

Government of India in consultation with Reserve Bank of India formulated a programme for providing Self-Employment to the Urban poor living in Metropolitan/Urban and semi urban centres. The programme was implemented from 15th August 1986. The objective of the programme is to enable identified, eligible families, living below subsistence level in above mentioned areas, to undertake self employment ventures with the help of subsidy and bank credit.

The salient features of the programmes are as under :-

1. The programme is to be implemented through selected branches of public sector banks at centres with population exceeding 10,000 as per 1981 census.
2. Initially one beneficiary for every five hundred population (1981 census) from the city or town in the above category was to be assisted. This norm was subsequently changed into one out of every 300 population (1981 census).
3. The beneficiary should be a permanent resident of the city or town and should have lived therein continuously for at least three years immediately prior to the date of application. His/her name should appear in the ration card issued to him/her or to the family of which he/she is a member. He/she should have aptitude and experience for undertaking the activity.
4. The income of family should not exceed Rs. 600/- p.m.
5. The applicant should not be a borrower in respect of any loan from any bank/credit institution for the purpose of undertaking a vocation under any scheme.
6. Assistance upto Rs. 5000/- depending on unit cost will be admis-

sible to an eligible beneficiary under the scheme.

7. Loans under the scheme will carry interest at 10% per annum. Interest to be charged half yearly.
8. The loan is to repaid in 33 equal monthly installments after a grace period of three months to be provided in all cases.
9. The borrower is eligible for subsidy computed at 25% of the amount of assistance given to him/her. The amount of subsidy is to be kept as deposit in the name of the borrower with the bank and will be adjusted against the loan after 75% of loan is repaid by the borrower. Interest on subsidy deposit is to be paid at the rate of interest applicable to the relevant term of maturity according to the directives issued by RBI.
10. Neither owner's contribution as margin money or any collateral security/guarantee is to be given by the borrower for the loan. The security for the bank will be the assets created out of assistance provided.
11. The beneficiaries and branches are to be selected by a Committee of bankers to be constituted in each city or town by the Lead Bank of the concerned district.
12. The applications under the scheme will be received by the Convenor bank and placed before Banker's Committee for processing and allotment to selected branches. No further scrutiny is carried out at branch level.
13. The financing branch will issue to each borrower the loan pass-book indicating his/her name, amount of loan and other details including subsidy amount, etc.

The progress of the scheme will be monitored and supervised by the Banker's Committee at each centre. During the implementation of the

scheme, the Government decided that under SEPUP, the share of SC/ST beneficiaries would be 30%, both in physical and financial targets. This norm was made applicable since 1987-88. If, however, the target for SC/ST beneficiaries could not be achieved for want of sufficient number of applications or for any other reason, the branches should not sanction applications received from other than SC/ST candidates against the target allocated for SC/ST beneficiaries. In other words, the share of general category of beneficiaries should not exceed 70% of the target as well as 70% of the amount sanctioned.

Similarly, while calculating the income of the family to ascertain eligibility of the applicant, the income earned by the children was taken into account. But subsequently Government advised to exclude the income of children below the age 14 years in arriving at the total income of the family for the purpose of eligibility of the applicant for assistance under SEPUP.

## CHAPTER V

### SURVEY RESULTS: SEEUY

The survey results based on the questionnaires filled in for the sample beneficiaries of the SEEUY scheme are presented in this chapter. As explained in the methodology, a sample of 40 beneficiaries per district was planned. While drawing the sample in the field due to shortage of time, it was not possible to collect the full lists of the beneficiaries from all sample branches in the district and fix the sample fraction. On the basis of rough estimates about the number of beneficiaries, the sample size of each branch was determined and the teams started working in the sample branches. In the process the sample size in certain districts is not exactly 40 and the sampling fraction in a district over the branches was not exactly the same. The Table 1 gives the sample size in each of the 10 sample districts.

#### BENEFICIARIES CONTACTED

During our discussions with the bank officers at the early stage of our survey, we developed a feeling that from among sample beneficiaries many would not be available and quite a few would be found absconding. We felt that about 30-35 percent beneficiaries in the sample may not be available for contact. It was a pleasant surprise to us that we could meet as many as 80 percent of them. To be precise the percentage of was 79.10 for SEEUY sample.

Table 1:

Districtwise number of beneficiaries in the sample (SEEUY)

District	Total Sample	Contacts could be made	Contacts could not be made
1. Pune	40	40	00
2. Kolhapur	40	35	05
3. Thane	37	27	10
4. Ratnagiri	41	34	07
5. Aurangabad	40	30	10
6. Parbhani	40	31	09
7. Yavatmal	40	30	10
8. Nagpur	42	32	10
9. Chhindwara	44	32	12
10. Indore	41	27	14
Total	405	318	87

*visit*

The investigators had made 2-3 trips, if necessary in order to meet the beneficiaries, though these trips were during short stay of the team in each district. The reasons for non-availability were noted down in each case. Among the non-available beneficiaries a large number has migrated to other places, only about 8 percent of the sample beneficiaries appeared to have absconded. Among those whom we could not meet, 20 percent borrowers had repaid their loans and their accounts were closed. We will come to the detailed discussion of these non-available cases at the end of this chapter. What follows now is based on the information collected through the questionnaires of the beneficiaries who could be contacted.

8 SOME BASIC CHARACTERISTICS OF THE SAMPLE

1. Rural/Urban

There were 97 beneficiaries or 30.50 percent from rural areas and 221 or 69.50 percent from urban areas.

2. Male/female

There were 34 women beneficiaries contacted by us and the remaining 284 were males.

3. Caste groups

The distribution of beneficiaries according to caste groups is given in Table 2. SC/ST and minorities together form 37.36 percent and the rest were 72.64 percent.

24.36

Table 2: Caste Groups

Caste Group	No. of beneficiaries	Percentage
1. SC	23	7.23
2. ST	11	3.46
3. Minority	53	16.67
4. Others	231	72.64
Total	318	100.00

4. Physically handicapped

Among the contacted beneficiaries 5 were physically handicapped.

5. Age of the beneficiaries

Table No.3 gives the age-wise distribution of the beneficiaries. The SEUY Scheme stipulated that the beneficiaries should be of age of 18 to 35 years. In the sample there were only two cases exceeding the limit of 35, one was 56 year old and the other 39 year old. A large number (62%) of them were 25 year old or younger. So it can be said that the "youth" concept was followed in its spirit.

Table No.3: Age-wise distribution

Age group (years)	No. of beneficiaries	Percentage
18 to 25	197	61.95
26 to 30	76	23.90
31 to 35	43	13.52
Above 35	2	0.63
<b>Total</b>	<b>318</b>	<b>100.00</b>

6. Education, professional skill and experience

Since this is a scheme of educated unemployed youth, the educational level is the most important characteristic. The youth has to have at least SSC level education to become eligible for the SEEUY scheme. All beneficiaries were found to have satisfied education a criteria of eligibility as per our survey. The educational status is tabulated in Table 4.

Table 4 : Educational Status

Educational Level	No.	Percentage
S.S.C./H.S.C.	179	56.29
Degree holder and above	82	25.79
Diploma holders	16	5.03
I.T.I.Trained	18	5.66
Other technical training	23	7.23
<b>Total</b>	<b>318</b>	<b>100.00</b>

The share of the technically trained persons was only 17.92 percent. There were as many as 25.79 percent borrowers who were holding a degree or higher qualification and a large number of borrowers (56.25 percent) were with S.S.C/H.S.C. qualification.



Only 92 beneficiaries (28.93 percent ) had traditional skill for the concerned activity.

As many as 256 (80.50 percent) beneficiaries had previous technical/professional experience.

#### 7. Land Ownership

It was felt desirable to have an information on land ownership as this is an important variable to understand the economic status of the borrowers. The data was collected on this for the family as a whole. It was found that 97 borrowers, that is. about 31 percent owned land with average land holding of 7.5 acres. Among them 53 families had irrigation facilities. The average irrigated holding of these 53 families was 4.82 acres.

#### 8. Family Size

Distribution of sample beneficiaries according to the size of their families is given in Table 5. The usual census definition of family was used for collecting the land ownership data, for recording family size, etc.

Table 5 : Family Size

Size Group	No.	Percentage
1	3	0.94
2	11	3.46
3	27	8.49
4	50	15.73
5	37	11.64
6	45	14.15
7	28	8.81
8	28	8.81
9	27	8.49
10	15	4.72
11-15	37	11.63
16 and above	10	4.13
Total	318	100.00

9. Migrated families or local

A question was asked whether the family was local or migrated to the present place of work. It was found that 76 percent beneficiaries were local. Some families reported migration more than 40 years ago. They were classified as local for the present purpose. The distribution according to years of migration is given in Table 6.

Table 6: Years of migration

Years	No.	Percentage
Local	242	76.10
1-5	10	3.14
6-10	17	5.35
11-15	7	2.20
16-20	10	3.14
21-30	20	6.28
31-40	12	3.79
Total	318	100.00

DETAILS REGARDING VENTURES/ACTIVITIES

We now turn our attention to the ventures for which the beneficiaries have availed the loan. In this section we shall take up the points such as purpose of loan or type of activity for which the loan was taken, process of selection of activity, etc.

1. Activities for which the loan was taken

The sample consisted of 22.33 percent beneficiaries who borrowed for industry, 45.60 percent for service sector and 32.07 percent for business.

Table 7: Sectorwise distribution

Sector	No.	Percentage
Industry	71	22.33
Services	145	45.60
Business	102	32.07
Total	318	100.00

The ventures in industrial sector are much less than stipulated 50 percent in the scheme even allowing for sampling errors. A wide variety of activities were undertaken in these three sectors. A detailed activity-break up is given in Table 8.

Table 8: Activities for which the loan was borrowed

ACTIVITIES		
(I) INDUSTRY		
	No.	percentages
1. Cloth garments & related goods.	8	2.52
2. Leather goods.	8	2.52
3. Food products	9	2.83
4. Consumer goods & cosmetics.	3	0.94
5. Pottery,	5	1.58
6. Xerox & Cyclostyle.	1	0.31
7. Furniture & Carpentry.	2	0.63
8. Fabrication & other black smithy.	3	0.94
9. Agricultural implements,	2	0.63
10. workshops	3	0.94
11. Printing Press.	5	1.58
12. Firewood dept.	1	0.31
13. Electric transformers.	1	0.31
14. Other type of electric and mechanical workshop.	3	0.94
15. Poultry/Dairy	6	1.89
16. Goldsmith.	8	2.52
17. Others	3	0.94
Sub-Total	71	22.33

(II) SERVICES

	No.	Percentage
1. Repairing.	23	7.23
2. Hotel/catering.	8	2.52
3. Typing.	11	3.46
4. Crushing Machine.	6	1.89
5. Crane.	1	0.31
6. Cycle shop	22	6.92
7. Hair cutting saloon/ Beauty parlour,	3	0.94
8. Auto Rikshaw.	9	2.83
9. Loud Speakers.& tent house.	4	1.26
10. Dispensary.	13	4.09
11. Pounding Machine.	3	0.94
12. Flour Mill.	7	2.20
13. Tailoring.	11	3.46
14. Furniture wiring.	2	0.63
15. Laundry.	2	0.63
16. Photostudio	2	0.63
17. Others	18	5.66
	-----	-----
Sub-total	145	45.60

(III) BUSINESS

	No.	Percentage
1. Food Products.	3	0.94
2. Stationery Shop.	14	4.41
3. Vegetable Shop.	1	0.31
4. General & Food Grain Stores.	36	11.32
5. Pan Shop	2	0.63
6. Dairy/Poultry.	11	3.46
7. Cloth Shop.	4	1.26
8. Utensils.	1	0.31
9. Others	30	9.43
	-----	-----
Sub-total	102	32.07

2. Sources of information about the scheme

The Table 9 gives the distribution of beneficiaries according to the sources of information. About 32 percent of beneficiaries got the information from relatives, 31 percent from government officers, 11 percent from bank officers, 11 percent through newspapers and the remaining from the other sources.

Table 9: Sources of Information

Source	No.	Percentage
1. Relatives & Friends.	102	32.08
2. Government Officer.	98	30.82
3. Bank Officer.	36	11.32
4. Political Worker	10	3.14
5. Newspaper	36	11.32
6. Everyone around knew about it.	26	8.18
7. Other sources	10	3.14
Total	318	100.00

3. Efforts for processment of loan

The beneficiaries were further asked as to who tried for getting the loan sanctioned under the scheme. The data revealed that 92.14 percent beneficiaries tried themselves for loan. In case of 5.03 percent their friends/relatives helped them, only 2.20 percent beneficiaries obtained through political worker. The information is presented in Table 10.

Table No.10: Help received for getting the loan sanctioned

Source	No.	Percentage
1. Self	293	92.14
2. Friends/relatives.	16	5.03
3. Political worker.	7	2.20
4. Other social worker,	2	0.63
Total	318	100.00

In order to know the extent of the role of middleman, if any, question was asked whether any payment or expenditure was made by the beneficiaries for obtaining the sanction. This was done by taking the beneficiaries in confidence. This referred to the expenditure in addition to the usual procedural expenses they had to incur. Only sixteen beneficiaries reported having incurred such expenditure and their average was Rs.576. Thus, roughly only 5 percent beneficiaries have paid such amounts. The nature of the question is such that this estimate should be taken as the lowest estimate because some of them might have hesitated to tell this. Our guess is that there may be about 10 percent cases in this category under SEEU.

#### FINANCE PROVIDED AND ITS UTILISATION

We present in this section the information regarding the level of finance, its utilisation, additional investment made by the beneficiaries, etc.

Taking all cases together the average loan amount sanctioned was Rs.18152 against the average amount demanded of 24174. Out of the total 319 cases, only 3 beneficiaries did not start the activity. The average investment of the 315 beneficiaries who started their activities was Rs. <sup>22785</sup> ~~(22752)~~. Table 11 presents the data on loan amount demanded and sanctioned and Table 12 presents the data regarding investment mode.

Table 11: Loan amount demanded and sanctioned (Rs.)

Sector	No.	Average amount demanded	Average Amount sanctioned.	Shortfall percent
Industry	71	28542	20747	27
Services	145	23916	18772	22
Business	102	21500	15464	28
Total	318	24174	18152	25

It is observed that on an average amount sanctioned is short of the demand by about 25 percent. Taking into consideration the limits of finance provided in the scheme, the sanction in business sector has been full at the average level though it was short by 28 percent of the amount demanded. In the other two sectors the average demand was lower than the limit amount and the average amount sanctioned was further lower. This indicates that there has been inadequate financing. A number of beneficiaries have also stated "inadequate finance" as one of the problems faced by them.

The data<sup>a</sup> on the investments made by the beneficiaries is presented in Table 12. In all the sectors, the investment has been more than the loan amount sanctioned. On an average the excess investment was of the order of 25 percent.

It may be noted here that three beneficiaries did not make any investment and did not start any activity and beneficiary made some investment but did not start the activity. Thus, the total count in Table 12 is (318-3)-315.



Table 12: Investment mode

Sector	No.	Average Amount Investment			Excess Investment than loan (%)
		Fixed Capital	Working Capital	Total	
Industry	71	15816	12199	28015	35.03
Services	144	17107	4844	21951	16.98
Business	100	6250	14043	20273	31.10
<b>Total</b>	<b>315</b>	<b>13369</b>	<b>9422</b>	<b>22785</b>	<b>25.52</b>

Sources of excess investment

In these cases where the investment has been in excess than the loan amount sanctioned, we have enquired about the sources of such finance. Of the 136 cases who have made substantial additional investment, 102 or 75 percent reported that they have used their own funds, 24 beneficiaries or 17.65 percent\* reported help from the money lenders and the remaining 8 had some other sources.

Table 13: Sources of excess investment

Source	No.	Percentage
1. Self resources	102	75.00
2. Friends/reletatives	24	17.65
3. Money lenders	2	1.47
4. Others	8	5.88
<b>Total</b>	<b>136</b>	<b>100.00</b>

Type of assets purchased

A broad clarification of assets purchased by the beneficiaries is that they have taken help from friends/relatives, 2 or 1.47 percent beneficiaries have taken

presented in Table 14. There were <sup>12.89</sup> 12.39 percent beneficiaries who did not purchase any asset. <sup>\*</sup> 30.50 percent purchased furniture, 11.01 percent purchased instruments, vehicles etc. and the remaining purchased other miscellaneous items for their business.

Table 14: Type of assets purchased:-

Asset	No.	Percentage
1. Asset not purchased.	41	12.89
2. Machinery	104	32.70
3. Furniture	37	30.50
4. Instruments, vehicles etc.	35	11.01
5. Milk Cattle/other animals/ birds.	15	4.72
6. Land/shop	9	2.83
7. Others	17	5.35
Total	318	100.00

Occupation of the beneficiaries before availing the loan.

The information about the occupation of the beneficiaries before availing bank loan was collected. Table 15 gives this data. It is seen that 15.41 percent beneficiaries were engaged in the same activity, 26.42 percent were unemployed, 24.53 percent were studying, <sup>22.33</sup> 22.00 percent were engaged in temporary jobs, 5.35 were participating in family business and 5.96 percent were doing some miscellaneous activity. It can be said that there were about 85 percent new venturers. This is a quite satisfactory performance for the scheme as such.

\* 32.70 percent purchased machinery,

Table 15: Occupation before availing loan.

Occupation	No.	Percentage.
1. Engaged in the same activity .	49	15.41
2. Unemployed	84	26.42
3. Studying	78	24.53
4. Temporary job	71	22.33
5. Participating in family business.	17	5.35
6. Miscellaneous activity	19	5.96
Total	318	100.00

A question regarding who suggested to start new ventures was asked to those entrepreneurs. Out of <sup>269</sup>265 beneficiaries who started new ventures, 223 (82.90 percent) reported that it was their own idea; 30 (11.15 percent) received suggestions from their friends or relatives, only 4 beneficiaries started their ventures on the suggestion of the government official and or on the suggestion of bank official; the remaining <sup>12</sup>(11) had received suggestion from some others.

Present status of the units

At the time of the visit out of these 318 units, 240 units (or 75.78 percent) were working. Of these working units 24 had changed the activity. Seventy four units were closed and as stated earlier 4 beneficiaries did not start the business. The figures are tabulated in table 16.

Table 16: Present status of the units

Status	No.	Percentage
1. Working with the same activity.	216 + 1	67.93
2. Working with <sup>changed</sup> <del>cahnged</del> activity.	24	7.55
3. Closed	74	23.27
4. Activity not started.	4 - 1	1.25
<b>Total</b>	<b>318</b>	<b>100.00</b>

The percentage of working units is much higher than was found elsewhere. We may here consider the entire sample for discussion. As it is stated earlier the total sample size was 405 and 87 beneficiaries could not be contacted. Out of these 87 units, during the visits the status of activity was known about 40 units, 13 were working with the same activity and another 4 were working with the changed activity and the remaining 23 were closed. Assuming that 47 units whose status was known were closed, the total number of working units will be 216+24 (from table 16) + 13+4 from non-contacted group, that is 257. The percentage of 257 working units works out to 63.46 considering total sample of 405 which is also quite higher than found elsewhere.

Reason for closing the units.

As stated above 23.27 percent units were closed. The reasons for closing the units were recorded in the questionnaire. About 63 percent of them informed that their units were running in losses and therefore they had closed them. Other reasons quoted by the beneficiaries were that they faced shortage of capital, technical problems\* in the machinery, no demand for their product, labour problem etc. The Table

17 gives the distribution of beneficiaries according to the reasons stated for closure.

Table 17 : Reasons for closing units.

Reason	No.	Percentage
1. Incurred losses/ business failure,	47	63.51
2. Shortage of working capital,	7	9.46
3. Labour problem.	3	4.06
4. Technical problem in the machinery.	3	4.06
5. No demand for the product.	3	4.06
6. Other reasons such as division of property, raw material losses, land acquisition for road widening, etc.	11	14.85
<b>Total</b>	<b>74</b>	<b>100.00</b>

As mentioned above four beneficiaries did not start the activity. One of them due to accident and other three due to lower amount sanctioned and delayed <sup>disbursement</sup> disbursement. About those who have closed the units and who have not started the units, their present occupation was enquired. Of the four who did not start the activity three were engaged in family business and one was still unemployed. The present occupation position of those who closed the units is presented in Table 18.

Present occupation of the beneficiaries who closed their units.

As many as 38 out of 74 that is 51.36 percent of them have taken up salaried employment, about 21 percent joined the family business other than agriculture, 9 percent joined family business of agriculture or allied activity, and (8) <sup>10.81</sup> percent were unemployed at the time of visit. The percentage distribution as per the present occupation is given in Table 18.

Table 18: Present occupation of the beneficiaries who closed their units.

Present Occupation	No.	Percentage
1. Service	38	51.36
2. Agriculture/allied family business.	7	9.46
3. Family business other than agriculture.	16	21.62
4. Household work	3	4.05
5. Unemployed.	8	10.81
6. Other occupation	2	2.70
Total	74	100.00

Present position of the assets purchased through scheme

During the interview the asset verification was done and the present position of the assets was recorded for each of the units visited. The asset position is given in Table 19. Of the 318 beneficiaries, 41 had not purchased the assets, of the 277 beneficiaries who purchased assets in 197 cases (that is 71.12 percent) the assets were in good condition and working. Other position can be

read from the table. The asset position, we feel, is encouraging.

Table 19: Present position of the assets.

Position	No.	Percentage
1. Assets in good condition and working .	197	71.13
2. Asset in good condition but not in use.	18	6.50
3. Currently out of order.	2	0.72
4. Sold out	43	15.52
5. Has become unusable	5	1.80
6. Other (stolen, got burnt, etc.)	12	4.33
Total	277	100.00

Reasons for selling the assets

The above Table 19 shows that 43 beneficiaries sold out their assets. They were asked about the reasons for selling. Thirty-five of them had sold out their assets since they have closed the activity, four sold because they were not able to make profit, only one beneficiary reported that he had sold it for repaying some other debts, and one sold for some other reason. Of the 18 beneficiaries whose assets are in good condition but are not in use, 14 have closed their activity, one has seasonal closure and the other two have changed their activity.

Background and closure of the units

It is observed that out of the 49 old units only one was closed subsequent to loan under SEEDY. Of the 269 new units 73 (27.13 percent) were closed.

Percentage of closure who had traditional skills was 19.50 and that for those who did not have traditional skills was 24.78 percent.

Percentage of closure who had previous experience was 21.38 and that for without previous experience was 29.03.

#### MORE ABOUT WORKING UNITS

As has been shown in Table 16 the number of working units was 240. We present in this section the performance of these unit in terms of income and employment generation and also some additional information such as raw material availability, marketing arrangements and so on.

#### Turnover and income obtained

Since the present study was to be completed in very short time, we could not concentrate on this item as much as we would have done otherwise. Normally a detailed section on income generation would have been included in the questionnaire. We provided for recording the computed figures of annual turnover and income/profit generated from the activity. Detailed instructions were given during the training of investigators as to what questions should be asked and what methodology should be adopted for various activities. The investigator took the notes by asking the questions and computed the annual turnover and profit thereof. The data has some limitation but we feel that we have been able to obtain fairly good estimates. The data is presented in Table 20.



Table 20: Annual Turnover and Income. (Rs.)

Sector	Average Annual Turnover	Average Annual Income
Industry	85818 73591	15324
Services	42660	13279
Business	94886 86786	13965
Average	64158	13348

Average annual income in industry sector is Rs.15324 and is maximum, income in services and business sectors is nearly equal. At the activity level the differences are wider in the both annual turnover and income. We have given below the five activities with highest turnover and with highest income separately and sectorwise.

Table 21: Details of sectorwise first five activities on the basis of turnover.

Sector/Activity	Annual turnover	No. of beneficiaries.
<u>Industry</u>		
1. Agricultural Implements.	2,57,500	2
2. Printing Press.	1,87,800	5
3. Gold Smithy	1,35,000	5
4. Manufacture of earthen wares.	1,28,000	4
5. Consumer goods & commodities	79,000	2
<u>Service</u>		
1. Photo Studio	1,68,000	2
2. Hotel	79,000	7
3. Loud speaker/Tent house.	78,000	3
4. Dispensary	66,727	11
5. Cycle shop	46,889	9
<u>Business</u>		
1. Stationery shop	1,32,027	12
2. Kirana shop	1,04,945	29
3. Vegetable shop	95,100	1
4. Food products.	80,000	3
5. Dairy & Poultry.	63,354	7

Table 22 : Details of sectorwise first five activities on the basis of income.

Sector/Activity	Annual Income.	No. of Beneficiaries.
<u>Industry</u>		
1. Manufacture of earthen wares.	30050	4
2. Gold Smithy	27000	5
3. Agricultural implements	25000	2
4. Printing press	18120	5
5. Furniture and carpentry	15000	1
<u>Service</u>		
1. Dispensary	28477	11
2. Loud Speaker/Tent house	28000	3
3. Photo studio	18000	2
4. Hair cutting saloon/Beauty	17625	2
5. Hotel/catering	16643	7
<u>Business</u>		
1. Vegetable shop	23775	1
2. Stationary shop	20791	12
3. Food products	17200	3
4. Dairy, Poultry.	12236	7
5. General & Food Grain Stores	11856	29

Employment generation

Employment generation was considered separately for old units and new ventures. For the old units, data on increase in the employment due to loan was collected and for new units, total employment data was recorded. It signifies the generation of employment due to scheme in these cases. We present results in Table 23 and Table 24.

Table 23: Average increase in number of persons employed (old Units).

Sector	Average increase per unit					
	Family labour		Hired labour		Total	
	No. of units	No. of persons	No. of units	No. of persons	No. of units	No. of persons
Industry	3	1.67	5	3.40	6	3.67
Services	7	1.43	9	2.00	12	2.33
Business	6	2.83	2	1.50	7	2.86
Total	16	2.00	16	2.38	25	2.80

Of the 48 old units, only 25 employed more persons after availing of the loan under SEFDY scheme. An overall average increase in these 25 units was of 2.80 persons per unit or of 70 persons in total. Taking 300 working days in the year this would mean employment generation of 21000 mandays.

Employment generated by new units

Again only the working units are considered here and employment data during the last one year prior to survey is collected.

Table 24: Employment- New Units.

Sector	Family labour		Hired labour		Self	Total	
	No. of report ing units	Average	No. of report ing units	Average:	No. :	No. of report ing units	Average
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Industry.	22	1.36	24	2.58	42	43	3.12
Services	23	1.26	26	1.85	81	85	1.86
Business	27	1.19	6	1.00	62	64	1.56
Total	72	1.26	56	2.07	185	192	2.04

1.26

In the column (7) of the Table 24 one can read the number of the working units (started newly by the beneficiaries) in these sectors. Of them reporting cases are given in respective columns under family labour, hired labour and self employed. At the aggregate level average employment was generated for 2.04 persons per unit. Considering 300 working days during the year the annual employment generation works out 117600 mandays. It may be seen by comparing column (6) and (7) that one beneficiary in industry, 4 in services and 2 in business are not themselves working in the units. These include case of expired beneficiaries, women beneficiaries who have been married and some cases where beneficiary is not himself looking after the business but some other family member is doing so.

#### Additional Activity

Some of the beneficiaries whose units were working were also engaged in some other activities through which they earned income. This data was also collected. In all 27 beneficiaries, 10 in industry, 13 in service sector and 4 in business had such other activities and on an average they earned annual income of Rs.21519. Table 25 gives these data:

Table 25: Income from additional activities:-

Sector	No.of beneficiaries	Average annual income
Industry	10	16702
Services	13	27692
Business	4	13500
Total	27	21519

## New Investment

A substantial number (84) of beneficiaries having working units, made new investment after the loan was taken and before the survey. Their average investment was Rs.17336. Tables 26 and 27 give the sectorwise number of beneficiaries and their average new investment and the sources for the same.

Table 26: New Investments

Sector	No. of beneficiaries	Percentage total beneficiaries	Average investment
Industry	17	31.48	23735
Services	37	34.26	17657
Business	30	37.50	13317
Total	84	35.00	17336

Table 27: Sources of new investment

Source	No.	Percentage
1. From increased income	61	72.62
2. Loan	10	11.91
3. Private borrowing	7	8.33
4. Others	6	7.14
Total	84	100.00

## Place of activity

Among 240 working units 110 (45.83 percent) carried out the activity in the place owned by them, 102 (42.50 percent) in the rented premises and remaining 28 were having mobile activity.

### Raw material availability

Among the working units 61 percent procured their raw material from local market, 28 percent brought from outside and the remaining 11 percent from local market as well as outside.

### Marketing

All the beneficiaries depended upon the local market except those who had taken help of government schemes for marketing.

### Desire to continue the activity

Whether the beneficiaries wanted to continue the activity or not was question asked to those whose units were working and to the others it was asked whether they would like to restart. The answers as yes/no are tabulated in Table 28.

Table 28: Desire to continue/restart

Present Status	Yes	No	Total
Working units	223	17	240
Closed units	23	51	74
Unit not started	1	3	4
Total	247	71	318

Ninety three percent of the beneficiaries with working units wanted to continue the activity. It is interesting that 23 among 72 who closed the activity wanted to restart.

### Borrowers opinions about repayment

Some questions regarding the repayment performance, reasons for non-payment or irregular repayment, etc., were asked to the

beneficiaries. Their responses are presented in this section. These are naturally their own opinions about their own performance. In this section we present the responses obtained by the entire contacted sample of 318. These responses and the data on demand, repayment, etc, obtained from the branches will be analysed together and presented in a separate chapter on repayment performance.

Regularity of repayment

The responses on regularity question are given in Table 28. In all 175 (55 percent) beneficiaries admitted that they are not regular in repayment. It is important to note that about 32 percent beneficiaries were regular initially in repayment but they stopped paying subsequently. This aspect is getting reflected in our preliminary graphic analysis which is presented in the following chapter. Nineteen beneficiaries admitted that they have repaid nothing.

Table 28: Repayment performance.

Performance	No.	Percentage
1. Regular	143	45.29
2. Delayed repayment	53	16.35
3. Initially repaid subsequently stopped paying.	103	32.39
4. No repayment at all.	19	5.97
Total	318	100.00

Reasons for non-repayment

Those who responded to above question saying they were not



regular, were asked about the reasons behind their behaviour. Table 29 gives this information.

Table 29: Reasons for irregular or non-repayment

Reason	No.	Percentage
1. Activity closed.	45	25.71
2. Insufficient income.	39	22.29
3. Activity/Venture in loss.	16	9.14
4. Activity not started	4	2.29
5. More capital investment in Activity/Venture.	13	7.43
6. Other reasons.	41	23.43
7. Reasons not given.	17	9.71
Total	175	100.00

We enquired with these beneficiaries as to whether they reported their difficulties to the bank officials. Of these 175, only 99 (56.57 percent) beneficiaries had told their difficulties to the bank and others have not reported anything regarding their problem to the bank.

These 99 beneficiaries were asked as to why they did not explain or report their difficulties to the bank, 83 of them gave no reason. The reasons given by the remaining 16 were like no bank officer met or enquired, because of the fear of compulsion of repayment, sickness, etc.

#### Plans for payment of overdues

On asking about the plans for payment of overdues, 108 out of 175, that is, 61.71 percent stated that they would repay shortly, 38 (21.71 percent) told that they would start repaying soon, only 4 wanted the

loan to be waived, and 12 were not ready to do anything whatsoever.

Table 30: Plans for payment of overdues.

Plan	No.	Percentage
1. Would repay shortly.	108	61.71
2. Would start paying soon,	38	21.71
3. Wanted to be waived.	4	2.29
4. After the sale of purchased assets.	2	1.14
5. Not ready to do anything.	12	6.86
6. No response.	11	6.29
Total	175	100.00

#### Saving habits

The beneficiaries were asked whether they had saving account with the bank. Only 95 of them, that is, 29.87 percent have saving account. They were also asked about their other institutional saving. Only 65 beneficiaries reported their saving as follows:

Table 31: Saving through institution.

Institution	No.	Percentage
1. Patapedi,	9	13.85
2. (L.I.C) LIC	17	26.15
3. UTI, Mutual funds .	7	10.77
4. Pigmy.	11	16.92
5. Fixed deposit,	20	30.77
6. Other,	1	1.54
<b>Total</b>	<b>65</b>	<b>100.00</b>

More about the non response cases

As reported above 21.48 per cent of the sample borrowers form a set of non-response cases. The status of their account was examined through the beneficiaries's list and also the proformae submitted by the branch office. Among these, 20.24 percent had repaid their loan and their accounts were closed. In 11.90 per cent case the C.G.C. claim was made and in 14.29 percent cases the suit was filed. The accounts of 58 per cent cases were alive.

As for the status of the activity of these non-response cases, it was known that 15.48 per cent of them were continuing their activity, in 22.62 per cent cases it was known that the activity was closed. In 55.95 per cent cases the status of their activity could not be ascertained through the neighbors. Among them 27.66 however, percent had already repaid their loan, 42.55<sup>Percent</sup> were having live accounts, in 19.14 percent cases C.G.C. claim or suit was filed.

The reasons for non-response are tabulated and presented in Table 9. Marriage, death and migration were the reasons for 59.52% of the non-response cases. In 13.10% cases, it was reported that the person with the name in the list never stayed at that address; in 9.52% cases the person was not found at the address even after 2-3 visits though address was correct and the place was located. Only in 15.48% cases the beneficiaries refused to give information. The percentage of refusal works out only 3% with reference to total sample size.

In the general discussions with the bank officers and other staff we got the impression that there would be many absconding cases. But our experience was different. If the table of reasons for non-response is examined only reasons at serial Nos. 4,5 and 6 could be considered as absconding. They are 44.05% of the non-response cases that means 9.20% of the total sample size. This percentage is much lower than we thought of.

Table <sup>32</sup> 1: The reasons for non-response

Sr. No.	Reason	Percentage
1.	Woman borrower left the place due to marriage.	1.19
2.	Borrower expired and activity closed.	2.38
3.	Migrated to other place (name of the new place known).	25.00
4.	Migrated to other place (name of place not known).	10.71
5.	Borrower stayed at the address earlier but nothing known about his present stay/address.	20.24
6.	No person of this name ever stayed at the address.	13.10
7.	Borrower not available (address correct) even after 2-3 visits.	9.52
8.	Out of place temporarily	2.38
9.	Borrower denied to give information.	15.48
Total		100.00

## CHAPTER VI

### SURVEY RESULTS OF SEPUP

The total sample of beneficiaries under SEPUP scheme in the ten selected districts was 819 and our team of investigators could meet and interview 628 beneficiaries during the survey period. In terms of percentage, it works out to 76.68%. In view of the general impression that the beneficiaries covered under SEPUP scheme are not available on the addresses given, our experience in the ten different districts is quite satisfactory. The remaining 191 beneficiaries (23.32%) could not be contacted even after paying 3/4 visits as some of them have either changed their place of activity or closed down their units and migrated to other places for service, etc. Districtwise figures of sample beneficiaries are given in Table No.1.

Table No.1: Districtwise numbers of beneficiaries in the sample (SEPUP)

District	Total Sample	Contacts could be made	contacts could not be made
1. Pune	80	68	12
2. Kolhapur	78	68	10
3. Thane	86	62	24
4. Ratnagiri	81	60	21
5. Aurangabad	85	68	17
6. Parbhani	80	53	27
7. Yavatmal	80	66	14
8. Nagpur	83	64	19
9. Chhindwara	85	61	24
10. Indore	81	58	23
Total	819	628	191

Our investigators were provided with a detailed questionnaire for collecting the information from each borrower. After consolidation, the data has been processed and analysed. We give below our observations about the survey results under various heads, based on the contacted cases.

#### Distribution by sex

The beneficiaries of the scheme are seen to be predominantly male. Out of 628 cases interviewed, 491 (78.18%) were male and 137 (21.82%) were female.

#### Place of activity

Rural/urban: There were 15 beneficiaries (3.39%) from rural areas and 613 (97.61%) from urban areas.

#### Age of the beneficiary at the time of application

The distribution of beneficiaries according to the age at the time of application is presented in Table 2. It will be observed from the table that about 50 percent beneficiaries were 30 year old or younger. More than 77 percent were 40 year old or younger. It was found that there were 3 beneficiaries of 16-17 year age as stated by the beneficiaries. It is possible that at the time of survey, the age reported is incorrect or the loan is sanctioned to the minor. This verification was not carried out, as there are only 3 cases spread over different districts. At the other end we feel that the loan should not be granted to old persons. In our sample there were 13 persons between 56-60 and 8 above 60 years age.

Table 2: Age wise classification

Age-group	No.of beneficiaries	Percent
16-24	155	24.68
25-30	151	24.04
31-35	99	15.76
36-40	81	12.90
41-45	48	7.64
46-50	34	5.41
51-55	39	6.21
56-60	13	2.08
61 and above	8	1.28
Total	628	100.00

Caste Composition: Castewise composition of the beneficiaries is given in Table 3. It is seen that 50% of the beneficiaries were from scheduled caste/scheduled tribe and minority community. Similarly 27 beneficiaries (4.30%) were physically handicapped who availed loan under SFPUP scheme.

Table 3: Caste wise Composition

Scheduled caste	116 (18.47%)
Scheduled Tribe	25 (3.98%)
Minority	173 (27.55%)
Others	314 (50.00%)
Total	628



### Educational Status:

Educational status of the sample beneficiaries is given in Table 4. On the one end there are about 13 percent illiterate who have availed of the loan facilities under SEPUP whereas on the other end there are only about 5 percent, who have education above SSC/HSC. There are even 5 graduate beneficiaries. About 58 percent had incomplete schooling. It shows that the scheme has had a wide net.

Table 4: Educational Status

Education	Sector			Total	Percentage.
	Industry	Service	Business		
1. Illiterate.	4	18	60	82	13.05
2. Literate but did not go to school.	5	18	22	45	7.17
3. Incomplete schooling.	33	153	178	364	57.96
4. SSC/HSC	12	40	53	105	16.72
5. Diploma/ITI.etc.	8	15	4	27	4.30
6. Degreee	1	2	2	5	0.80
Total	63	246	319	628	100.00

### Traditional skill and previous experience

It is observed from the data that 261 beneficiaries (41.56%) had traditional skills for the concerned activity and remaining 367 (58.44%) had no traditional skill. Likewise 435 beneficiaries (69.27%) had some kind of previous professional/technical experience and remaining 193 (30.73%) had no previous experience.

### Family Size

The distribution of beneficiaries according to size is presented in Table 5. There were 302 beneficiaries with family size of 1-5 members; 290 beneficiaries with family size 6-10 members. Six families have more than 16 members.

Table 5: Family Size

Size Class	No. of beneficiaries	percentage
1-5 members	302	(48.08%)
6-10 members	290	(46.18%)
11-15 members	30	(4.78%)
16 and above	6	(0.96%)
Total	628	100

### Migrated or local

It is observed that 442 beneficiaries (70.38 percent) were permanent residents at the place of their activity. Six beneficiaries had 3-5 years stay; 31 had 6-10 years, 26 had 11-15 years, 31 had a stay between 16-20 years and 92 were staying there for more than 21 years. It means 94% of the beneficiaries were staying at the place of activity for more than 10 years.

Land Ownership: It is observed that only 46 beneficiaries (7.32%) had some landholding and remaining 582 (92.68%) were without any landholding.

Activity for which loan was taken:

The sample beneficiaries had chosen the field of their activity as under:

Table No.6: Sector wise distribution of activities for which the loan was borrowed.

Activity	No.of beneficiaries	Percentage
Industry	63	10.03
Service	246	39.17
Business	319	50.80
Total	628	100.00

Table 7: The activities for which the loan was borrowed.

Status	No. of benefi- -ciaries.	percentage
<b>1. Industry</b>		
1. Cloth garments & related goods.	11	1.75
2. Leather Goods	6	0.95
3. Food Products.	3	0.48
4. Paper Products & Stationery.	3	0.48
5. Consumer Goods & Cosmetics.	4	0.64
6. Pottery.	0	0.00
7. Xerox & Cyclostyling Machine.	3	0.48
8. Fabrication and black smithy.	9	1.43
9. Furniture & Carpentry	7	1.11
10. Agricultural Instruments.	1	0.16
11. Printing Press	1	0.16
12. Firewood Depots	1	0.16
13. Rice Mill	1	0.16
14. Spray Painting.	1	0.16
15. Electric Transformers.	1	0.16
16. Other type of electrical/ mechanical workshop.	3	0.48
17. Gold Smith	1	0.16
18. Others.	7	1.11
Sub-total	63	10.03

## II. Service

1. Repairing Service	27	4.30
2. Hotel/Catering.	43	6.85
3. Typing.	4	0.64
4. Crushing Machine	1	0.16
5. Cycle shop.	42	6.68
6. Hair cutting saloon/ Beauty Parlour.	16	2.55
7. Auto (Rikshaw Rickshaw).	2	0.32
8. Loud Speaker.	5	0.80
9. Chilly Powder Machine.	1	0.16
10. Flour Mill.	1	0.16
11. Tailoring.	66	10.50
12. Furniture hiring.	1	0.16
13. Laundry.	4	0.64
14. Photo Studio.	6	0.95
15. Others.	27	4.30
	-----	-----
Sub-total:	246	39.17

## III. Business

1. Food Products.	51	8.12
2. Stationery Shop.	23	3.66
3. Vegetable shop	49	7.80
4. General & Food Grain Stores.	34	5.41
5. Pan Shop	43	6.85
6. Dairy/Poultry.	5	0.80
7. Cloth Shop.	19	3.03
8. Scrap material.	2	0.32
9. Others.	93	14.81
	-----	-----
Sub-total	319	50.80

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Total	628	100.00
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It will be observed from the above mentioned tables that nearly 90% of the beneficiaries have chosen activities under service and business sectors. This may be due to small quantum of loan available under the scheme.

The data in Table No. 7A reveals that 59.87% beneficiaries were running the same activity for which loan was taken. Some beneficiaries who comprise 7.17% had changed their activity but their new activity was also running, which means that 67.04% of the beneficiaries were actively engaged in their profession. About 199 (31.69%) beneficiaries had closed their activity and 8 (1.27%) beneficiaries did not start the activity although they had availed loan facility from the banks. However the percentage of such units is very small as compared to the total sample.

Table 7A: Present status of the activities undertaken

Status	No.	Percentage
1. Activity is running.	376	59.87
2. Activity is changed.	45	7.17
3. Activity is closed	199	31.69
4. Activity not started.	8	1.27
Total	628	100.00

Table 8 : Sectorwise present status of activities

	Industry	Service	Business	Total
1. Working Units	40 (63.49)	183 (74.39)	198 (62.07)	421 67.04%
2. Closed Units	21 (33.33)	59 (23.98)	119 (37.30)	199 31.69%
3. Units not started.	2 (3.18)	4 (1.63)	2 (0.63)	8 1.27%
Total	63	246	319	628 100.00%

During the interview, all the beneficiaries were asked individually whether they would like to continue in the same business. Their replies were as under.

Table 9: Desire to continue the activity.

Present status of units	Yes	No	Total
1. Working units	382	39	421
2. Closed units	74	125	199
3. Units not started	2	6	8
Total	458	170	628

Sources of information about the scheme.

The salient feature of the SEPUP scheme is that the identification of the borrowers is to be done directly by commercial banks. Hence the beneficiaries were asked as to the source of information about the scheme. It is noticed that 190 beneficiaries (30.26%) got the information from their relatives and friends, 27 (4.30%) from Govt. officers, 96 (15.29%) from bank officers, 21 (3.34%) from political leaders, 95 (15.13%) from news papers. Further it is seen that 199 (31.68%) borrowers reported that everyone around was knowing about the scheme.

Help received for getting the loan sanctioned

The beneficiaries were asked about who tried for them to get the loan sanctioned. Their responses are tabulated in Table 10.

Table 10: Help received for getting the loan sanctioned

Who helped	No.	Percentage
1. Beneficiaries themselves tried for the loan.	566	90.13
2. Efforts made by relatives/friends.	43	6.85
3. Efforts made by political leader.	8	1.27
4. Efforts made by other well-wishers/social workers etc.	11	1.75
Total	628	100.00

It is interesting to note that there was no intermediary in case of 90.13% of beneficiaries and they directly dealt with the bankers.

Occupation before availing the loan

The information about occupation of the contacted beneficiaries before availment of loan was also collected by the investigating team. The details about their occupation prior to taking of loan from the banks are as under:

Table 11: Occupation before availing the loan

Occupation	No.	Percentage
1. Engaged in the same activity.	295	46.98
2. Unemployed	61	9.71
3. Were studying	14	2.23
4. Temporary job.	155	24.68
5. Participating in family business.	26	4.14
6. Some miscellaneous activity.	77	12.26
Total	628	100.00

It is important to note that 46.98% beneficiaries were running the same activity for which loan is availed.

Utilisation of loan amount : After availing the loan, the beneficiaries invested part of the amount for purchasing fixed assets and remaining amount was used as working capital. Following table shows how the investment was made:-

Table 12: Types of assets purchased

Asset	I	S	2	Total	Percent- age
1. No investment in fixed assets.	17	41	192	250	39.81
2. Invested for procuring shop/ shed etc..	1	11	19	31	4.94
3. Invested in machinery.	26	82	6	114	18.15
4. Invested in implements, hand carts cycle, rikshaws etc.	6	57	39	102	16.24
5. Invested for purchase of cows/buffallos.	0	2	2	4	0.64
6. Invested in goods in the shop.	2	1	7	10	1.59
7. Invested in utencils & other materials related to their own business.	9	18	24	51	8.12
8. Furnitute, cupboard, counter etc.	2	34	30	66	10.51
Total				628	100.00

Present position of the assets : The information about the present position of the assets was collected by the field investigators. Data is tabulated in Table 13.



Table 13: Present position of the assets.

Present Position	No.	Percentage
1. Assets are in good working condition.	272	43.31
2. Assets are in good condition but not operative.	33	5.26
3. Assets are unproductive.	5	0.80
4. Assets disposed off.	57	9.08
5. Assets have become useless	11	1.75
6. Assets were not created (i.e. fixed assets).	250	39.80
<b>Total</b>	<b>628</b>	<b>100.00</b>

Place of activity (Ownership pattern):

During the interviews, information about ownership pattern of place of activity was collected. This is presented in Table 14. This information relates to 421 units which are operative.

Table 14: Place of activity:

Place	No.	Percentage
1. Owned place/premises of activity.	111	26.37
2. Rented premises.	172	40.86
3. Mobile units	100	23.75
4. Unauthorised premises.	38	9.02
<b>Total</b>	<b>421</b>	<b>100.00</b>

Availability of raw materials: Uninterrupted supply of raw material is

a must for the success of the industrial units. The findings of the survey in respect 421 units are as under:

Table 15: Raw material availability

Availability from	No.	Percentage
1. Raw material locally available.	338	80.29
2. Raw material is brought from outside.	63	14.96
3. Raw material is partly available locally and partly brought from outside.	20	4.75
Total	421	100.00

#### Marketing arrangement for finished products

It is observed that out of 421 beneficiaries who are doing their activity, 401 cases had local markets for their products. Only three units were taking Govt. help for marketing and in remaining 17 cases they had their own arrangements.

#### Repayment of loan

The beneficiaries were asked to state their opinion regarding their repayment as to whether they were repaying the loan instalments regularly. Their responses are given in Table 16. About 70 percent (444 cases) of the beneficiaries reported themselves that they were not regular in repayment. As a matter of fact 17 percent reported that they have not done any repayment.

Table 16: Repayment of loan

Repayment position reported	No.	Percentage
1. Regular repayment.	184	29.30
2. Irregular/delayed repayment.	97	15.45
3. Repayment stopped after sometime.	241	38.38
4. No repayment at all.	106	16.87
Total	628	100.00

Reasons for non-repayment of loan : During the interview, each borrower was questioned as to the reason for non-repayment. The reasons given by them are as under:

Table 17: Reason for irregular repayment

Reasons	No.	Percentage
1. Activity closed .	139	31.31
2. Insufficient income.	148	33.33
3. Loss in business.	57	12.84
5. Activity not started	8	1.80
5. Additional investment made in the business activity.	10	2.25
6. Late disbursement of loan amount.	2	0.45
7. No specific reason	31	6.98
8. Others.	49	11.04
Total	444	100.00

During the interview these beneficiaries were also asked whether they had informed the banker about their difficulties of repayment.

It is noticed that 59% beneficiaries had informed their difficulties to the banker and remaining 41% did not inform the bankers any difficulty. Those who had informed the banker about their difficulties, it is noticed that following reasons were given.

Table 18: Reasons reported to the bankers.

Reasons	No.	Percentage
1. Activity closed.	41	20.71
2. Less capital.	18	9.09
3. Accident.	5	2.53
4. Mishap at business place.	2	1.01
5. Expenditure on marriages of daughter & son.	8	4.04
6. Less income	103	52.02
7. Others	21	10.60
Total	198	100.00

The investigators also inquired with those who had not informed the reasons of non-repayment to bankers as to why they did not report, The reasons for not informing the bank were given only by 64 beneficiaries among the working units with <sup>irregular</sup> (regular) repayment.

Table 19: Reasons for not reporting difficulties to the Bankers

Main reasons	No. of cases
1. Non-cooperation from officers.	12
2. Non-reporting on health grounds	7
3. Compulsion for repayment by bank.	36
4. Rumours about loan-waiver schemes.	7
5. Beneficiaries stayed outside the town.	2
<b>Total</b>	<b>64</b>

Beneficiaries, who were irregular or not making any repayment, were further asked about their plans for repayment of bank's loan. The findings are as under:

Table 20: Plan for repayment of overdues.

Plan	Cases	Percentage
1. Would repay slowly.	241	54.28
2. Would start repaying soon.	109	24.55
3. After the sale of machinery/assets.	2	0.45
4. Want loan to be waived.	2	0.45
5. Not ready to do anything.	42	9.46
6. No reply.	48	10.81
<b>Total</b>	<b>444</b>	<b>100.00</b>

Savings accounts in other banks/post office etc,

The information about savings habits was also collected during the interviews. It is noticed that 123 beneficiaries (19.59%) were maintaining savings bank accounts with other banks or post offices.

Remaining 505 beneficiaries (80.41%) were not maintaining any savings bank account.

Further these beneficiaries were asked if they were saving any amount through agencies such as patāpedhies, cooperative credit society etc. The information is as under:

Table 21: Savings through agencies

Name of agency	No.	Percentage
1. Patāpedhies	3	0.48
2. LIC	13	2.07
3. UTI/Mutual Funds.	4	0.64
4. Pigmy	29	4.62
5. FDRs in banks	22	3.50
6. Others	4	0.64
7. No savings	553	88.05
Total	628	100.00

### Additional Investment

The beneficiaries were requested to inform if they had invested any additional amount in the business over and above initial investment. It is noticed that 131 (20.86%) beneficiaries have invested additional amount in the business and remaining 497 (79.14%) did not invest any additional amount. Those who did invest additional amount, it was from increased income, loan from other agencies and savakar etc.

### Subsidy Attraction

All the beneficiaries were asked if there had been no govt.subsidy, whether they would have availed the loan from the bankers. It is interesting to note that 513 (81.69%) persons said they would have taken the loan in the absence of govt.subsidy also; remaining 115 (18.31%) persons informed that they would not have taken any loan in the absence of govt.subsidy.

### Beneficiaries' opinion about their units

The beneficiaries were requested to give their frank opinion about the present position of their activity or unit. We received the response as under:

Table 22: Opinion of the beneficiary regarding his unit  
(working units only)

Opinion	No	Percentage
1. Present position of unit/ activity was very good.	21	4.99
2. Present position of unit was good.	276	66.03
3. Not satisfactory position.	117	27.79
4. Unit was sick.	5	1.19
Total	421	100.00

Present occupation of those beneficiaries who have closed the units

All those who have closed their activity were asked as to how were they engaged at the time of the survey. Of the 199 beneficiaries, 59 were employed in service, another 59 were engaged in family business other than agriculture, 26 were unemployed. The figures are presented in Table 23.

Table 23: Present occupation of those who closed the units.

Occupation	No.	Percentage
1. Service	59	29.65
2. Agriculture and allied activities.	2	1.01
3. Participating in family business.	59	29.65
4. Household work/no work due to old age.	32	16.08
5. Unemployed.	26	13.06
6. Others.	21	10.55
Total	199	100.00

There were eight beneficiaries who did not start their activity. Of them 4 were in service at the time of the survey, 3 were participating in family business and one was unemployed. These beneficiaries were asked as to why they did not start the business. One of them had an accident and became handicapped, two of them gave no explanation and remaining five stated that the loan was inadequate or was sanctioned late and therefore they did not start the activity.

The reasons for closing the activity

A large number (53%) of units were closed because the beneficiaries could not run the units profitably, 22 reported



shortage of capital, 28 had suffered accident, 30 stated reason like division of property, place of activity demolished in road widening, got service, etc. The information is presented in Table 24. In addition, the period of closure prior to the visit is tabulated in Table 25.

Table 24: Reasons for closing the business

Reason	No.	Percentage
1. Less capital.	22	11.05
2. Business failure.	105	52.77
3. Labour problems .	1	0.50
4. Mishap to raw material	5	2.51
5. Accident.	28	14.07
6. Beneficiary expired.	4	2.01
7. No demand to product.	4	2.01
9. Division of property, place of work demolished in road widening, service etc.	30	15.08
Total	199	100.00

Table 25: Period of closure.

Period	No.	Percentage.
1. <=12 months	69	34.67
2. 1 to 2 years.	59	29.65
3. 2 to 3 years.	40	20.10
4. 3 to 4 years	15	7.54
5. 4 to 5 years	9	4.52
6. No information about period.	7	3.52
Total	199	100.00

Traditional skills, previous background and closure of the unit

It is interesting to note that among the 261 beneficiaries having traditional skills only 50 or 22.22 percent beneficiaries closed the units while among 367 beneficiaries who did not have traditional skills 141 or 38.41 percent have closed their units. Thus, the incidence of closure is comparatively less among those having traditional skills.

Similarly it is observed that among 435 who had professional or technical experience only 27.13 percent (141 beneficiaries) closed their units; while out of 192 who did not have such experience, 41.67 percent (80 beneficiaries) closed their units. This shows that previous experience is important.

In the earlier tables it is observed that 295 beneficiaries, out of 628 contacted, were engaged in the same activity before availing loan from the banks. These beneficiaries were inquired as to the reasons for availing the loan when their activity was already in running condition. The purposes as given by these 295 beneficiaries are grouped as under;

Table 26: Reasons for availing the loan by them who were engaged in the same activity before.

Purpose	No. of cases	Percentage
1. To expand business activity.	264	89.49
2. To purchase shop/repairing of premises.	1	0.35
3. To buy implements, hand carts etc.	20	6.78
4. To purchase furniture.	5	1.69
5. Others.	5	1.69
Total	295	100.00

### Additional information of 421 working units

1. Out of 421 working units, 241 beneficiaries were doing the same activity before availing the loan. In respect of these units, the position of availability of raw material is as under:

	Units	Percentage
Raw material locally available.	192	79.66
Raw material from outside. ..	34	14.11
Raw material available both locally and from outside. ..	15	6.23
	-----	-----
Total	241	100.00

2. Position of marketing facilities: Out of 241 beneficiaries, 233 (96.68%) units were feeding to the local markets only, and as such there were no problems for marketing the products.

3. Position of repayment: The position of repayment of 241 cases as reported by them is as under:

	Units	Percentage
Regular repayment -	99	41.07
Late repayment -	42	17.43
Started but stopped subsequently. -	76	31.54
No repayment -	24	9.96
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Total	241	100.00
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### Sanctioned amount of loan and investment

It was observed that most of the beneficiaries applied for the loan amount of Rs.5000/- which is an upper limit for SEPUP scheme irrespective of their actual requirement. There may be many situations requiring more investment as also in many cases the requirement may be lower. The banker has to assess the requirement appropriately and

sanction the loan. He cannot sanction more than the ceiling amount of Rs.5000/- provided in the scheme but if in his assessment the requirement of a particular unit is lower he is supposed to sanction lower amount. We have collected information on loan amount demanded and sanctioned and also on the investment made. On an average it is seen that the amount demanded was Rs.5119/- per beneficiary, amount sanctioned was Rs.3671/- and the investment was Rs.4437/-. It is clear that at the average level there was inadequate financing to the extent of about 17 percent. We shall come back to the question of inadequate financing again when we discuss about the problems faced by the units. Here we present the sectorwise figures with averages on the basis of the total number of sanctioned cases in each sector (Table 27). There are no substantial differences in the investment amounts in different sectors.

Table 27: Sectorwise average loan demanded, sanctioned and investment made.

Sector	Demand	Sanctioned	Investment made		
			Fixed Assets.	Working Capital.	Total
Industry	5015	3736	2150	2136	4286
Services	5174	4033	3331	1383	4714
Business	5129	3379	949	3303	4552
Average	5119	3671	2003	2434	4437

At the aggregate level the investment made is more than the amount sanctioned but at individual level only some of the beneficiaries would have invested more.

Only 28.50 percent (179 beneficiaries) reported to have made additional investment. Of them 74.30 percent made their own

contribution for additional amount required, 18.44 percent borrowed from friends/relatives, 3.35 percent borrowed from private money lenders and 3.91 percent from others.

### Annual turn over and income

Information about turnover and income was collected about the working units. Collection of data on these items, needs sufficient time and much detailed questionnaire if accuracy is to be achieved. It was not possible to spend longer time due to short period stipulated for the study. However, we have asked the information in brief and arrived at the estimates. The investigator were given detailed instructions regarding what type of questions should be asked depending upon the activity and how to arrive at the annual estimates. Though based on broad information, we feel the estimates are fairly good and indicative. These are presented in Table 28.

Table 28: Turnover and annual income of working units,

Sector	Average annual turn over	Average annual income.	Income
Industries	25735	8265	''
Services	20476	8662	
Business	30218	(6898) 6873	
Average	25557	(7795) 7783	

A wide variation was observed between the annual turnover as well as income of different activities. It will be interesting to know the activities with higher turnover and also separately the activities with higher income. We give below the first 5 activities in each sector, with higher turnover and higher income respectively.

Details of sectorwise first five activities on the basis of turnover

<u>Sector/Activity</u>	<u>Average annual turnover.</u>	<u>No. of beneficiaries</u>
<u>Industry</u>		
1. Manufacture of small transformers.	90000	1
2. Leather goods	56667	3
3. Manufacture of earthen wares.	33200	3
4. Garments and related goods.	29275	8
5. Carpentry	25417	6
<u>Service Sector</u>		
1. Hotels	44133	27
2. Furniture.	25200	1
3. Repairing works .	22473	23
4. Others.	20638	21
5. Typing.	16500	4
<u>Business Sector</u>		
1. Scrap.	60000	1
2. Vegetable shops	48669	26
3. Stationery, paper etc.	42722	9
4. Cloth shop.	34844	9
5. Kirana/general stores.	32600	22

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Details of ~~sect~~wise first five activities on the basis of income

Sector/Activity	Average annual income.	No. of beneficiaries.
<u>Industry</u>		
1. Manufacture of small transformers.	22000	1
2. Leather	18500	3
3. Black smithy	11200	5
4. Manufacture of earthen wares.	10200	3
5. Rice Mill.	9000	1
<u>Services</u>		
1. Furniture.	12600	1
2. Hotel	12317	27
3. Repairing	12011	23
4. Laundry	9900	4
5. Other activities.	9307	21
<u>Business</u>		
1. Stationery, paper etc.	9605	9
2. Dairy, Poultry etc.	8533	3
3. Vegetable shop	8239	26
4. Pan shop	7479	25
5. Food products.	7044	45

Additional activities of the beneficiaries with working units

Eighteen beneficiaries with working units were engaged in some additional activities including some in service. Average income earned by them from these additional activities was Rs.11167.

Additional new investment



Some of the beneficiaries may make additional investment after starting the units. The information collected on this revealed that as many as 118 beneficiaries (i.e.28 percent) had made additional investment before the survey and after the investment at time of loan. The average additional investment was Rs.4937. The sectorwise information is given Table 29.

Table 29:Additional (New) Investment

Sector	No.of beneficiaries.	Average Investment
Industry	12	5710
Services	50	4251
Business	56	5384
Total	118	4937

Employment generation due to scheme

As has been observed earlier, quite a few beneficiaries were engaged in the same activity before availing the loan and others have started new ventures. As far as the impact of scheme on the employment is concerned, these two groups should be treated separately.

In the first group incremental employment was recorded which was generated due to expansion of activity by investment through loan availed under SEPUP. In some cases there was increase in the family employment and in some cases increase in the hired employment and in some cases in both family and hired. The information is given in Table 30. This naturally is about working unit.

Table 30: Increase in employment (No. of persons) to old units:

Sector	Family Labour		Hired Labour		Total	
	No. of cases	Average increase	No. of cases	Average increase	No. of cases	Average increase
Industry.	7	1.29	5	1.20	10	1.50
Services.	26	1.23	11	1.64	32	1.56
Business.	27	1.67	1	1.00	28	1.64
Total	60	1.43	17	1.47	70	1.59

In all 111 units, out of 242 working old units that means 28.92 percent of the old units have employed more persons as a result of availing the loan under the scheme.

Average increase in employment among these 70 units, has been of 1.59 persons, which is 111 persons in total. If we consider, say 300 working days, this means 33300 mandays.

As for the new ventures the entire employment in these ventures is due to scheme. Therefore present total employment in these units including the beneficiary can be considered as generated due to scheme. The information is presented in Table 31.

Table 31: Employment generation (no. of persons): New Ventures.

Sector	Family Labour		Hired Labour		Self	Total	
	No. of report-ing units	:Average Employ-ment	No. of report-ing units	Average Employ-ment	: Empl: Total: No. :	No. of report-ing units.	Average Employ-ment
Industry	10	1.10	1	1.00	17	18	1.01
Services	15	1.27	7	1.71	70	73	1.38
Business.	28	1.14	3	1.67	83	88	1.36
Total	53	1.17	11	1.64	170	179	1.40

An average employment in these venture was 1.40 persons or total of 250 persons. Again considering 300 working days in the year, this means 75000 mandays. The averages in Table 31 are based on only reporting cases. Only 11 units had hired labour and their average was 1.64 person or they employed 18 persons. There was 179 new ventures (working). If we consider average with that base instead of reporting cases, the average family labour was 0.3464, average hired labour was 0.1005 persons and self was 0.9500 persons. These averages total to 1.40 persons.

The total employment generation due to scheme taking old and new units together is 1,08,300 mandays.

## PROBLEMS FACED BY THE WORKING UNITS

Problems are always there and are required to be faced either by a SEPUP Beneficiary or by a SEEUY Beneficiary or by a Large Scale Company while keeping the unit working.

The large scale units are competent enough to solve their problems, however the SEPUP or SEEUY beneficiaries are not in a position to solve their problems at their level. That is why the forward and backward linkages arrangement or support systems to be extended by the Dist. Industries centre in case of SEEUY Beneficiaries, is introduced.

However, it is surprising to note that neither the Government nor the Banks have taken cognizance for the provision of support systems in respect of the SEPUP beneficiaries. The problems are similar to that of any working units and related to infrastructural support system. The DICS were expected to extend necessary help in this respect for SEEUY beneficiaries but it seems that this aspect is being neglected for the reasons not know.

Generally the problems faced can be summarised as follows:-

1. Problems regarding Banks.
2. Problems regarding Government and Semi Government offices.
3. Problems of General Nature.

Hence an attempt is made to know the nature of problem and its involvement, while trying to keep the venture running.

District Industries Centre (DIC)

### A) Problems relating to Bank

#### 1) Inadequate Finance:-

SEEUY: Out of 241 units working 150, i.e. 62.24 percent have reported regarding inadequate financing which is cognizable

number. Here the no. of service, industries is 59 which is the largest among Industry, service and business sectors. SEPUP: Out of 421 units working 229 i.e. 54.31 percent, have reported regarding inadequate financing which also cannot be neglected. Here the business sector beneficiaries' number is the largest i.e. 126 having 30.0 percent.

2. Bank Guarantee: In the implementation procedure itself in both the schemes, the Bank Guarantee or Security is exempted, only the assets created out of the loans, are to be hypothecated

Out of the working units 241, in 43 cases of SEEU and out of 421 cases, in 33 cases, the Bankers have demanded guarantors or security which is not only a problem, faced by the beneficiaries, but also amounts to the violation of norms of implementation.

In both the schemes it is observed that the number of securities insisted beneficiaries by the banks is the larger under service sector.

### 3. Disbursement Delay:-

As regards SEEU beneficiaries, 20 working units have reported regarding delay in disbursement whereas in SEPUP, 32 have reported the delay. Among that also, under both the schemes the no. of beneficiaries under business sector, is the largest than that of the industries and service industries.

### B) Problems relating to Government and other Departments:

1. Sales Tax: Under SEEU, there are only two cases facing the problem of Sales Tax where as under the SEPUP there is no such type of

problem.

2. Central Excise: There seems to be no problem of Central Excise to the beneficiaries of both the schemes, perhaps due to the reason that there are no excisable goods produced.

3. Pollution: Under the SFEUY scheme only one industrial unit has reported about pollution problem out of 241 whereas in SEPUP no unit has this problem.

4. Municipality: 7 SFEUY beneficiaries have faced the problem of municipality whereas there are 8 units of SEPUP beneficiaries having the same problem.

5. M.S.E.B: M.S.F.B. office problem is faced by 7 beneficiaries of SFEUY and 6 beneficiaries of SEPUP scheme, perhaps this may be connected with the early power connection, deposits with M.S.F.B etc..

6. DIC: There are only 3 units having the problems of DIC office, perhaps this may be the case that the other 238 units working might not be aware of the various support systems vested with the DIC and hence they might not have approached the DIC about their problems.

As the SEPUP scheme is not being implemented by the DIC., the question of the DIC problems will not arise here.

Other Problems: The number of units having other problems is 3 in case of SFEUY beneficiaries, and 1 in case of SEPUP beneficiaries which is negligible.

c. Problems of General Nature

In the last there are problems of general nature directly connected with the production of the industrial units and regarding the items dealt in by the service industries and business sectors.

1. Raw materials:- Under the SEEUY 15 units and under SUPUP 12 units have reported that they are having problems regarding raw materials.

Here it can be seen that though the no. of units is not major but the problem is major in case of these working units, because their working is dependant on the sufficient availability of raw materials and that too at the cheapest cost.

In SEEUY cases the no. of industrial units is larger i.e. 7 than that of service industries and business.

Here one point to be cleared is that the goods, in which the trading is operated under business sector, are covered under raw material.

In case of SEEUY beneficiaries where the DICS expected to extend the necessary help, might not have come to the rescue of these units.

As regards the SEPUP beneficiaries the support system help seems to be silent as reported earlier. These beneficiaries may also be facing the difficulty of inadequate working capital for want of which they are unable to have bulk purchases at a cheaper price.

2) Place: The beneficiaries facing the problem of rented accomodation or its availability, are 12 in No. under SEEUY as well as SEPUP scheme.

The proper place of the venture in the market is the dominating factor for running the ventures successfully.

For the proper place the beneficiary has to pay the huge amount as

deposit as well as high rent and hence it is beyond the reach of SEPUP beneficiaries.

The Government or Municipality may think over about the problem and arrange to allot the shed at a cheaper rate either on rental basis or on outright purchase basis, to the beneficiaries of SEEU and SEPUP schemes.

3. Marketing: Availability of market is also one of the main factors deciding the profit and loss. Under SEEU and SEPUP, the number of units facing the problem is the same i.e. 20.

Now a days the business world is most competitive and it may be very difficult to these units in infant stage to cope up with.

As in the other problems, DIC might have overlooked or the beneficiaries might not have rushed to DIC being ignorant about the services expected to be extended.

As already said the SEPUP beneficiaries have no support of any support system.

4. Machinery: Under the SEEU scheme 4 beneficiaries have faced the problem of machinery where as there is no problem to beneficiaries under SEPUP.

The problem in this regard may be about defective machinery after sale services, difficulty in operation.

5) Power 8 SEEU beneficiaries and 2 SEPUP beneficiaries faced the problem of power supply among which the no. of service industries units is the largest in both the schemes.



To overcome these problems the forward and backward linkages arrangement is a must, because it has a relation with annual turn over and annual profit of the unit. And if this part is neglected it will result in repayment of loan and hence increasing the overdues of the Bank.

INFORMATION ABOUT THE BENEFICIARIES (WHO COULD NOT BE CONTACTED)

We have stated that 23.32% beneficiaries were not available on the given address. However some information was collected from banks, neighbours etc. and same is furnished as under.

(a) <u>Activity status</u>	Percent
1. Activity reported running	5.49
2. Activity reported changed	1.10
3. Activity reported closed	18.68
4. Activity reported not stored	3.30
5. Nothing is known about status of activity (130 cases)	71.43
	-----
	100.00
	-----

(b) A/c position

On going further into the details of the position of the accounts of these beneficiaries i.e. 130 cases it is observed as under.

	Percent
1) Accounts closed	5.49
2) C.G.C. claims	23.63
3) Suit filed	2.75
4) Accounts running	39.56
	-----
Total	71.43
	-----

(c) Reasons for no response

	Percentage
1) Borrower reported expired	3.85
2) Migrated to other place (name of new place known)	12.07
3) Migrated to other place (new place not known)	11.54
4) Women borrower left place due to marriage	0.55
5) Migrated to other place for service	0.55
6) Was staying earlier at the address but nothing is known about present address	21.98
7) No person of this name ever stayed at the address	23.63
8) Temporarily gone out of place	1.65
9) Borrower not available even after 2/3 visits, address is correct	13.19
10) Borrower denied to give information	10.99
	-----
Total	100.00
	-----

## CHAPTER VII

### REPAYMENT PERFORMANCE IN SEEUY AND SEPUP

In order to study the repayment performance the, data regarding demand and repayment is required. We had prepared two proformae, namely A and B and the sample branch offices were requested to fill in this data and submit to us. The proforma A covered the general information about the sample beneficiary's account such as the purpose of loan, amount of loan, repayment programme, position of the account, rating of the account, amount outstanding as on 31.3.1992, etc. The columns in the proforma were such that all of them can be filled in from the ledger. The proforma B was for all the data on demand and repayment of the sample borrowers.

#### The problems in data

At the time of the field work the proformae were explained to the <sup>branch</sup> ~~branch~~ managers and request was made to fill them in and hand over to our field staff or send to us by post on an urgent basis. However, we have even now not received the proformae from many branches. As an initial exercise we have computed repayment/demand percentages at the branch level and the same are presented in graphical and tabular form. Before we discuss these graphs, it is necessary to understand the nature and quality of data. As explained in the <sup>e</sup> methodology section we have covered in sampling procedure the beneficiaries from the beginning of each of the scheme. Therefore, for the demand/repayment data we had provided for the years from 1983-84 to 1991-92 in the case of SEEUY and from 1986-87 to 1991-92 in the case of SEPUP and requested the branch offices to record the cumulative demand for each of the beneficiary in our sample and give the figures of repayment in each

the data. When we observe the Graph 10, it is clear that there is a sharp decline in the <sup>recovery</sup> percentage from 1985-86. There is rise in the year 1988-89 and again fall. This phenomenon is also observed in many branch level and district level graphs. It appears that around 1987-88 there were special efforts to improve the recovery. Perhaps this has paid the dividends.

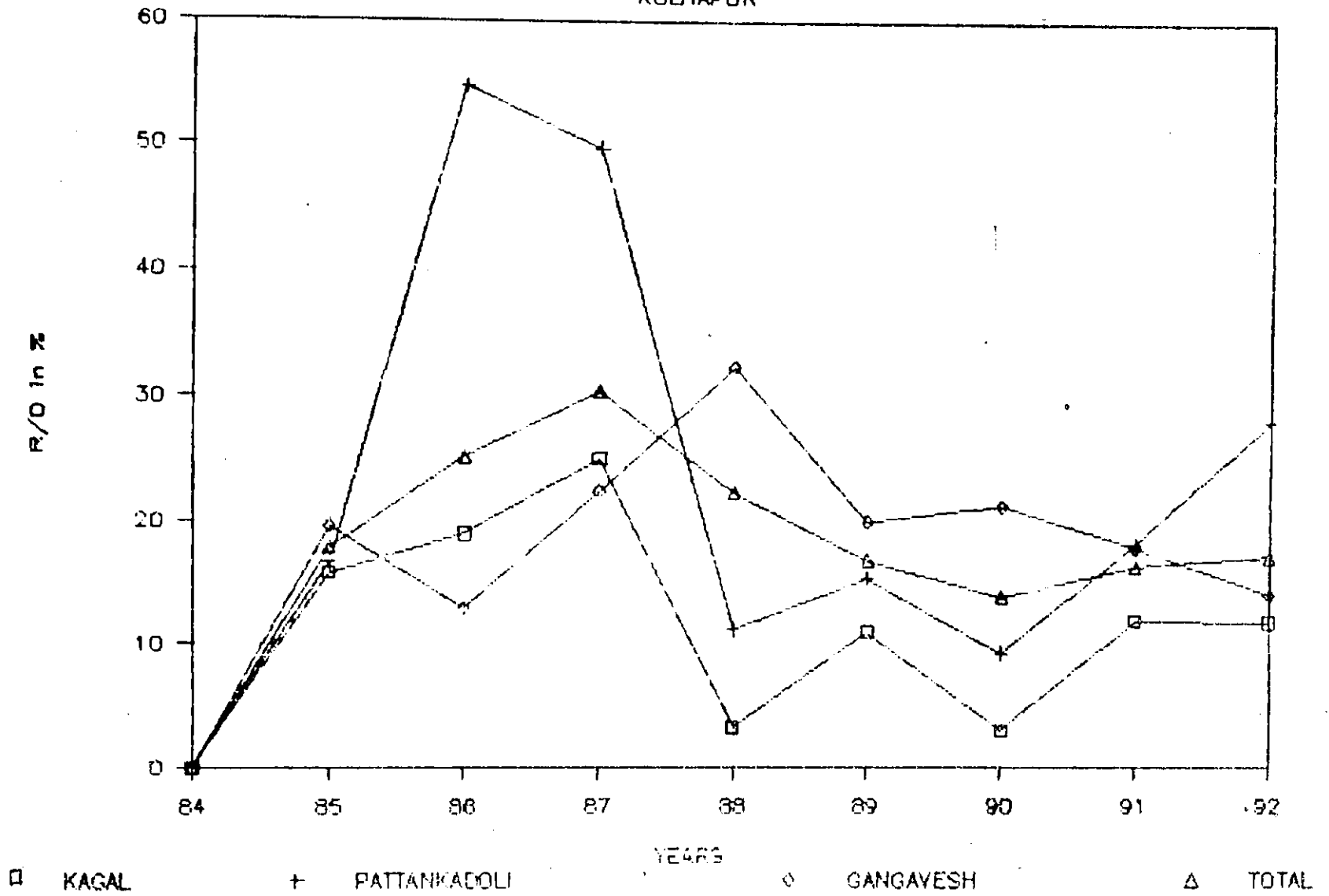
We have prepared another set of graphs in which we look into the behaviour of beneficiaries after one year of borrowing, after two years of borrowing etc. These graphs we have drawn only at district level. Graph 11 covers Kolhapur, Thane, Ratnagiri; Graph 12 covers Aurangabad, Parbhani, Nagpur and Yavatmal; Graph 13 refers to Indore and all districts combined graph is No.14. From Graph 14 it can be seen that the repayment performance is good, more than 45 percent, during the first year. declined to 35 percent in the second year, the decline continues in the third year but there is slight improvement in the fourth year followed by further decline.

We do not take up more detailed discussion on these graphs at this stage since we have many doubts about the data.

Graph No.15 to 22 form the first set for SEPUP and Graph 23 to 26 the second set. Graphs 16 shows the similar trend as shown by Graph 14 except that during the fourth year there is a sharp rise. This might have ~~ar~~risen due to crediting of subsidy.

# Repayment/Demand % (SEEUY)

KOLHAPUR



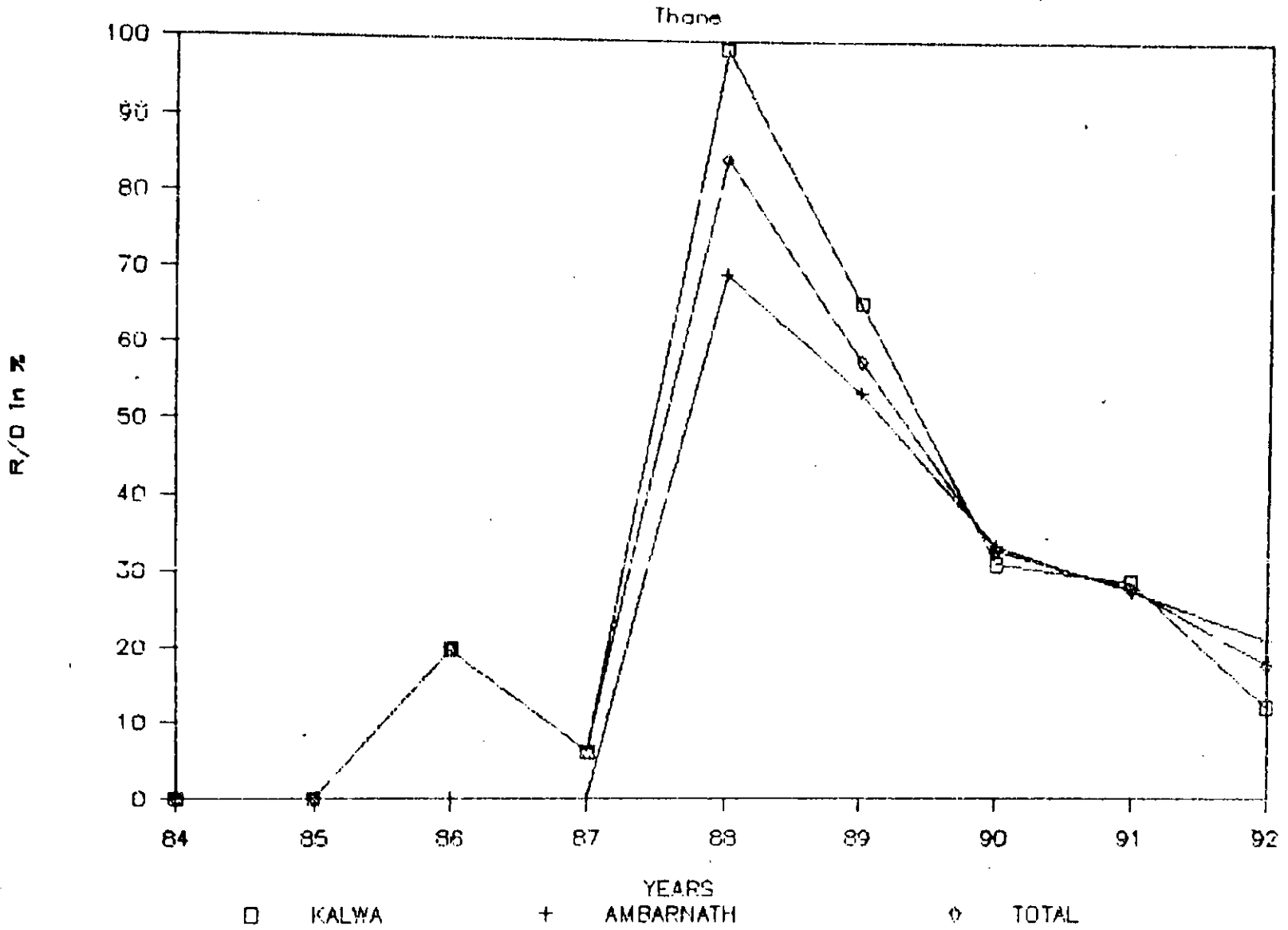
GRAPH 1

## Repayment/Demand % (SEEUY)

Branches	84	85	86	87	88	89	90	91	92
Kagal	0.00	15.79	18.98	25.02	3.23	10.95	2.96	11.91	11.75
Pattankadoli	0.00	16.67	54.73	49.75	11.13	15.35	9.23	18.20	27.96
Gangavesh	0.00	19.61	12.91	22.40	32.39	19.97	21.12	17.80	14.07
	0	3	4	4	5	7	7	9	12
	0	1	5	6	5	6	7	6	7
	0	2	7	10	14	16	15	12	12
	0.00	17.90	25.18	30.39	22.23	16.86	13.85	16.31	17.11
	0	6	16	20	24	29	29	27	31

2nd line indicates number of cases )

# Repayment/Demand % (SEEUY)



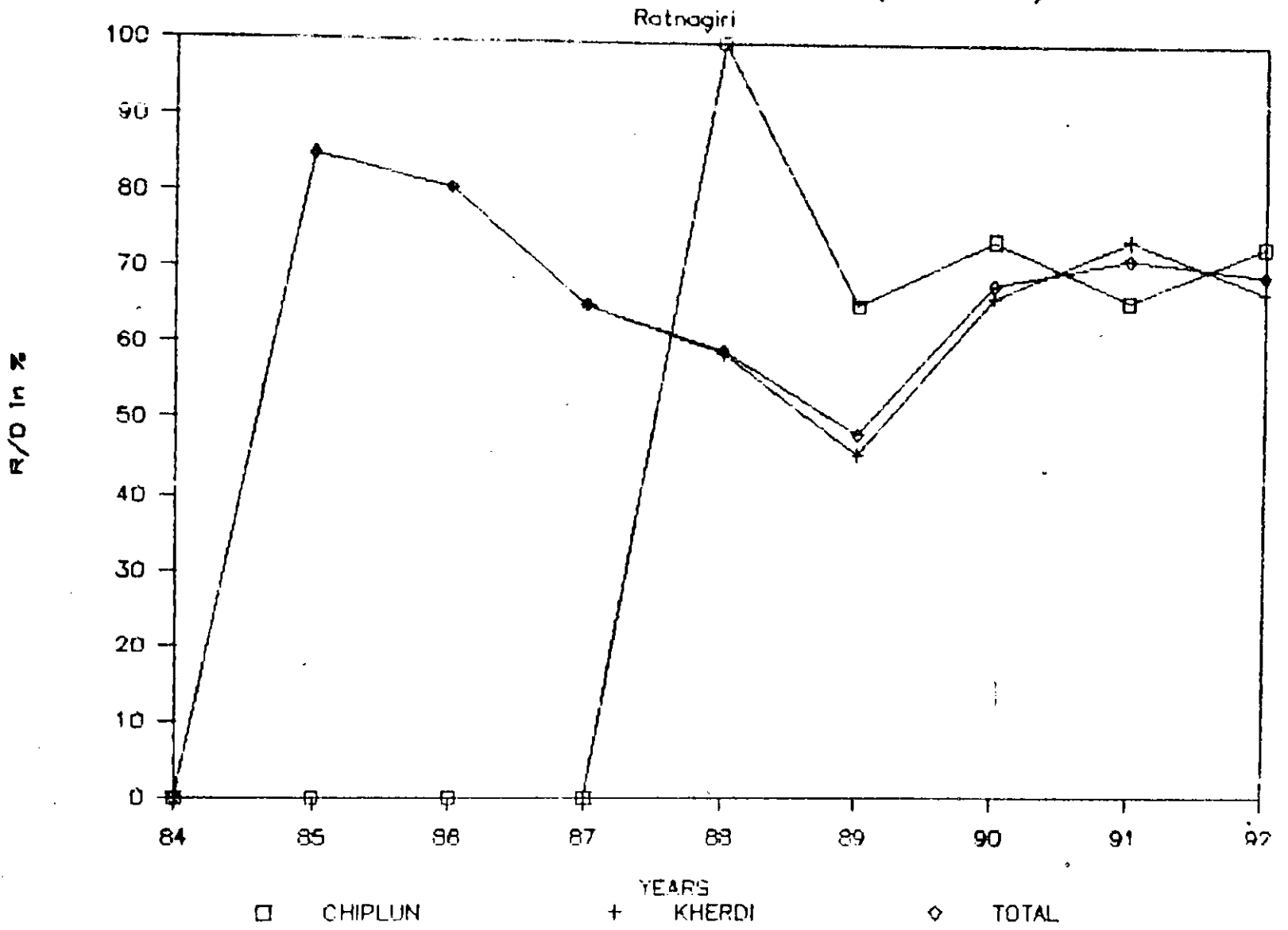
GRAPH 2

## Repayment/Demand % (SEEUY)

Years	84	85	86	87	88	89	90	91	92
Kalwa	0.00	0.00	19.66	6.04	98.84	65.46	30.86	28.47	11.96
Ambarnath	0.00	0.00	0.00	0.00	69.25	53.52	33.18	27.25	20.92
Total	0.00	0.00	19.66	6.04	84.55	57.69	32.64	27.61	17.67

Second line indicates number of cases )

# Repayment/Demand % (SEEUY)



GRAPH 3

## Repayment/Demand % (SEEUY)

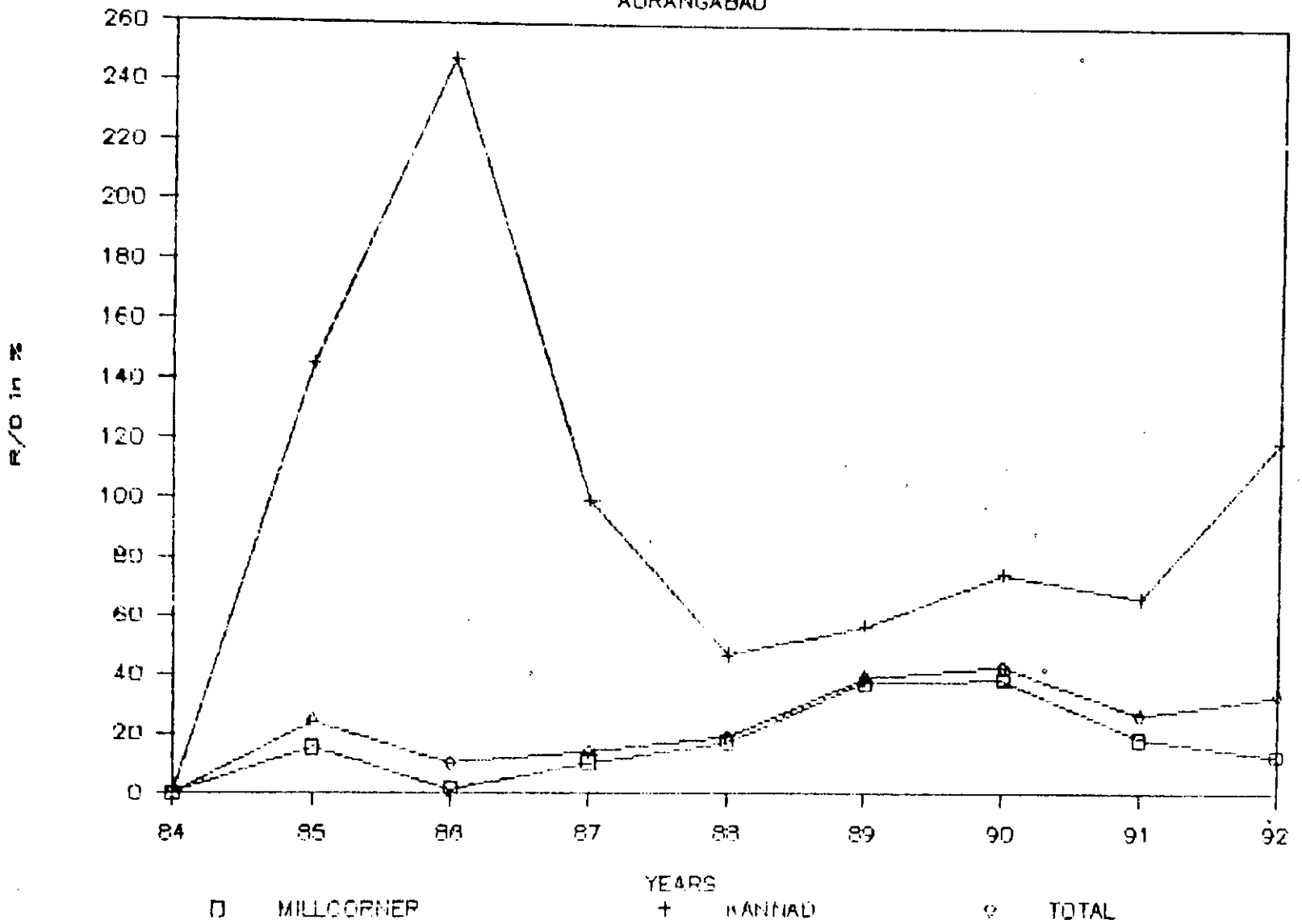
Years	84	85	86	87	88	89	90	91	92
Chiplun	0.00	0.00	0.00	0.00	100.00	65.15	73.72	65.71	73.05
Kherdi	0.00	85.02	80.54	65.08	58.65	45.47	66.24	73.83	66.83
Total	0.00	85.02	80.54	65.08	58.99	48.13	67.83	71.31	69.15

and line indicates number of cases )



# Repayment/Demand % (SEEUY)

AURANGABAD



GRAPH 4

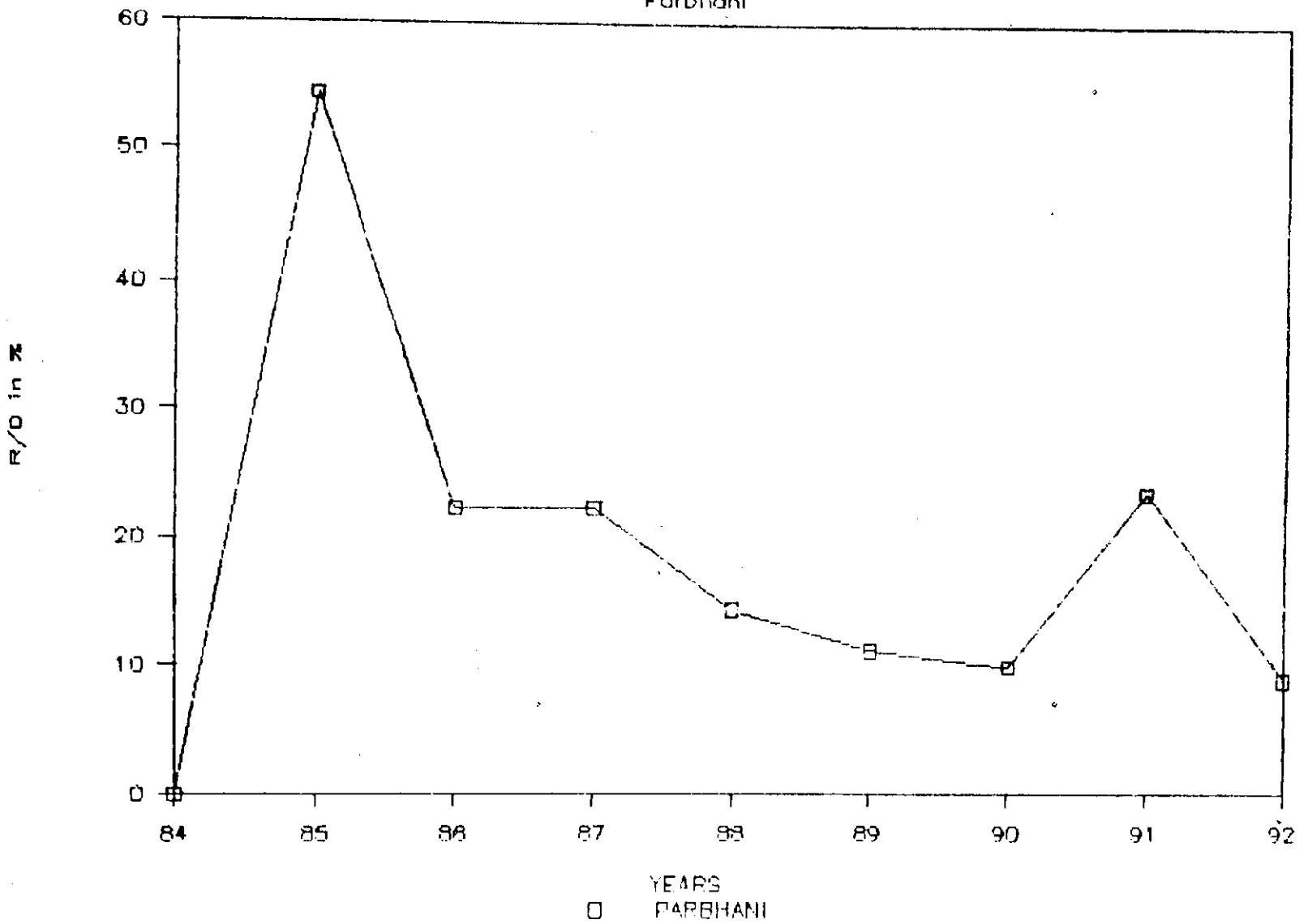
## Repayment/Demand % (SEEUY)

Branches	84	85	86	87	88	89	90	91	92
Milcorner	0.00	15.29	1.18	10.01	17.27	37.28	38.36	18.38	12.52
	1	6	7	10	13	15	16	14	11
Kanniad	0.00	145.19	247.92	99.39	46.99	56.55	74.47	66.24	119.86
	1	1	1	2	4	7	8	8	10
<b>Total</b>	<b>0.00</b>	<b>24.10</b>	<b>9.97</b>	<b>14.04</b>	<b>18.99</b>	<b>39.13</b>	<b>42.92</b>	<b>26.34</b>	<b>33.06</b>
	2	7	8	12	17	22	24	22	21

(d line indicates number of cases )

# Repayment/Demand % (SEEUY)

Parbhani



GRAPH 5

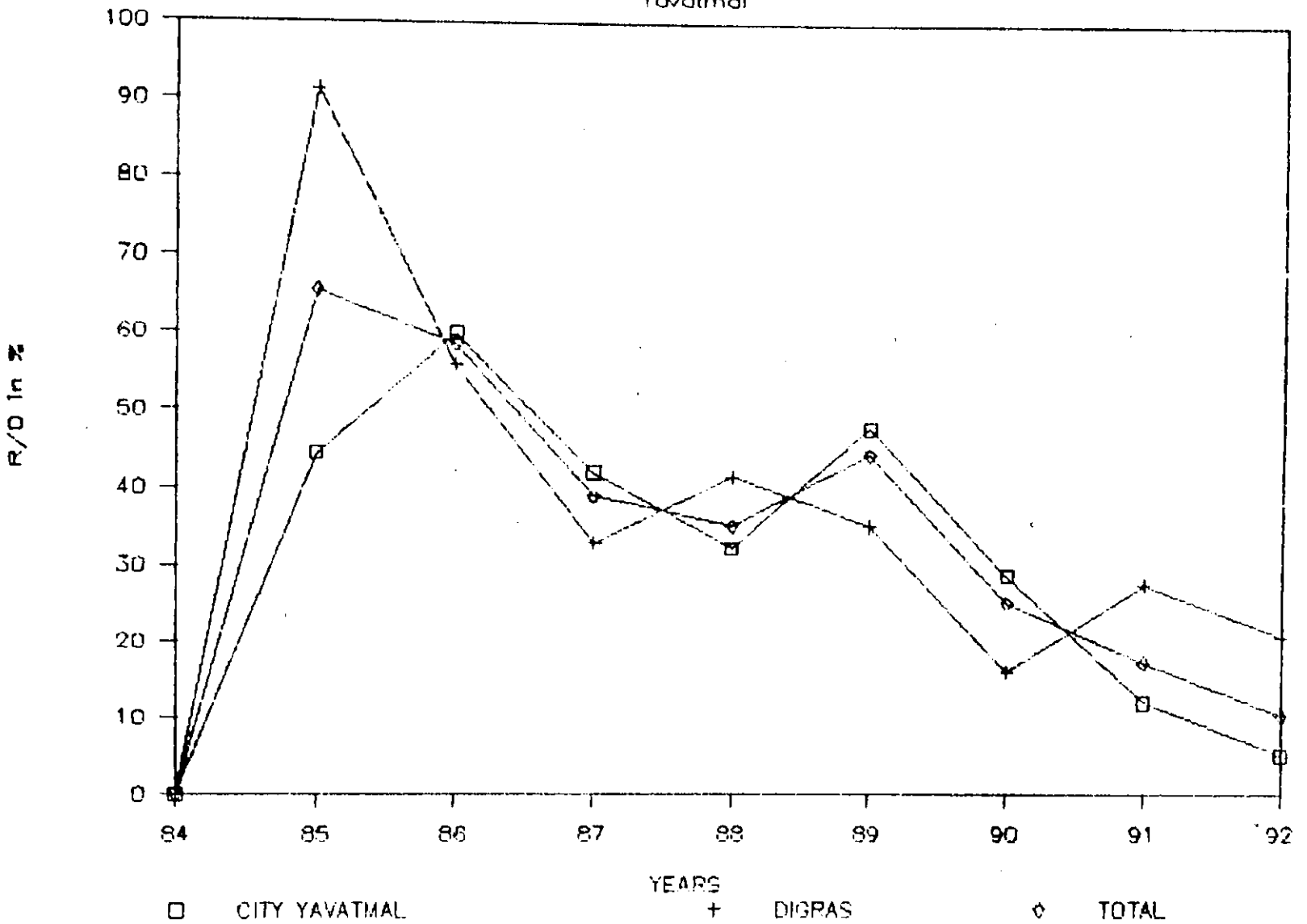
## Repayment/Demand % (SEEUY)

Years	84	85	86	87	88	89	90	91	92
Parbhani	0.00	54.45	22.30	22.32	14.31	11.11	9.84	23.47	8.83
	0	4	6	8	11	14	18	19	18

( 2nd line indicates number of cases )

# Repayment/Demand % (SEEUY)

Yavatmal



GRAPH 6

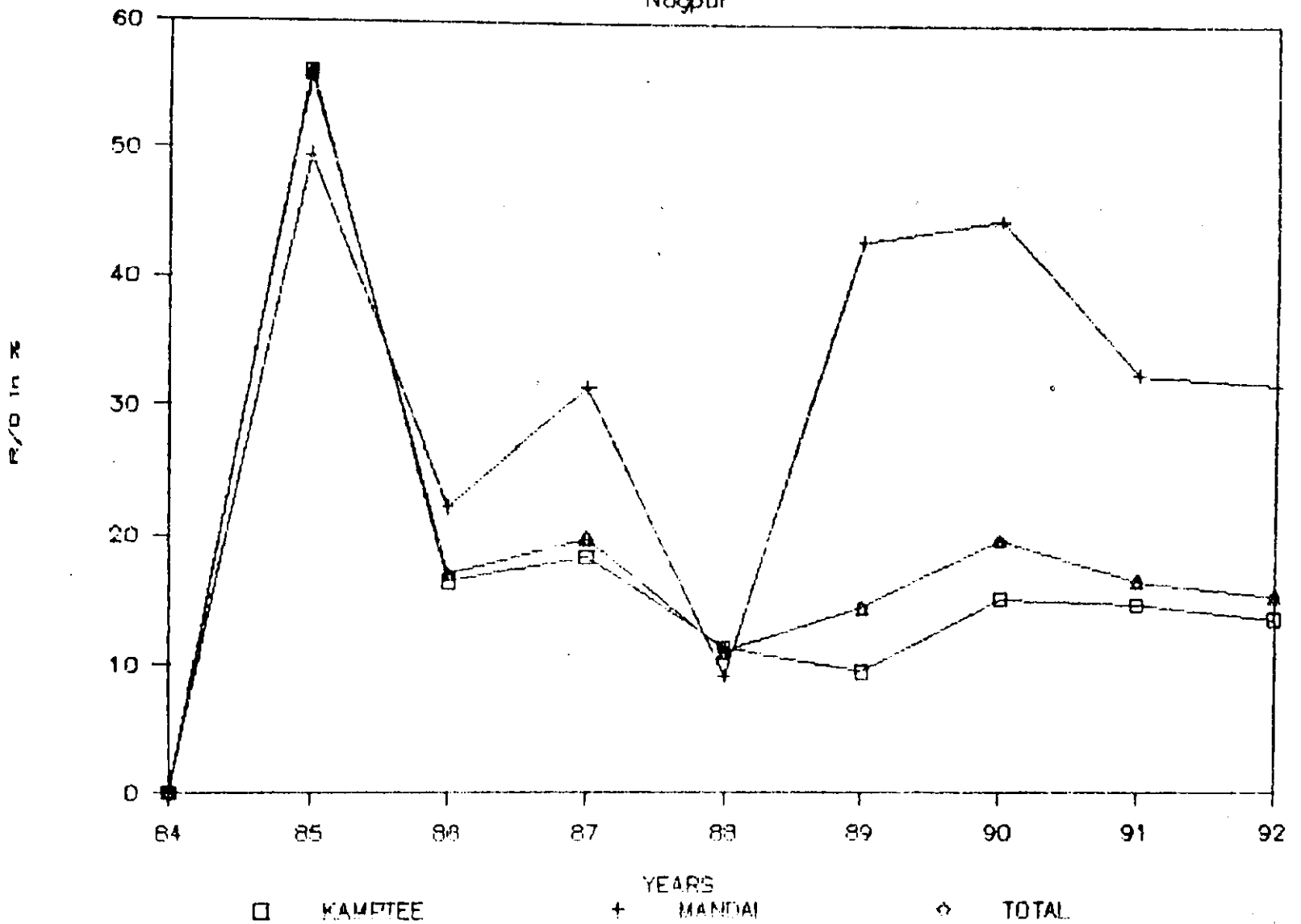
## Repayment/Demand % (SEEUY)

Branches	84	85	86	87	88	89	90	91	92
Yavatmal	0.00	44.38	59.87	41.91	32.25	47.71	28.65	12.07	5.09
Digras	0.00	91.31	55.77	32.79	41.40	35.08	16.12	27.55	20.69
<b>Total</b>	<b>0.00</b>	<b>65.52</b>	<b>58.55</b>	<b>38.90</b>	<b>35.06</b>	<b>44.27</b>	<b>25.08</b>	<b>17.29</b>	<b>10.25</b>

(dashed line indicates number of cases)

# Repayment/Demand % (SEEUY)

Nagpur



GRAPH 7

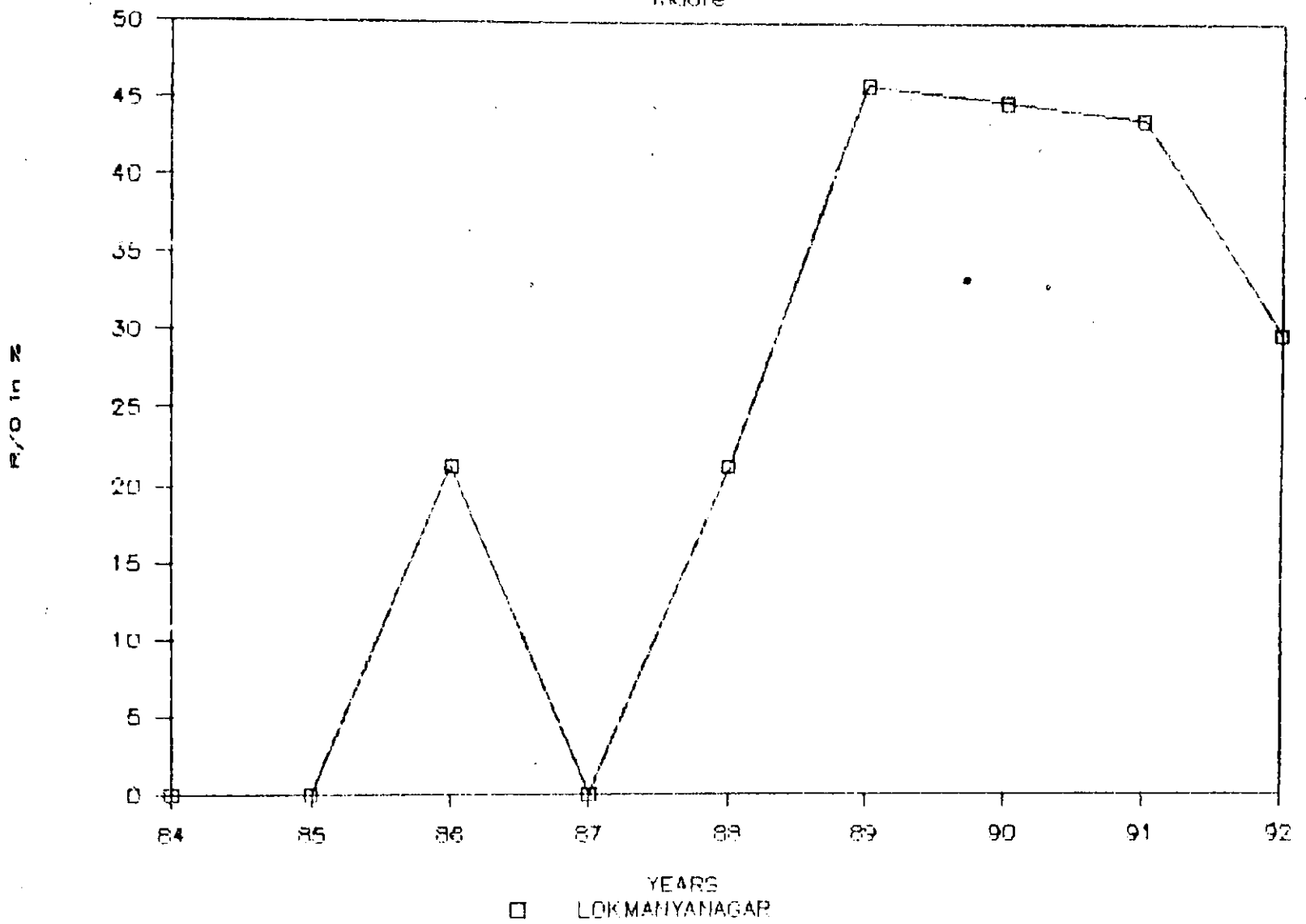
## Repayment/Demand % (SEEUY)

Cases	84	85	86	87	88	89	90	91	92
Kamftee	0.00	56.12	16.43	18.42	11.38	9.55	15.11	14.74	13.61
Mandai	0.00	49.50	22.17	31.42	9.12	42.98	44.67	32.60	31.74
Total	0.00	55.84	17.01	19.86	11.13	14.48	19.69	16.47	15.34
	0	5	3	3	4	5	6	4	5
	0	6	18	22	25	30	34	32	29

(dashed line indicates number of cases)

# Repayment/Demand % (SEEUY)

Indore



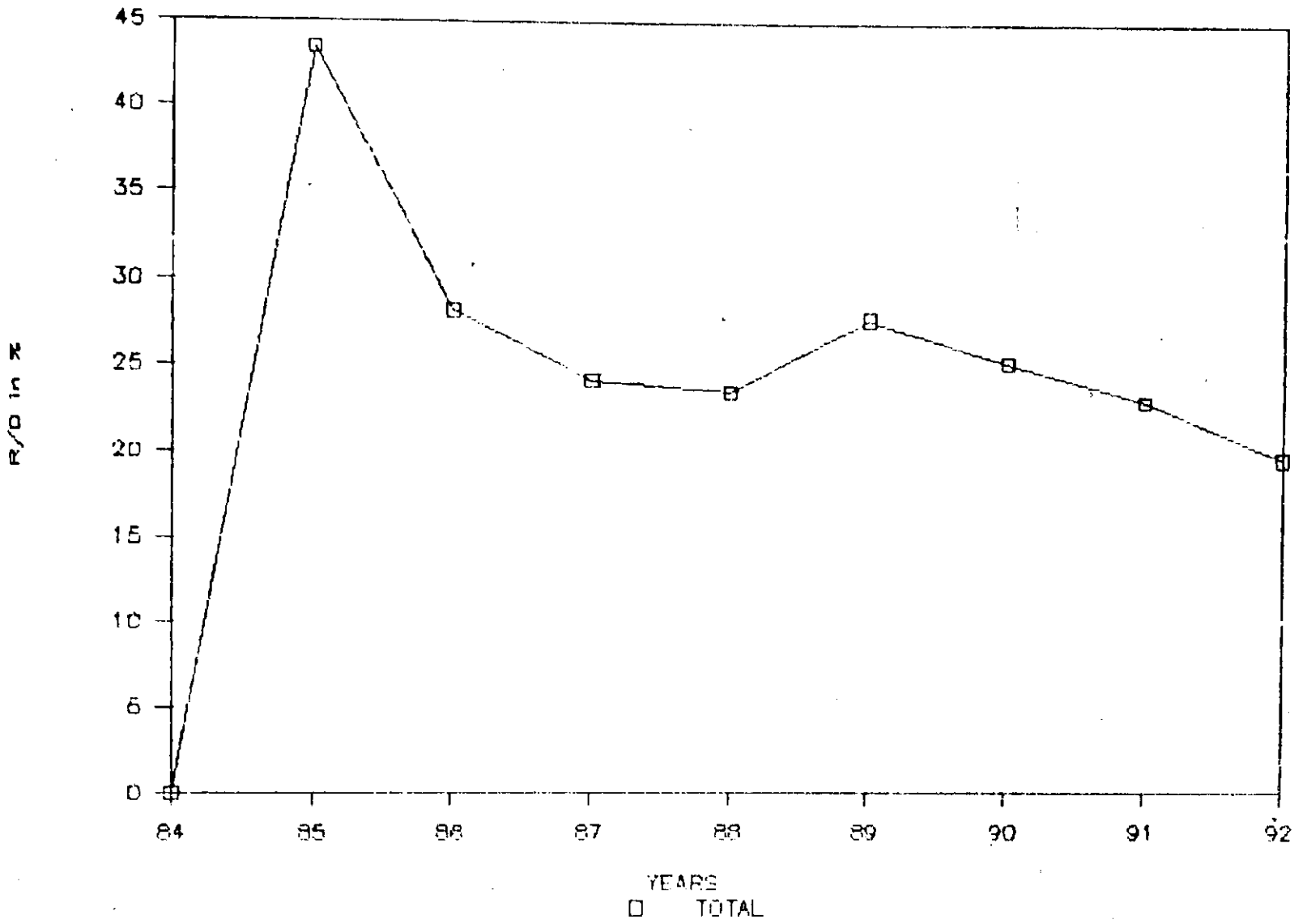
GRAPH 8

## Repayment /Demand % (SEEUY)

Years	84	85	86	87	88	89	90	91	92
Repayment /Demand % (SEEUY)	0.00	0.00	21.25	0.00	21.20	45.91	44.77	43.60	29.71
Number of cases	0	0	1	1	3	3	9	10	12

(dashed line indicates number of cases)

# Repayment/Demand % (SEEUY)



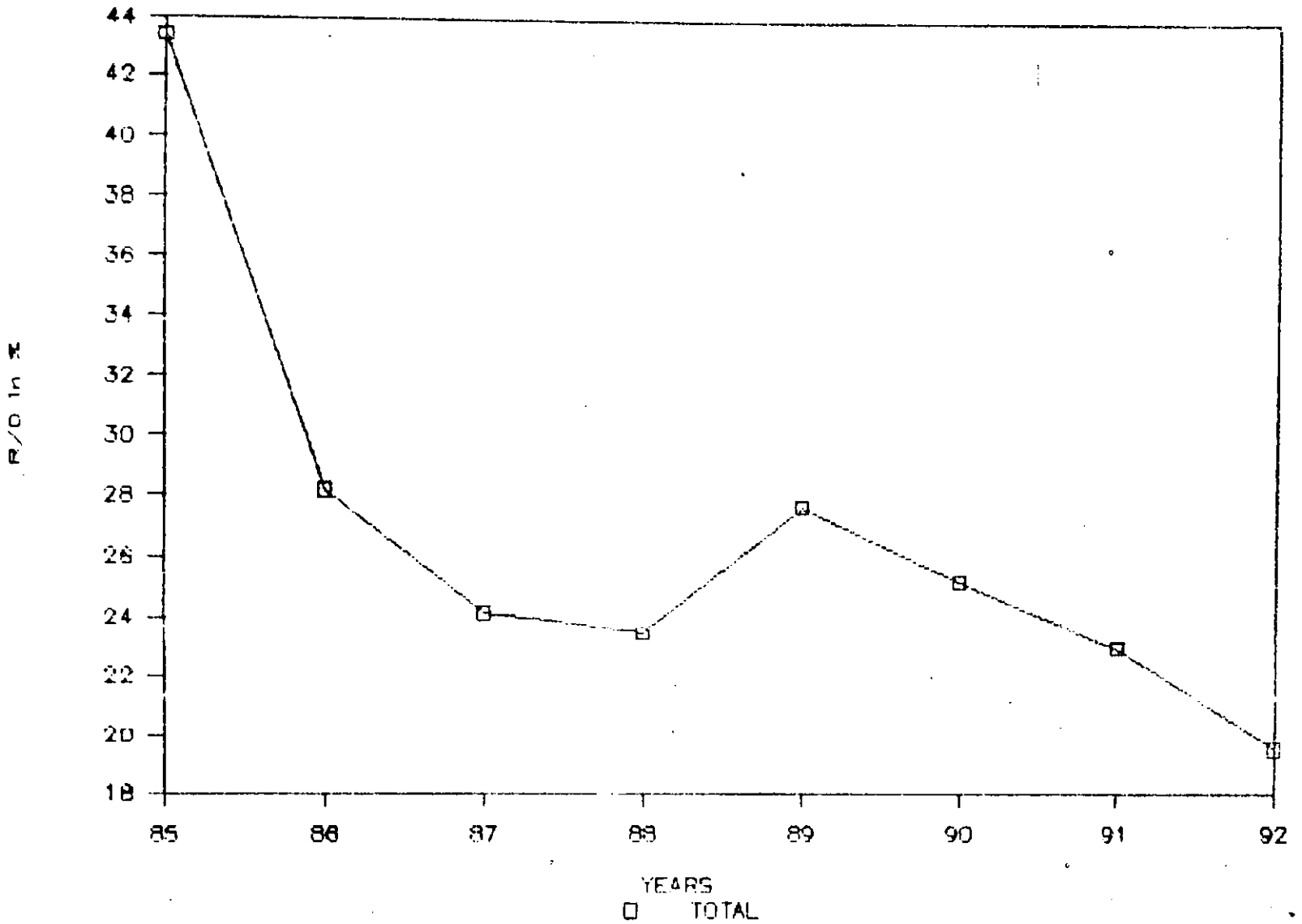
GRAPH 9

## Repayment/Demand % (SEEUY)

Cases	84	85	86	87	88	89	90	91	92
R/D %	0.00	43.43	28.20	24.12	23.49	27.62	25.16	22.95	19.53
Number of cases	0	36	70	88	115	138	165	163	172

and line indicates number of cases )

# Repayment/Demand % (SEEUY)



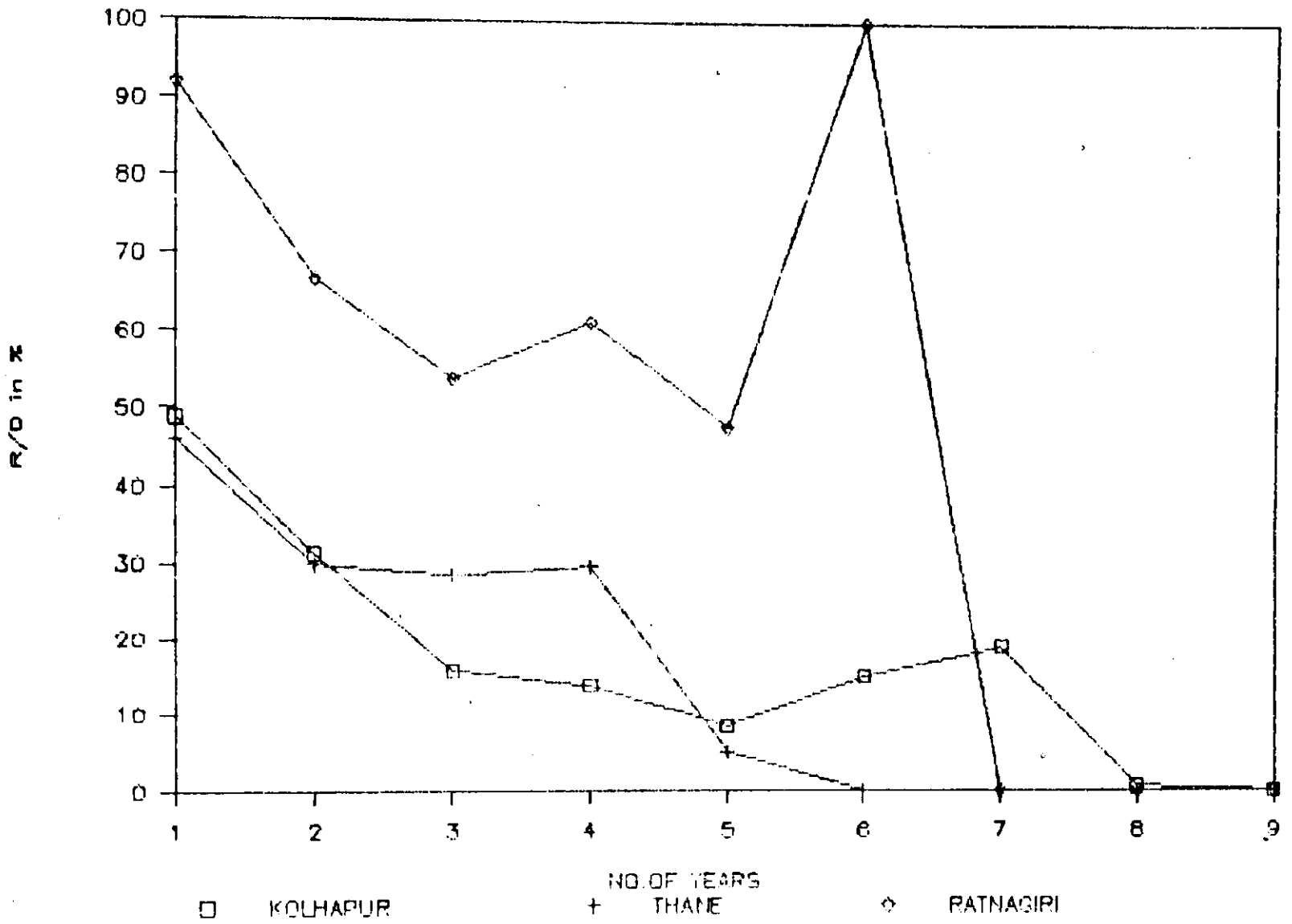
GRAPH 10

## Repayment/Demand % (SEEUY)

Branches	85	86	87	88	89	90	91	92
Total	43.43	28.20	24.12	23.49	27.62	25.16	22.95	19.53
	36	70	88	115	138	165	163	172

( 2 nd line indicates number of cases )

# Repayment/Demand % (SEEUY)



GRAPH 11

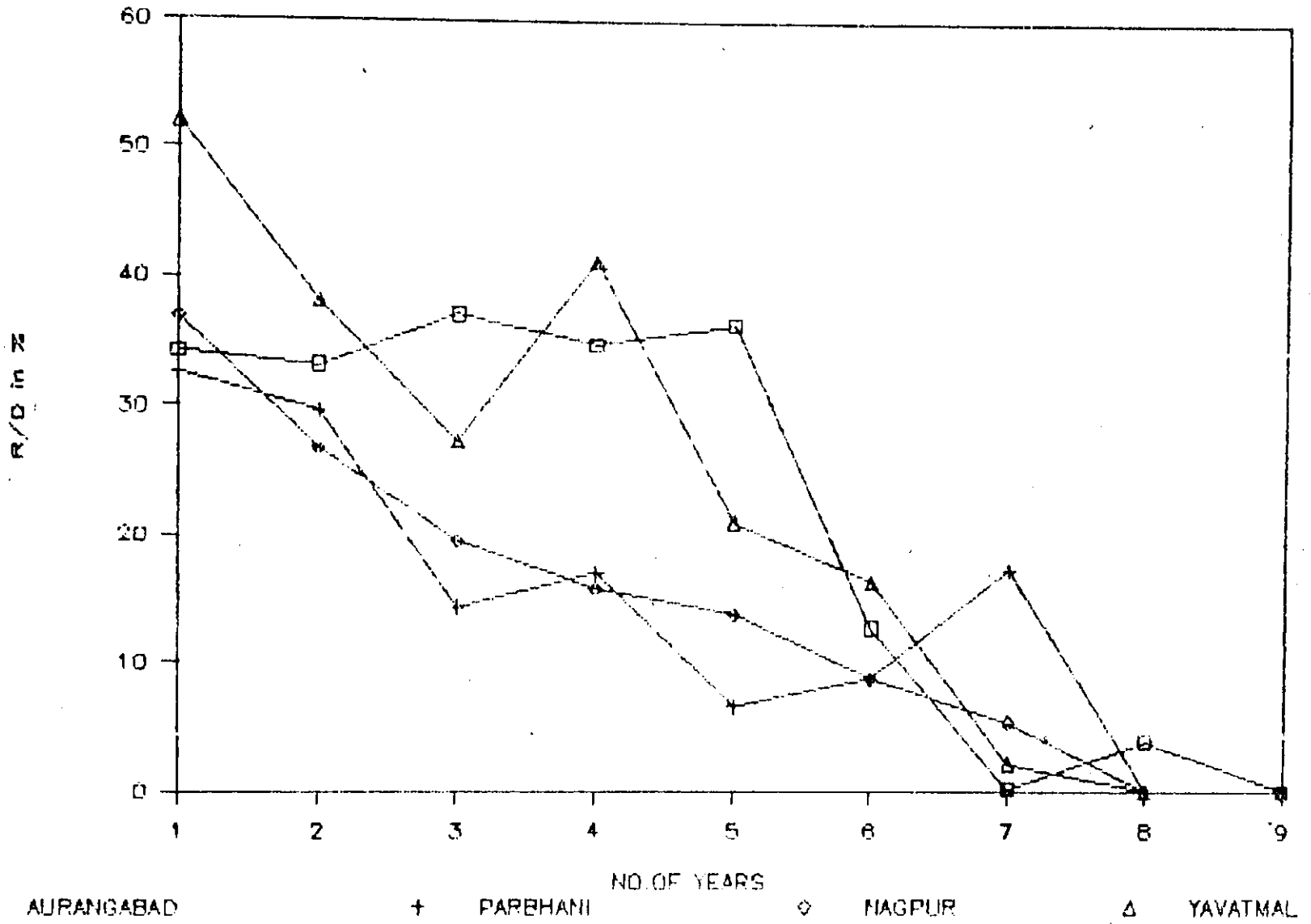
## Repayment/Demand % (SEEUY)

Years	1	2	3	4	5	6	7	8	9
Kolhapur	48.89	31.19	15.66	13.73	8.41	14.78	18.67	0.53	0.00
Thane	46.14	29.73	28.22	29.34	4.96	0.00	0.00	0.00	0.00
Ratnagiri	92.00	66.50	53.63	61.03	47.37	100.00	0.00	0.00	0.00
Number of cases	38	34	30	28	20	15	13	4	0

(dashed line indicates number of cases)



# Repayment/Demand % (SEEUY)



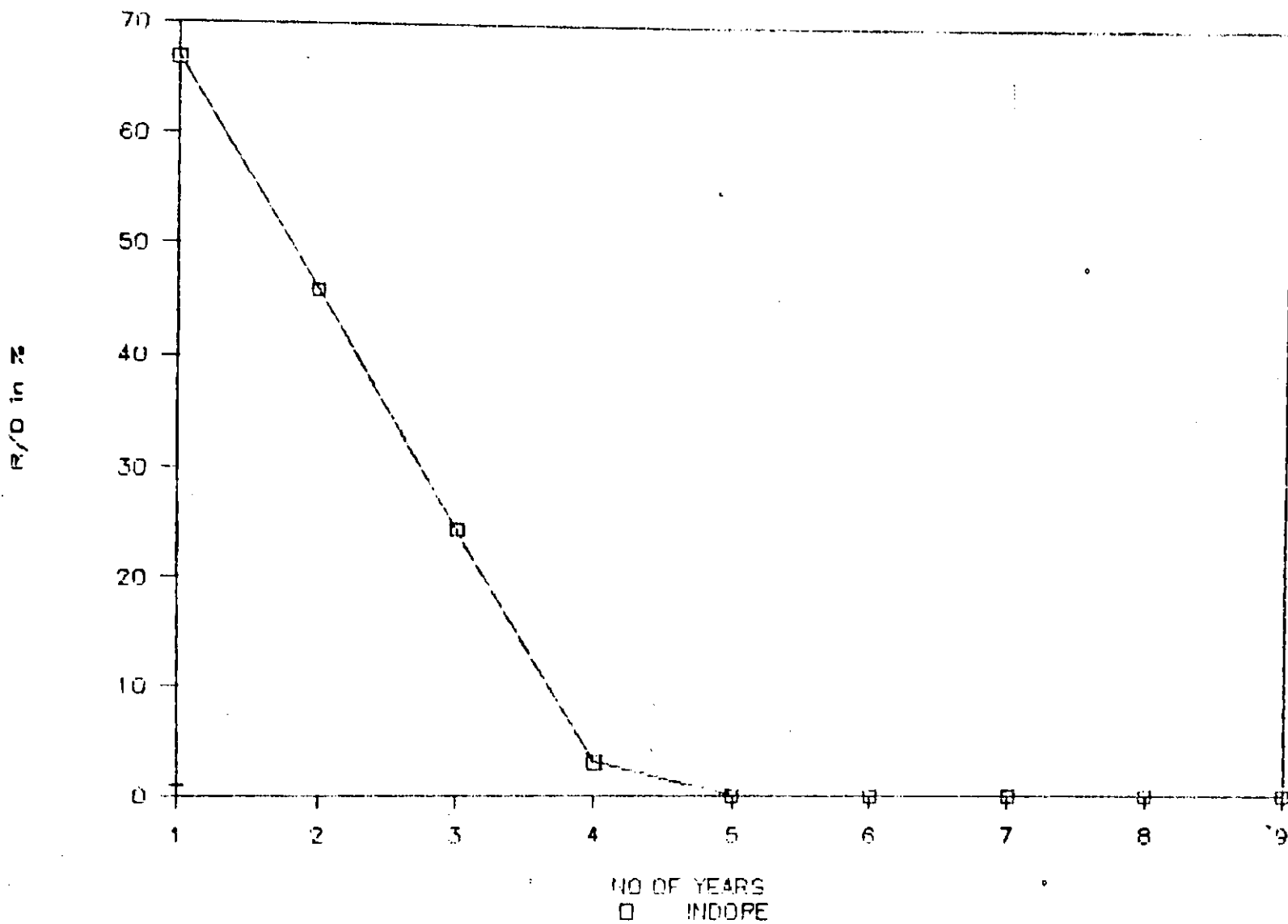
GRAPH 12

## Repayment/Demand % (SEEUY)

Branches	1	2	3	4	5	6	7	8	9
ad	34.24	33.18	37.14	34.75	36.29	12.70	0.17	3.85	0.00
	29	26	26	20	15	8	5	5	1
bhani	32.65	29.66	14.34	17.00	6.54	8.75	17.26	0.00	0.00
	19	19	18	14	11	8	6	3	0
pur	36.94	26.75	19.55	15.75	13.80	8.72	5.31	0.00	0.00
	40	37	33	30	22	18	12	4	0
al	52.08	38.12	27.33	41.17	21.01	16.33	2.11	0.00	0.00
	39	33	30	22	19	12	6	4	0

and line indicates number of cases )

# Repayment/Demand % (SEEUY)



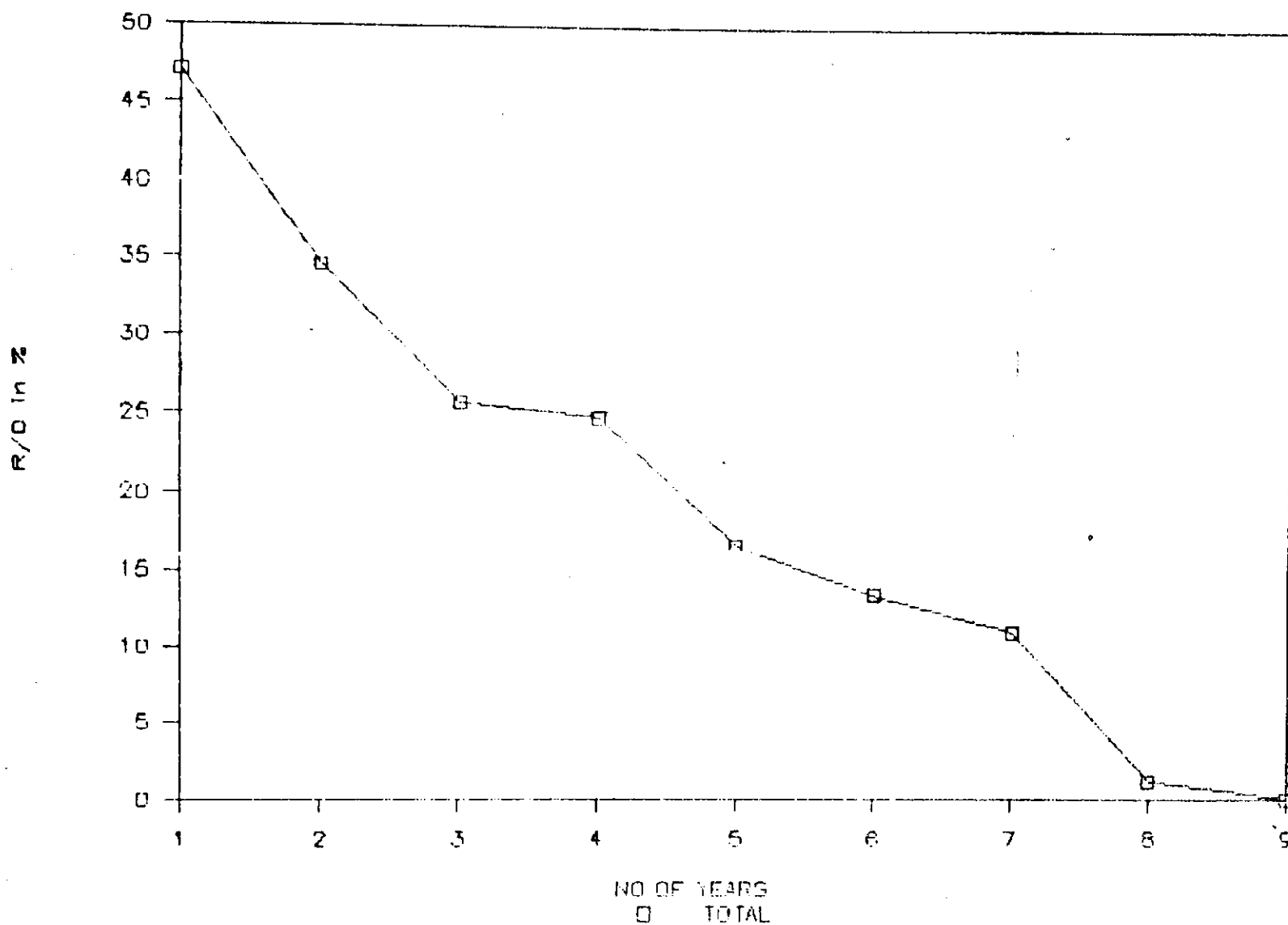
GRAPH 13

## Repayment/Demand % (SEEUY)

Years	1	2	3	4	5	6	7	8	9
Percentage	66.80	45.93	24.30	3.06	0.00	0.00	0.00	0.00	0.00
Number of cases	14	12	10	2	1	0	0	0	0

nd line indicates number of cases )

# Repayment/Demand % (SEEUY)



GRAPH 14

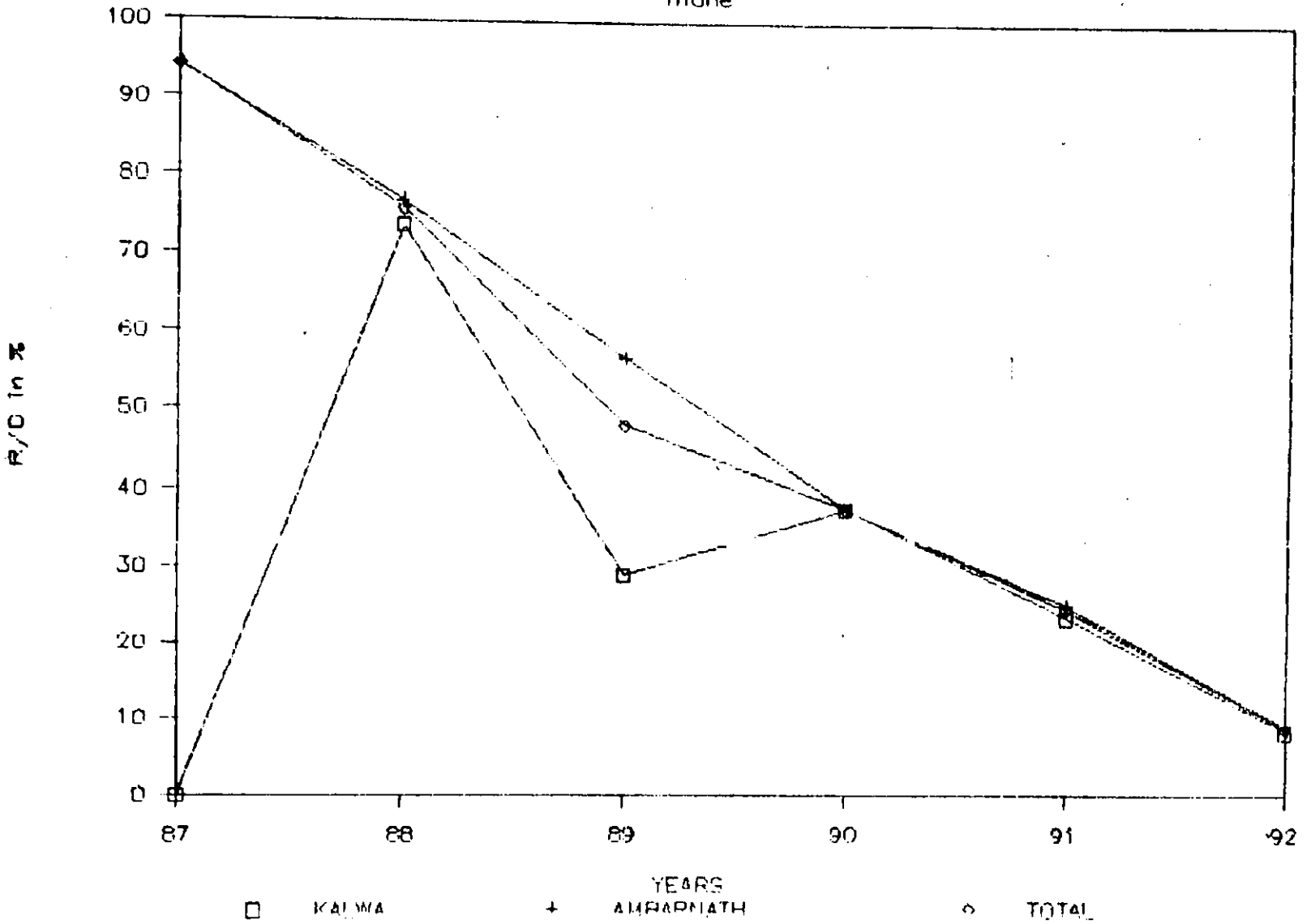
## Repayment/Demand % (SEEUY)

Years	1	2	3	4	5	6	7	8	9
Total	47.08	34.51	25.70	24.73	16.48	13.36	10.89	1.16	0.00
	220	196	177	135	96	62	42	20	1

nd line indicates number of cases )

# Repayment/Demand % (SEPUP)

Thane



GRAPH 15

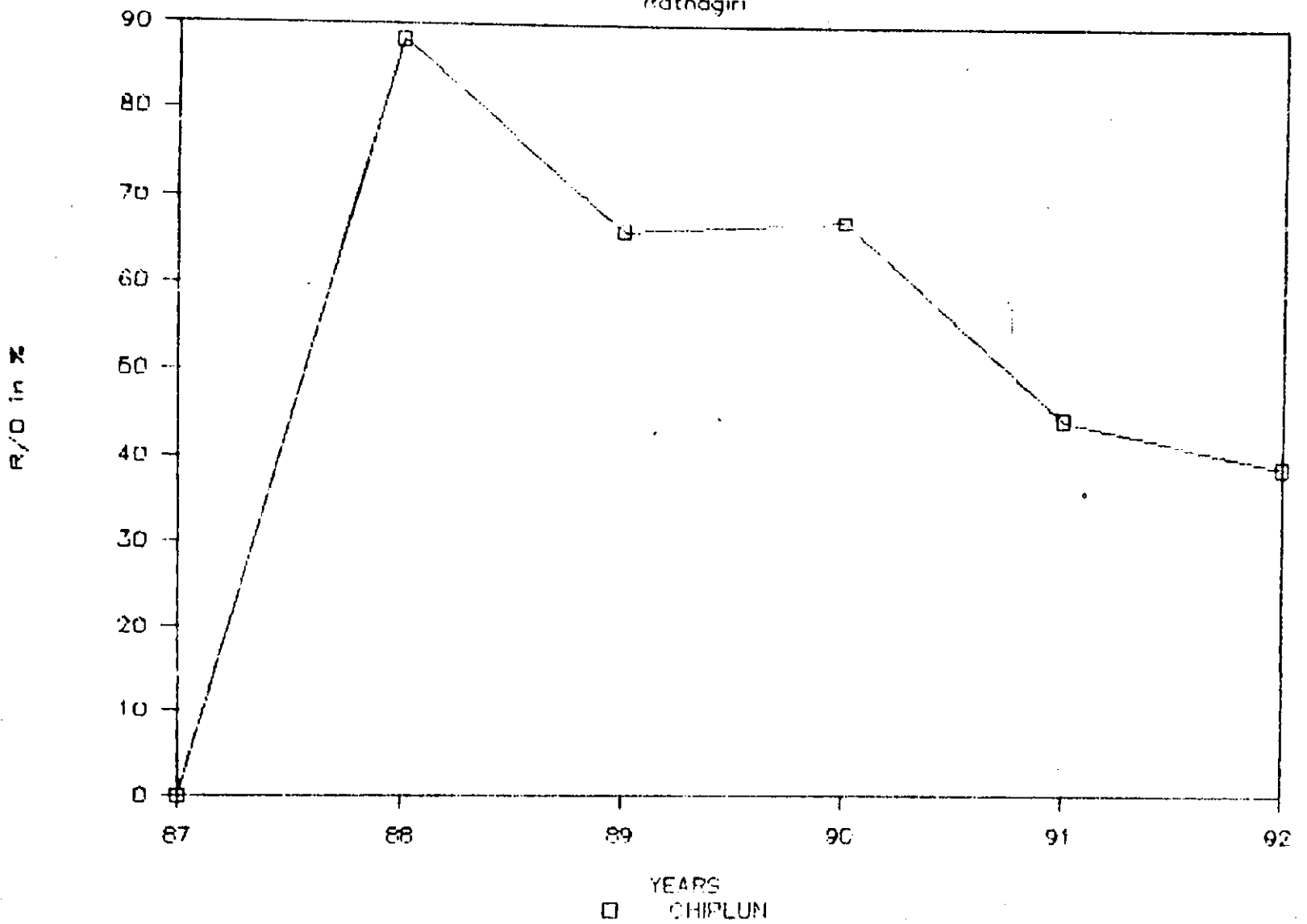
## Repayment/Demand % (SEPUP)

Branches	87	88	89	90	91	92
Kalwa	0.00	73.53	28.77	37.16	23.22	8.21
	0	5	6	12	13	11
Ambarnath	94.20	76.77	56.56	37.12	24.64	8.78
	2	11	27	54	65	66
	94.20	75.76	47.86	37.13	24.29	8.64
	2	16	33	66	78	77

( 2nd line indicates number of cases )

# Repayment/Demand % (SEPUP)

Ratnagiri



GRAPH 16

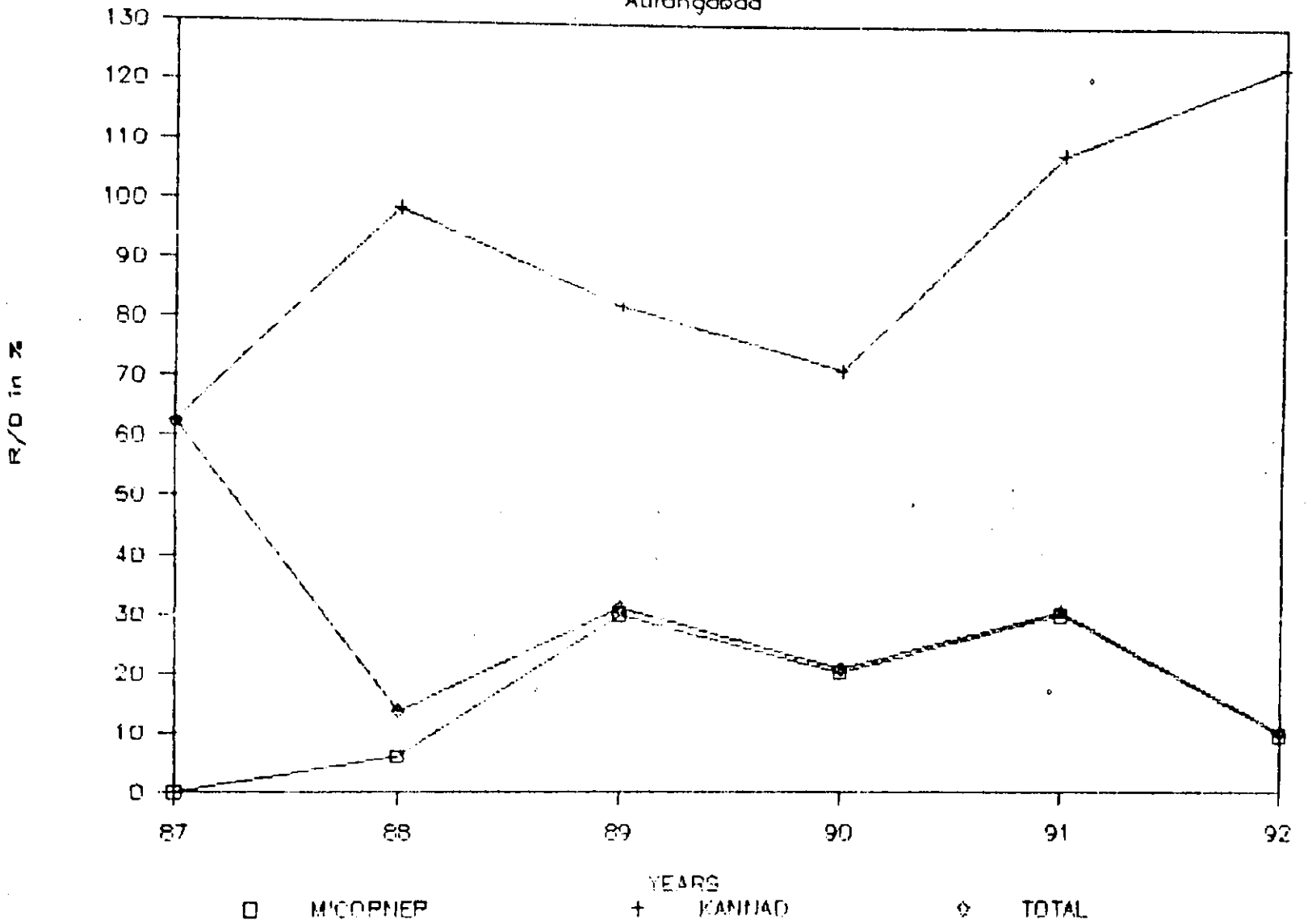
## Repayment/Demand % (SEPUP)

Branches	87	88	89	90	91	92
Chiplun	0.00	88.11	65.96	67.14	44.25	38.72
	0	6	20	31	30	28

( 2nd line indicates number of cases )

# Repayment/Demand % (SEPUP)

Aurangabad



GRAPH 17

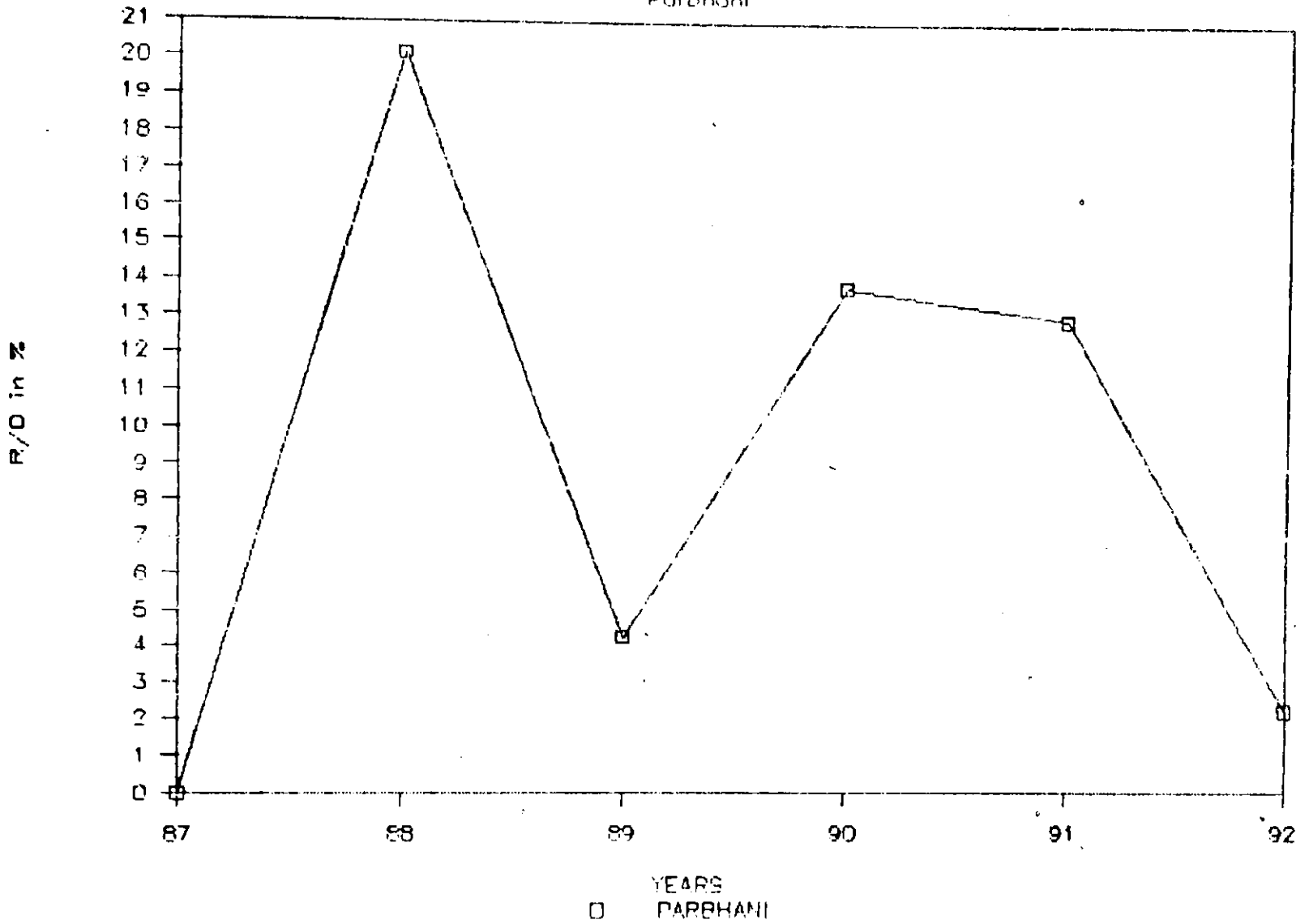
## Repayment /Demand % (SEPUP)

Branches	87	88	89	90	91	92
M'corner	0.00	5.99	30.04	20.32	30.17	9.68
	0	18	18	38	38	41
kannad	62.50	98.34	82.19	71.25	106.07	123.10
	5	19	27	33	27	28
	62.50	13.61	31.11	20.87	30.66	10.15
	5	37	45	71	65	69

( 2nd line indicates number of cases )

# Repayment/Demand % (SEPUP)

Parbhani



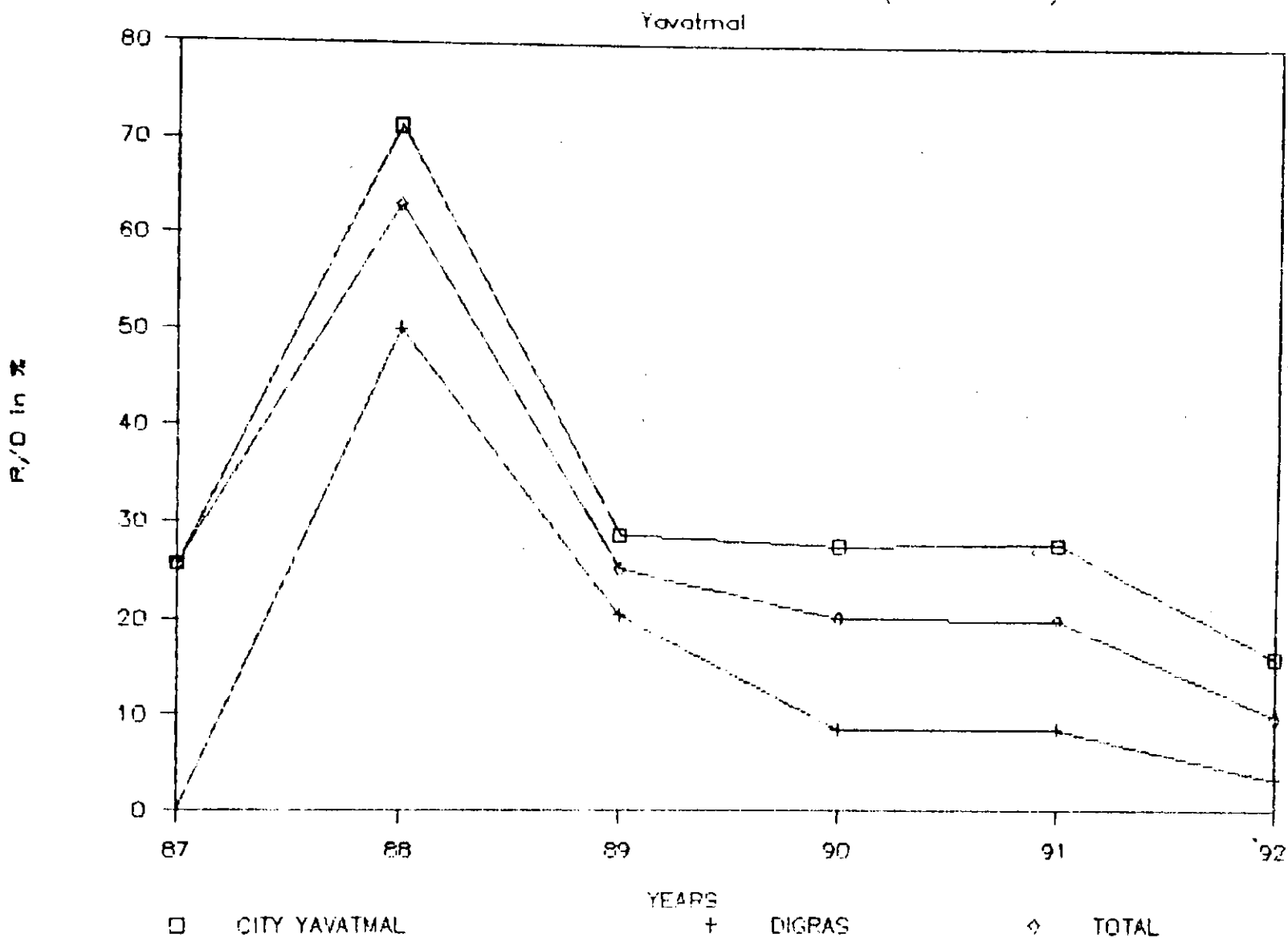
GRAPH 18

## Repayment/Demand % (SEPUP)

Branches	87	88	89	90	91	92
Parbhani	0.00	20.14	4.25	13.75	12.89	2.20
	0	8	15	23	32	37

( 2nd line indicates number of cases )

# Repayment/Demand % (SEPUP)



GRAPH 19

## Repayment/Demand % (SEPUP)

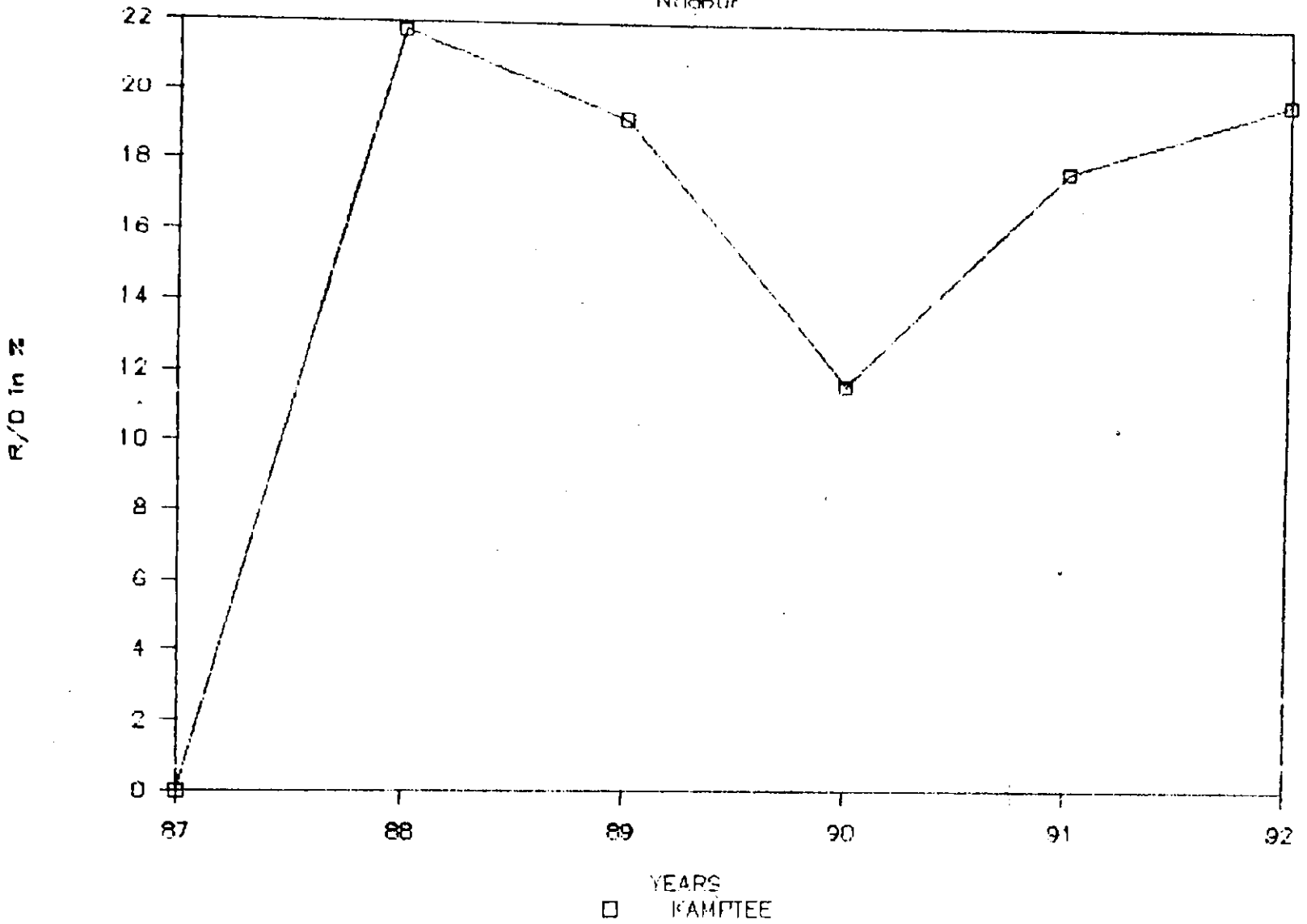
Branches	87	88	89	90	91	92
Yavatmal	25.71	71.29	28.82	27.70	27.89	16.00
	6	20	22	31	35	28
Digras	0.00	50.07	20.36	6.48	8.50	3.25
	0	17	17	27	29	30
	25.71	62.99	25.31	20.13	19.97	9.79
	6	37	39	58	64	58

( 2nd line indicates number of cases )



# Repayment/Demand % (SEPUP)

Nagpur



GRAPH 20

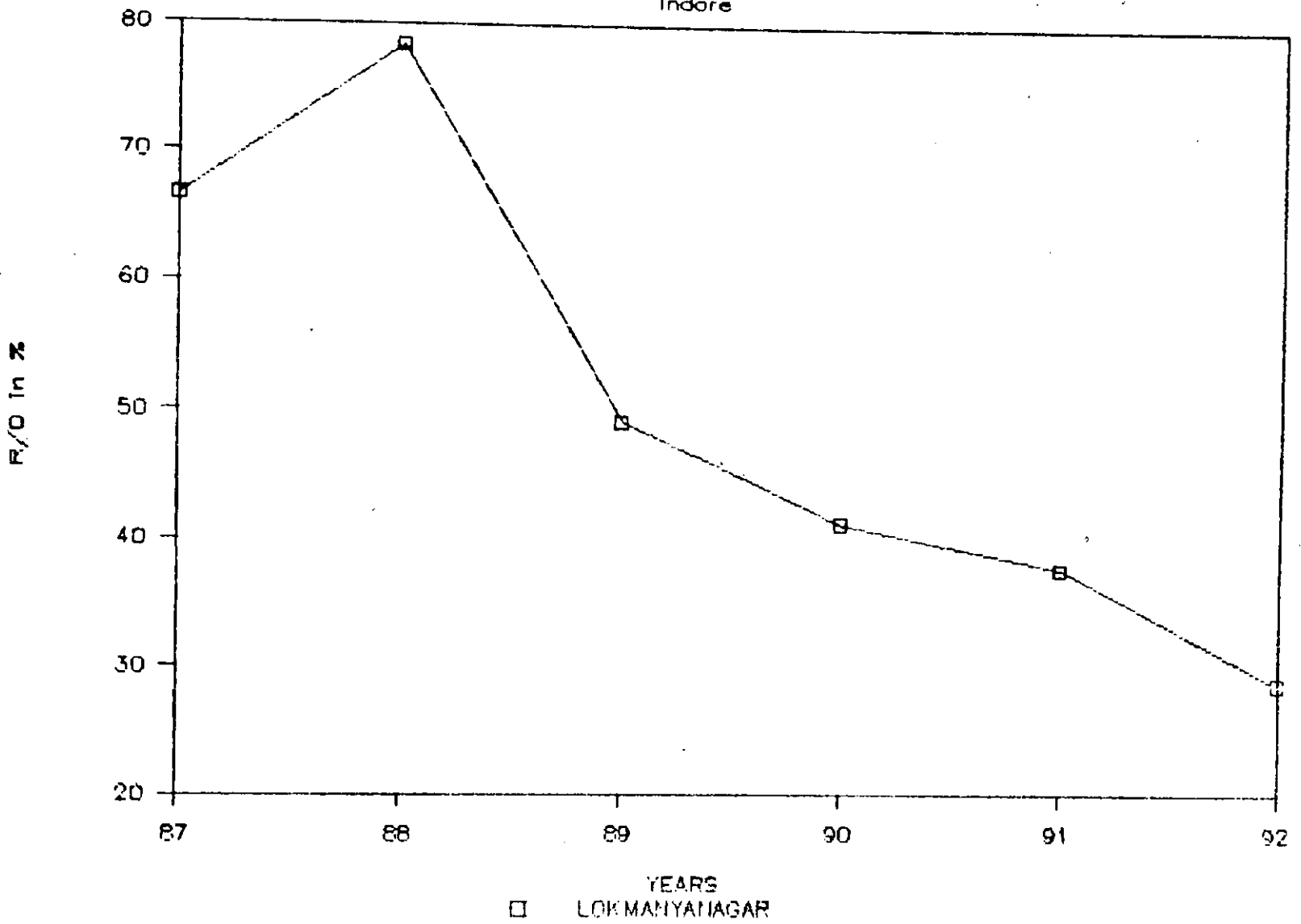
## Repayment/Demand % (SEPUP)

Branches	87	88	89	90	91	92
Kamptee	0.00	21.76	19.26	11.64	17.81	19.81

( 2nd line indicates number of cases )

# Repayment/Demand % (SEPUP)

Indore



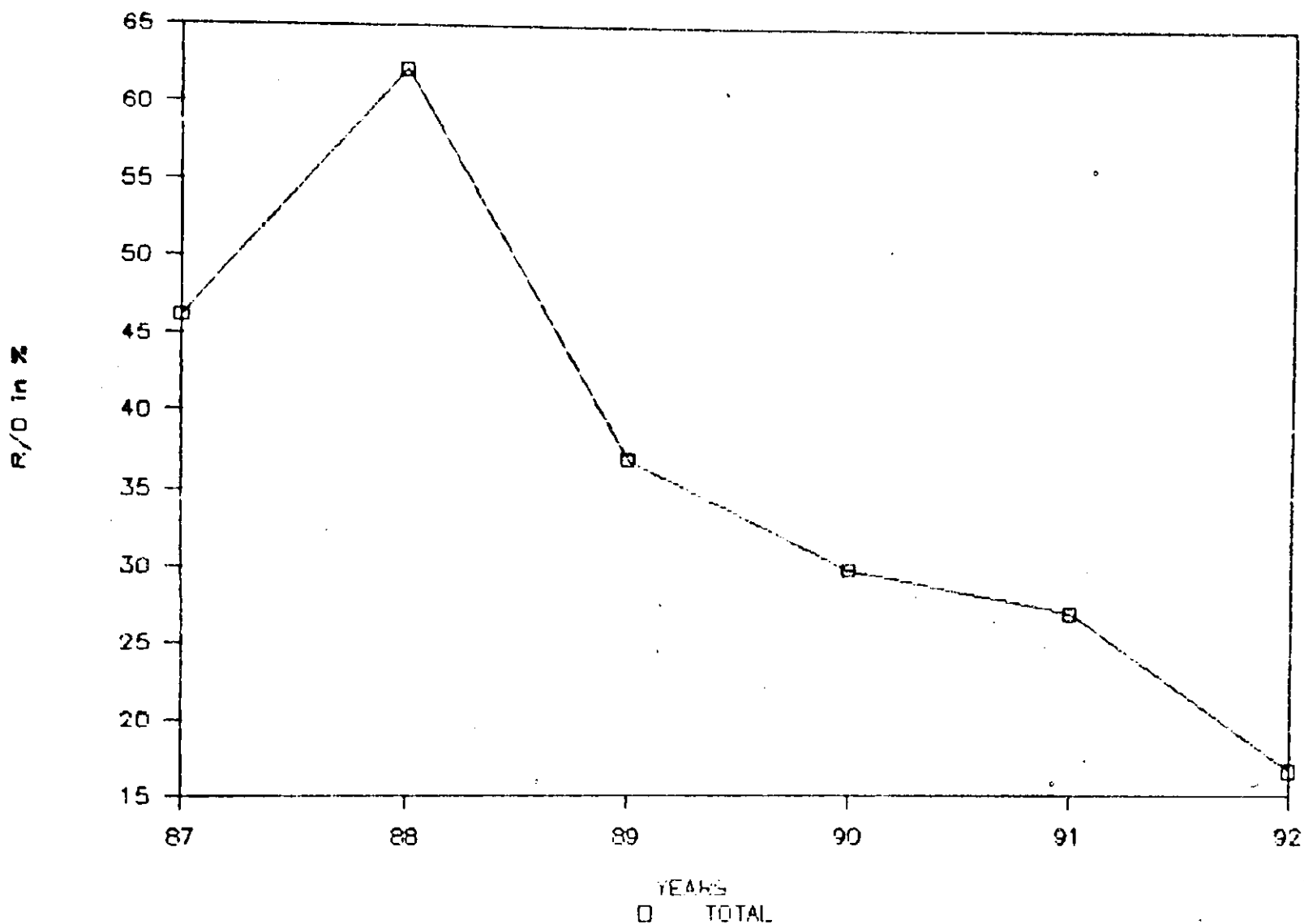
GRAPH 21

## Repayment/Demand % (SEPUP)

Branches	87	88	89	90	91	92
L'nagar	66.67	78.35	49.18	41.22	37.68	28.55

( 2nd line indicates number of cases )

# Repayment/Demand % (SEPUP)



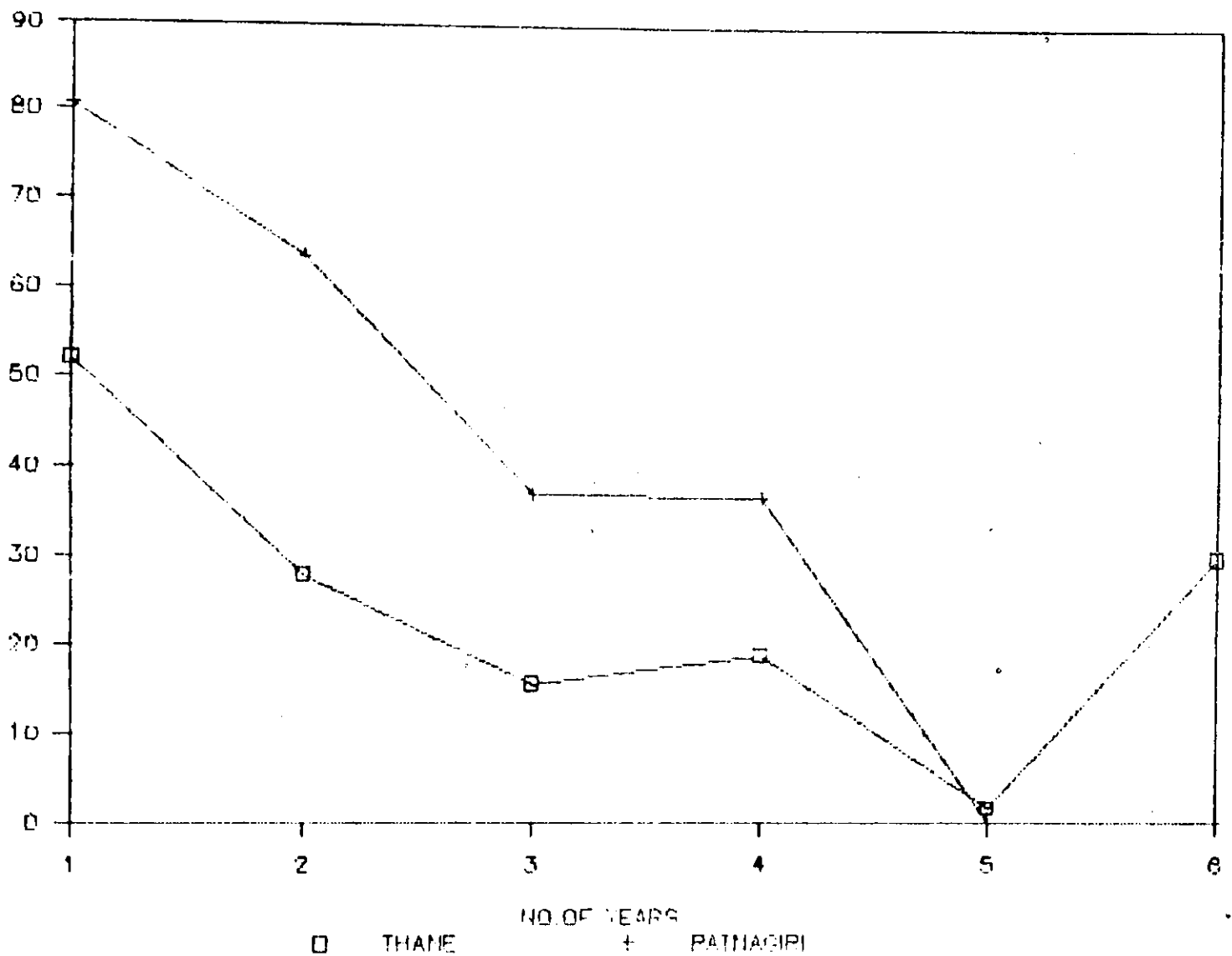
GRAPH 22

## Repayment/Demand % (SEPUP)

Branches	87	88	89	90	91	92
Total	46.17	62.15	36.80	29.70	26.87	16.61
	14	131	203	322	347	353

( 2 nd line indicates number of cases )

# Repayment/Demand % (SEPUP)



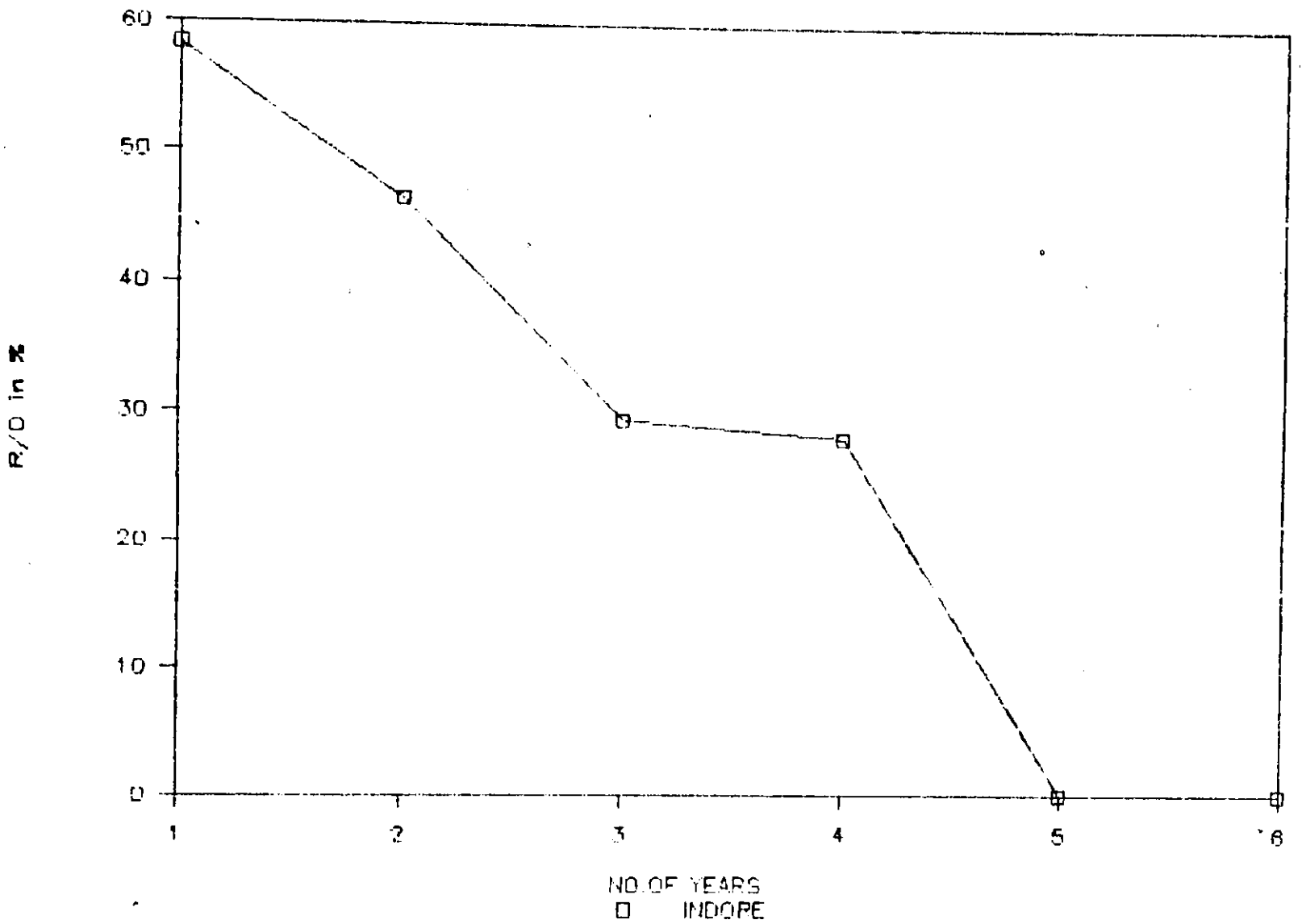
GRAPH 23

## Repayment/Demand % (SEPUP)

Branches	1	2	3	4	5	6
Thane	52.01 86	27.84 81	15.58 65	18.90 30	1.58 9	29.73 1
Ratnagiri	80.52 35	63.53 33	36.96 31	36.49 14	0.00 2	0.00 0

( 2 nd line indicates number of cases )

# Repayment/Demand % (SEPUP)



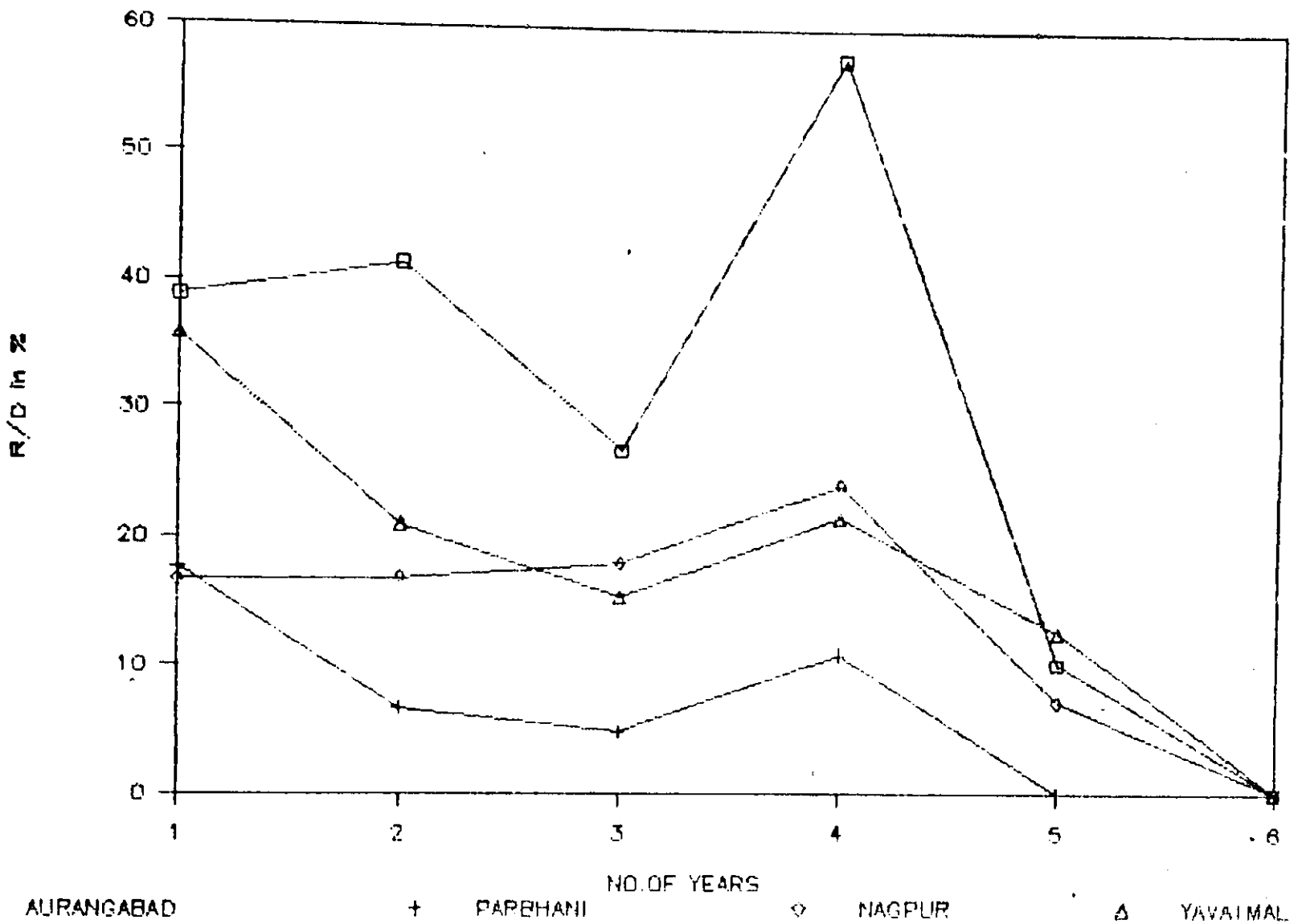
GRAPH 24

Repayment/Demand % (SEPUP)

Branches	1	2	3	4	5	6
Indore	58.29	46.42	29.45	28.04	0.00	0.00
	35	29	23	10	0	0

( 2 nd line indicates number of cases )

# Repayment/Demand % (SEPUP)



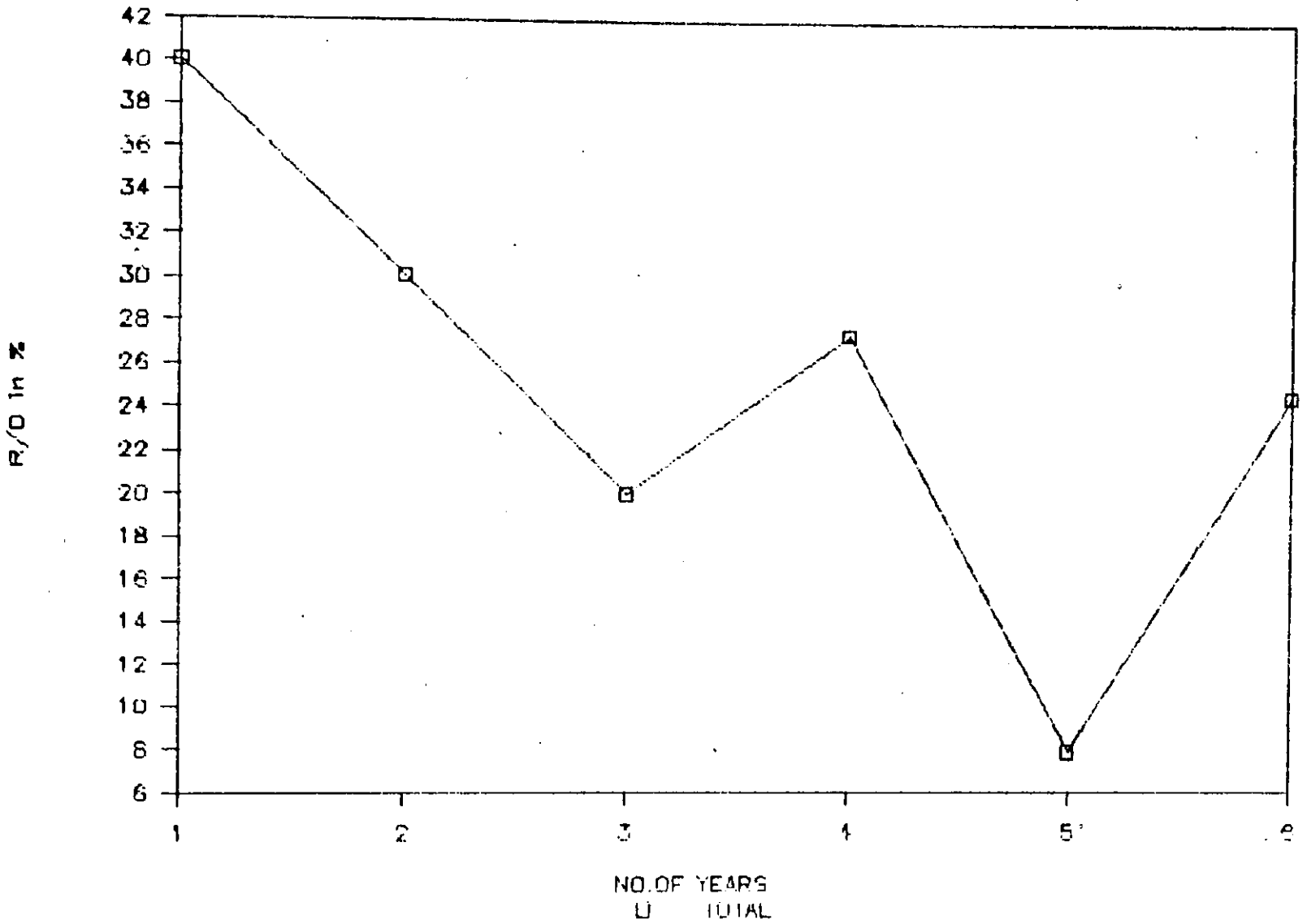
GRAPH 25

## Repayment/Demand % (SEPUP)

Branches	1	2	3	4	5	6
A'bad	38.87	41.45	26.89	57.61	10.13	0.00
	81	72	71	42	26	0
Parbhani	17.72	6.62	4.82	10.86	0.00	0.00
	37	32	23	15	8	0
Nagpur	16.65	16.84	18.06	24.20	7.12	0.00
	64	56	49	30	18	0
Y'mal	35.81	20.98	15.40	21.62	12.65	0.00
	73	65	58	37	28	1

( 2 nd line indicates number of cases )

# Repayment/Demand % (SEPUP)



GRAPH 26

## Repayment/Demand % (SEPUP)

Branches	1	2	3	4	5	6
Total	40.08	30.11	20.00	27.34	7.85	24.44
	411	368	320	178	91	2

( 2 nd line indicates number of cases )

## CHAPTER VIII

### SOME SUGGESTIONS FOR IMPROVEMENT OF RECOVERY

#### Administration of subsidy:

The schemes of SEEUY and SEPUP have 25% subsidy component which is kept in fixed deposit in the name of the borrower and it is to be credited to his account after he has repaid 75 percent of the loan amount so that the account is closed. It is observed that the deposit is kept in the name of the borrower for a stipulated period of repayment and at the end of this period the amount along with the interest there on is credited to the account of the borrower irrespective of the fact whether he has repaid 75 percent of the loan amount or not. The scheme of fixed deposit was introduced in these schemes as a check for misutilization of loan in the sense that a number of beneficiaries of such schemes are taking the loan only to grab the subsidy. In scheme such as IRDP the subsidy is credited to the beneficiary's account immediately after it is received from the government. Since under SEEUY and SEPUP crediting the subsidy is not linked with the performance of account in practice, the system of fixed deposit has not made any difference. The beneficiary is not concerned whether the subsidy is credited to his account today or after three years, if his account is to grab the subsidy. As the borrower of IRDP can grab subsidy by selling his asset immediately and paying to the bank the loan amount net of subsidy and take the advantage of subsidy. His account can be closed since the subsidy is already credited to his account. The beneficiary under SEEUY and SEPUP can just do the same thing but his his account will get closed after three (or what ever period stipulated) years. How does it matter for him? The interest is



being earned on the subsidy component which is in the fixed deposit and that can take care of interest on his balance loan which is again equal to subsidy amount. And this is so even when the condition of crediting subsidy only after the repayment of 75 percent loan amount is observed strictly. Thus unless the subsidy payment is linked with the performance of the beneficiary in terms of good repayment and also to condition that he continues the activity, the phenomenon of obtaining the loan only to grab the subsidy can not be checked. Secondly, even those who continue their activity but do not repay the loan instalment, the advantage of subsidy is being given at present as a result in default cases the liability of the borrower is only 75 percent even when suit is filed. If better utilization is to be achieved the delivery of subsidy to the beneficiary has to be linked with proper utilization as well as regular repayment. The borrower should be told at the time of sanction in clear terms the conditions under which he can have the benefit of subsidy. The purpose of subsidy is that the borrowers in the lower strata of the society for varied economic and efficiency reasons can not make their units viable by investing the capital at the market rate and if the capital investment is subsidized to the extent of 25%, the units have a good chance of becoming viable provided the beneficiary is serious about doing his business. This purpose the borrower also should understand.

The question there arises as to how these conditions should be imposed and how the beneficiaries should be trained and motivated for regularity in repayment and proper attendance to the business. This brings in the question of follow up and the question of training. We shall take them up separately. Here, we shall present some

modification in the present system of management of subsidy.

During our discussions with the branch managers, we had touched upon these points. Some of the managers showed concern that some sincere beneficiaries with good intention may not be able to regularly pay the instalments may also be punished under the strict linkage between the repayment regularity and crediting of subsidy. We feel that it is always possible to deal with these types of situations even under the strict approach in order to avoid under harrasment of geneuine borrower.

Suggestion 1 :

Our first suggestion is to scrap the present system of, individual fixed deposit in the name of the beneficiaries and creation of subsidy fund in a separate account for each scheme. The borrower should be allowed the withdrawal of subsidy to the extent of 25% of the regular payment he makes each time. The 'regular payment' makes should be operationally defined. He should be allowed to withdraw the subsidy after a week of his regular instalment payment. This would also increase the interaction between the borrower and the bank. Some beneficiaries who are even now are better in repayment many a times are not regular as per the time schedule. These beneficiaries would improve their performance immediately. The more irregular ones would find that they are losers unless they become regular and more difficult one may not change but at least they will have to face a suit for full amount rather than the 75 percent amount.

On this suggestion there was one common reaction that this would result (assuming no change in the behaviour of the beneficiaries) in lower repayment percentages as far as the bank is concerned. On this we

feel that this is a mere question of 'figure work'. Recovery is in real terms where it is. Another question asked to us was 'Do we then return the subsidy to the Government?' Our answer is "no". The subsidy now is in the special account, it remains there. In case the recovery is effected through the suit filed the subsidy amount account may be shared between the government and the bank. A new arrangement between the government and the bank could be worked out after going into this question deeper. The non-crediting of subsidy to bad performer's account would also mean that the e.g.c. claim has to be of full amount and not of 75 percent amount. A new thinking on this may also be required. In any case we feel that the beneficiary who is default to the extent of the suit has to be filed should under no circumstances be given benefit of subsidy.

A regular borrower will feel delighted to take away the cash equal to 25% of this instalment after a week. He will be eligible for 25% of only the regular instalments on other investment he loses the subsidy. This helps the borrower since this amount is available to him for his consumption purposes. He has to arrange for say, Rs.100, pay to the bank and after a week he had Rs.25 for consumption. We strongly propose that this type of subsidy management should be tried on pilot basis in some select branches.

#### Suggestion 2:

Follow everything in suggestion 1 except that the subsidy should be paid only at the end instead of after every regular repayment. But this also to be done only if the account has been 'regular' and 75 percent repayment is already done. 'Regular accounts' in this context will have to be defined.

### Government help for recovery

Many of the officers expressed displeasure that D.I.C. has no responsibility of recovery though recommended the SFRUY cases. They proposed that the D.I.C. should also be involved in the recovery process. Some others proposed that the revenue department should help in the recovery.

In this connection we were told in Kolhapur District that taking the help of the revenue department was tried by certain branches, but they did not get encouraging results. When the revenue officers are able to obtain certain amount from the borrower the recovery due to government demand will have the first priority before the bank recovery. We were not able to assess the import of this type of effort through data base but on the basis of discussions we concluded that this has not given significant results.

Another point emerged was that the commercial banks have no legal support as it is there for Cooperative or Land Development banks. These banks have legal powers of attachment but commercial banks have to go to the courts. On this we could not collect reference material for want of time. However, during our discussions with one official from NABARD we came to know that such powers were granted in certain state but there has not been much impact even after that. We could not lay our hands on any of the reports on these experiments. The nature of certain lendings which are done periodically such as crop loan where repayment is followed immediately by new advance is such that the recovery appears quite good though many a times it is paper entry. In cooperative sector banks also in other lendings the recovery performance is really very good. In short, whether the type of legal

power suggested would help in improving the recovery position can not be judged unless the issue is further examined.

Coming back to the help of the government machinery in recovery, we discussed the matter in Madhya Pradesh where Madhya Pradesh Lokdhan (Shodhya Rashionki Vasuli) Adhiniyam 1987 is in vogue. We had covered two districts, namely, Chhindwada and Indore in our sample. We had discussions with officers on the experience of the provision of the act. In their opinion there has not been much improvement due to these provisions. Our field data also does not give any evidence of higher recovery due to this. However, since we were not aware of the act earlier we have not collected any direct information on as to how much recovery was done through the government machinery. These figures could be obtained and analysed any time.

It appears that this has helped the banks in procedural matters. They can send C.G.C. claim after sending the case to the M.P. Government without being required to file suit before the claim is sent.

#### Better follow up and recovery arrangements

It has been observed that in general the follow up is not satisfactory. Most of the branch managers were of the opinion that since each branch is having 1000 to 1500 loan accounts, it is not possible to carry out the follow up work effectively. Most of them said we also felt during the survey that where ever follow up was good the performance of the accounts was also good.

The question of improving follow up seems to be of utmost importance. Efforts will have to be made for increasing the follow up. At present there are no checks and balances in the system for this follow up work. Some accounts remain totally unattended to after the

disbursement. The question we want to ask is whether some internal reforms could be introduced so that the follow up work at the branch level could improve.

There is no machinery for recovery at present. Recovery is important and involves substantial work. Systematic assignment of the recovery work to the branch level staff could be done. At present the non-officer level staff is not formally involved in the recovery work. A change in this practice may be thought of.

From among the non-officer category staff some members may be given the recovery assignment as well. How this has to be done taking practical problems into consideration will have to be examined. The basic point is that at present the branch manager alone is shouldering these responsibilities; the other staff may be helping him in many places but that is on personal level and not as formal arrangement. We have to make this suggestion but we can not make detailed suggestions on this without studying the issue in depth. When we suggest the above our idea is that the staff to whom the recovery and follow up work is assigned should not become as specialised cadre but it should be possible to assign them the counter duties as well. As a matter of fact we feel that as the branch manager has to undertake both within the branch and outdoor work, it should be possible to put the other staff also for both these works. This, we know, would mean changing certain important service condition but it is going to be useful, in our opinion.

In addition, a proper check and balance system for the follow up work done should be developed. It may be mentioned here that when our investigators visited the beneficiaries, in some cases that itself worked as a follow up and specially when we asked to them about what

they are going to do for the payment of overdues. To some of them we asked about when last they have gone to the bank they expressed they will now go to the bank in a day or two. The point is meeting the beneficiaries helps in general.

On the question of number of accounts, work-load and optimum staff strength, etc., again we can not give any detailed suggestions on the basis of the present study, but we would say that if the above reforms of involving non officer staff in recovery are not thought of, then in the present set up when the number of accounts exceed say 700-800, the staff strength may have to be improved. It may also be noted that lack of follow up is not a problem for schematic lending only it is a general problem and serious efforts to improve it need to be made.

#### Daily Collection

A number of borrowers have come up with the suggestion that the bank should start the scheme of daily/weekly collection. Many of them told that on many occasion they are lazy in going to the banks, some times they are not able to keep to the timings of the bank and most often they wait for collecting the full amount of instalment but fail to do so and the default continues. If daily or weekly collection scheme is introduced it would facilitate repayment by this type of beneficiaries. We have to look into all types and plan remedies; no single remedy is going to help recover amounts from all types (attitudinal-type) of beneficiaries.

When we discussed this with officials at various level we were told about the experience of Lok-Mangal scheme. It appears that there were many cases of misappropriation of collection by the agents appointed for the daily collection work. The daily collection of the

same time, has been successful in many banks including cooperative banks in urban and rural areas. If proper checks and balances are introduced the frauds could be avoided.

We have an entirely different suggestion to make by combining earlier suggestion of distributing the responsibility to non-officer staff. We suggest that the daily/weekly collection job should be given to these bank employees on commission basis. Let these people go and collect the repayment and earn commission. This will not need any major change in their service conditions on the contrary they may be happy to receive the commission on the collection. There is, of course, a possibility that whatever recovery is being received at the bank counter today may also get channelled through them so that they get commission like it happens with National Saving Certificates etc., in post offices. The window collection are also somehow routed through the agents in most of the cases. But this should not deter us from introducing the scheme because we feel this will give good results.

As regards the rate of commission they will have to be fixed by considering various factors. In this respect it may be noted that the banks have to pay 3 percent of the amount recovered to the Government as service charges.

#### Notices to the beneficiaries

It is observed that sending the notices is not adequately done. There is perhaps again a question of work load. We have a suggestion that firstly the system of sending the notices by hand may be introduced. This has an advantage of interaction with beneficiary, his present whereabouts and activity position can be known and in addition there is psychological impact on the borrower when an employee of the



bank meets him with a notice. This, we are sure, would improve the recovery.

The second suggestion on this is that this work may be assigned to the peons and he may be paid say a rupee or one and half rupees per notice as remuneration for this work. The postal expenditure of seventy five paise is incurred at present.

#### Training of beneficiaries

Schemes should be given pre-sanction as well as post sanction training which should include the importance and salient features of the scheme, conditions laid down, methods of repayment, importance of repayment, purpose of subsidy etc., at the cluster level.

## APPENDIX

### ABOUT THE QUESTIONNAIRE AND PROFORMAE

#### Structure of the questionnaire

The questionnaire was so designed that it should be applicable to the beneficiaries of both the schemes i.e. "SFEUY" and "SFPUP", and also in such style that it can be applicable to all types of activities i.e. (a) Industry, (b) Services, (c) Business Activities, by and large, as it was thought not proper to use separate questionnaire for each type of activity.

The questionnaire is divided into four parts:

1) The first part contains the primary as well as personal information of the beneficiary regarding his name, address, age, education tech./professional education and experience etc.

2) The second part contains the information about the ventures/activities for which the beneficiaries have availed the loan. The points in this part can be detailed as follows: purpose of loan, present position of the activities, source of information for selection of the activity, employment generation etc.

3) In the third part, the information about loan is collected. The points can be summarised as follows: amount of loan the demanded, amount of loan the sanctioned, amount of the investment made, condition of the assets created, annual production and profit there from, information about availability of raw materials, marketing arrangements and repayment of loans.

4) In the fourth and last part, the information about the difficulties faced by the beneficiary is collected, which can be

briefed as follows:

- (a) About adequacy of amount of loan, bank guarantee, etc.,
- (b) Difficulties about the administrative offices such as Sales Tax, Municipality, Maharashtra State Electricity Board, District Industries Centre (DIC).
- (c) Difficulties of general nature, i.e. procurement of raw material, marketing arrangements, and information about repayment of loan.

In case of services and business sector ventures the item "raw material" is interpreted as stocks of goods purchased for trading purposes.

While interviewing the beneficiaries at a particular place, village, town, city, sometimes it may not be possible to catch hold the beneficiary due to some reason or other. In such cases, the required data was collected by interviewing the other family member who was well aware of the activities of the beneficiary.

#### Suggestions to the Field Workers:

The field investigators were well apprised of both the schemes, the purpose of the implementation of the schemes, the implementing agencies etc.

Further the investigators were trained properly regarding collection of data and filling up the questionnaire in appropriate manner.

Wherever needed the local investigators were also employed after proper training.

#### Instructions to field investigators

The field investigators appointed, were of two types.:  
a) Investigators appointed for the period of the project, b)  
Investigators appointed locally at particular places, of the Districts

under Evaluation.

**Trainings:-** In the first instance, the investigators were appraised of the two schemes i.e. SEFUY and SEPUP in detail, explaining the schemes itself, purpose of implementation, Agencies involved in implementation, mode of working, benefits such as subsidy etc., and eligibility of the beneficiaries, being benefitted, alongwith the norms prescribed for.

This enabled the investigators to have all proper understanding about the schemes and a systematic approach regarding the interview technic in the field.

In the second part of the training the questionnaire drafted was explained to the investigators column by column. Some technical words like production, profits, annual turnover were explained in detail. A broad outline about the calculation of annual production, profit of industries, service industries and business were explained for cross checking the information given by the beneficiary.

For calculation of annual production, turnover 300 days in a year are assumed to be the working days whereas in case of dairy type industry, 365 days are assumed to be the working days.

In case if the beneficiary is not available, the investigators were instructed to collect the data from the representatives or relatives of the beneficiary, who are well aware about the activities of the beneficiary.

The investigators were also requested to obtain the signatures of beneficiaries.

In case of the absconding beneficiary the investigators were requested to obtain the signatures of his neighbourer or state the land marks nearby to the address of the beneficiary.

From the above information it can be seen that every care is taken in data collection, identification of beneficiary and his address.

### Proformae

We designed two proformae, namely A and B, to be filled in the sample branch offices. Proforma A covered the detail information regarding the sample beneficiary's account such as date and amount of sanction, repayment programme, rating of the account, amount outstanding as on 31st March 1992, etc. Proforma B was designed to record year to year demand and repayment data for each sample beneficiary. At the time of the survey these proformae were handed over to the branch managers and the columns in these proformae were explained to them. The columns in proforma A were such that they could be directly filled in from the ledger. For the proforma B, cumulative demand data, perhaps, required to be calculated; repayment data was straightway available in the ledgers.

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SUMMARY OF THE REPORT

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## I. INTRODUCTION

India's strategy for quite some time was to focus on economic growth without specifically considering the manner in which the benefits of growth are to be distributed. The assumption has been that the increased growth would automatically lead to reduction in poverty. This did not happen. In spite of the economic growth achieved at the national level during the first three five year plans, the conditions of the poor did not improve much. Despite the green revolution, the rural poor remained poor and their number grew. It was realized that the direct attack on poverty needs to be launched and special programmes for target groups and area development were introduced. During the Fourth and Fifth Five Year Plans, various programmes like 'Small Farmers Development Agency' (SFDA), 'Marginal Farmers and Agricultural labourers Development Agency' (MFAL) were introduced. Similarly other special programmes were introduced for the development of backward and disadvantaged area like Drought Prone Areas, Desert Areas, Hill Areas, Tribal Areas, etc., with a view to removing disparities. In order to supplement the benefit of these special programmes and to increase the employment opportunities for the weaker section, 'Food for work' programme was started.

Subsequently need for comprehensive programme for rural poverty alleviation was indicated and the Integrated Rural Development Programme was introduced. Simultaneously the National Rural Employment Programme (NREP), Rural Labour Employment Guarantee Programme (RLEGP) were also introduced.

A large scale unemployment among educated youth in the country also became a matter of concern and a programme called Scheme for

Providing Self Employment to Educated Unemployed Youth (SEEUY) was started during the year 1983-84. Subsequently, since earlier poverty alleviation programmes were mainly introduced for rural poor, a need for direct attack on urban poverty was felt. This led to the introduction of the programme called Self Employment Programme for Urban Poor (SEPUP) during the year 1986-87.

### Objectives Of The Study

The Bank of Maharashtra is concerned with the performance of the above schemes and also about low recovery in the SEEUY and SEPUP programmes and therefore wanted to conduct an evaluation study of these two programmes. The present study was undertaken at the request of the Bank of Maharashtra.

For the evaluation of these two programmes, the following objectives were set :-

- (1) To assess the general performance of the scheme.
- (2) To assess the recovery performance of the beneficiaries of the scheme.
- (3) To identify the problems, if any, and to suggest remedial measures.

### II. METHODOLOGY

The study was planned to include the following three components :-

- (i) A questionnaire to be filled in for each of the sample beneficiary.
- (ii) Two proforma to be filled in by the sample branch of the bank giving information regarding the sample beneficiary's account including the demand and repayment data.

(iii) Discussions with the bank officers and the officers of the concerned government departments.

In order to achieve this the first step was to prepare a sampling plan. It was learnt that as far as the Bank of Maharashtra is concerned, almost 80 percent beneficiaries in both the schemes are in Maharashtra. The share of the other states is meagre. Among the rest of the states, the Madhya Pradesh has the highest number of beneficiaries of the order of 8 to 10 percent. Taking this into consideration, it was decided to restrict the study to Maharashtra and Madhya Pradesh only.

#### Selection Of Districts

For proper geographical representation, it was decided to cover two districts in each of the four regions of Maharashtra namely, Western Maharashtra, Konkan, Marathwada and Vidarbha. From Madhya Pradesh, it was decided to cover two districts. Initial plan was to take up one branch from each of the sample district for the study but subsequently it was decided to take two branches from each district. However, actually more than two branches were covered in certain districts in order to get adequate sample.

While selecting the districts it was considered that developed and backward regions should be covered; at the same time since SEPIP coverage in and around cities like Pune, Nagpur and Aurangabad is sizeable, these districts were included in the sample. The following eight districts were thus selected from Maharashtra: Pune, Kholapur, Thane, Ratnagiri, Aurangabad, Parbhani, Nagpur and Yavatmal. Indore and Chhindawada were selected from Madhya Pradesh.

### Selection Of Branches

The Regional Managers were requested to select two branches for this study from each of the district in such a way that,

- (i) One of the branches should be in the vicinity of the district town or in district town and another should be in semi-urban area.
- (ii) There should be sufficient number of beneficiaries under these schemes.
- (iii) There should be a wide coverage of activities. Where more than two branches were suggested by Regional Manager, we have covered all of them. In addition in certain districts we had taken more than two branches in order to get adequate sample.

### Selection Of Beneficiaries

Taking into consideration the fact that the number of cases sanctioned was almost double under SEPUP than under SEUY, it was decided to cover 80 cases of SEPUP and 40 cases of SEUY in each of the sample branches.

The sample size at the branch level was allotted in proportion to the total number of cases in the branches selected in a district. In certain districts, the sample size was only approximately proportionately allotted since the requisite information was not available in advance from the selected branches and the field work was to be carried out as fast as possible.

At the branch level the sampling of borrowers was done by using systematic sampling method. All the beneficiaries to whom the loan was disbursed under each scheme since its inception were listed and the sample was drawn from these lists separately for SEUY and SEPUP. The

lists were made right from the inception of the schemes so that all types of borrowers, such as having working business, having changed the activity, having closed the activity and also those who have not started the activity could appear in the sample. Those who have repaid the loan fully and the accounts were closed could also be studied in this framework. Thus, procedure laid down was helpful to cover all types of cases. The randomness involved in the systematic sampling method was also useful in covering the variety of activities.

### III. SURVEY RESULTS : SEEU

For the study of evaluation of SEEU scheme, ten districts were selected. Total sample was 405 and our investigators could meet and interview 318 beneficiaries (79.10%) out of which 284 (89.31%) were male. About 69.50% beneficiaries were living in urban area. Similarly 61.95% beneficiaries were in the age group of 18 to 25 years, 23.90% were in the age group of 26 to 30 and the remaining belonged to the age group of 31-35; and 27% belonged to SC/ST and minority community. About 18% were technically trained and 84.24% had a family size of 1 to 10 members.

It is noticed that among the contacted beneficiaries, 71 beneficiaries (22.33%) selected activities in industrial sector, 145 (45.60%) in services and 102 (32.07%) in business enterprises. In case of 216 (67.93%) the activity was running, 24 (7.55%) changed their activity, 74 (23.27%) closed their units and 4 (1.25%) beneficiaries did not even start the unit.

For 102 beneficiaries (32.08%) the information about the scheme came through relatives and friends and 30.82% beneficiaries reported that they knew through the Government officers only 8.18 percent reported that everyone around was aware of the scheme. Likewise 293 borrowers (92.14%) directly approached banks for the loans and they got it without any intermediaries. Further it is noticed that 49 (15.41%) beneficiaries were engaged in the same activity and 71 (22.33%) had temporary job before availing the loans. The loan was utilised mainly for purchase of machinery, instruments, vehicles, furniture and other miscellaneous items for their activity. In case of 197 beneficiaries (71.13%) the assets were in good working conditions,

and in 18 cases (6.50%) assets were in good conditions but inoperative. It is seen that 110 beneficiaries (45.64%) worked in their own premises, 102 (42.32%) in rented premises. Raw material was locally available in 61% cases and finished products of 99% were sold in the local markets. According to the opinions expressed by beneficiaries, only 53 units (16.35%) were irregular and 103 cases (32.39%) stopped repayment after some time. The main reasons for irregular repayment were closure of activity, insufficient income, loss in business, additional investment in the same business etc. It is observed that 56.59% units had informed the banks about their difficulties and remaining 43.41% did not inform the bankers regarding their difficulties. The main difficulties expressed to the bankers were closure of activity, loss in capital, less income etc. The reasons for not reporting difficulties to the bankers stated to be compulsion for repayment by bankers, no enquiry from bankers, rumors of loan waiver etc. It is interesting to note that 108 (61.71%) beneficiaries promised to repay shortly, 38 (21.71%) agreed to start repayment soon. During the interviews it is seen that 95 beneficiaries (29.87%) have saving accounts, and 65 (20.44%) had some kind of savings habits. Similarly only 84 beneficiaries (35.00%) with working units had made new investment in the business and 156 (65.00%) did not make any new investment.

It is interesting that 269 (84.59%) beneficiaries told that they would have taken the loan in the absence of govt. subsidy. This shows that they really had urge to work. Of the 74 units which were reported closed, 38 persons were engaged in service, 23 were participating in the family business, 3 were doing household work, only 8 were unemployed and the remaining 2 are engaged in some other activity. The main reasons for closure of activity were business failure, accident, less

capital, division in properties etc.

Average demand for loan was Rs.24174/-, average sanctioned amount was Rs.18152/- and average investment made was Rs. 22785/-. Average turnover of working units was Rs.69777/- with average annual income of Rs.14073/-. A wide variation was observed between annual turnover as well as income of different activities. It is also observed that 52.08% of old units has employed more persons as a result of availability of loan. Average increase in employment was 2.80% persons per unit. In the new units, the employment generated due to scheme was 2.04 persons per unit.

#### IV. SURVEY RESULTS : SEPUP

For the study of evaluation of SEPUP scheme, ten districts were selected. Total sample was 819 and our investigators could meet and interviewed 628 beneficiaries (76.68%) out of which 491 (78.18%) were male. About 97.61% beneficiaries were living in urban area. Similarly 77.38% beneficiaries were in the age group of 18 to 40 years, and 50% belonged to SC/ST and minority community. About 78.18% were below the SSC/HSC level and 94.26% had a family size of 1 to 10 members and they were staying at the place of activity for more than ten years.

It is noticed that 63 beneficiaries (10.03%) selected activities in industrial sector, 246 (39.17%) in services and 319 (50.80%) in business enterprises. In case of 376 (59.37%) the activity was running, 45 (7.17%) changed their activity, 199 (31.69%) closed their units and 8 (1.27%) beneficiaries did not even start the unit.

For 190 beneficiaries (30.26%) the information about the scheme came through relatives and friends and 51.68% beneficiaries reported



that everyone around was aware of the scheme. Likewise 566 borrowers (90.13%) directly approached banks for the loans and they got it without any intermediaries. Further it is noticed that 295 (46.98%) beneficiaries were engaged in the same activity and 155 (24.68%) had temporary job before availing the loans. The loan was utilised mainly for purchase of machinery, implements, utensils, furniture and cupboards and stocks of goods in the shop. In case of 272 beneficiaries (43.31%) the assets were in good working conditions, and in 33 cases (5.26%) assets were in good conditions but inoperative. It is seen that 111 beneficiaries (26.37%) worked in their own premises, 172 (40.86%) in rented premises. Raw material was locally available in case of 338 cases (80.29%) and finished products of 401 units (95.25%) were sold in the local markets. Even then only 184 units (29.30%) were regular in repayment of loan, 97 (15.45%) were irregular and 241 cases (38.38%) stopped repayment after some time. The main reasons for irregular repayment were closure of activity, insufficient income, loss in business, additional investment in the same business etc. It is observed that 44.14% units had informed the banks about their difficulties and remaining 55.86% did not inform the bankers regarding their difficulties. The main difficulties expressed to the bankers were closure of activity, loss in capital, less income etc. The reasons for not reporting difficulties to the bankers were stated to be compulsion for repayment by bankers, non-cooperation from bankers, rumors of loan waiver etc. It is interesting to note that 241 (54.28%) beneficiaries promised to repay slowly, 109 (25.55%) agreed to start repayment soon etc. During the interviews it is seen that 553 beneficiaries (88.05%) were not making any savings at all, and 75 (11.95%) had some kind of

savings habits. Similarly only 131 beneficiaries (20.86%) had made new investment in the business and 497 (79.14%) did not make any new investment.

It is interesting to note that 513 (81.69%) beneficiaries told that they would have taken the loan in the absence of govt. subsidy. This shows that they really had urge to work. Of the 199 units which were reported closed, 59 persons were engaged in service, 59 were participating in the family business, 32 were doing household work. The main reasons for closure of activity were business failure, accident, less capital, division in properties etc. About 84.42% units were closed within first three years.

Average demand for loan was Rs.5119/-, average sanctioned amount was Rs.3671/-, average turnover was Rs.7795/-. A wide variation was observed between annual turnover as well as income of different activities. It is also observed that 28.92% of old units has employed more persons as a result of availability of loan. Average increase in employment was 1.59 persons per unit. In the new units, the employment generated due to scheme was 1.4 persons per unit.

#### V. REPAYMENT PERFORMANCE IN SEEUY AND SEPUP

##### Borrowers opinions about repayment

Some questions regarding the repayment performance, reasons for non-payment or irregular repayment, etc., were asked to the beneficiaries. These are naturally their own opinions about their own performance.

##### SEEUY

In all 175 (55 percent) beneficiaries admitted that they are not

regular in repayment. It is important to note that about 32 percent beneficiaries were regular initially in repayment but they stopped paying subsequently. This aspect is getting reflected in our preliminary graphic analysis which is presented in the following pages. Nineteen (5.97%) beneficiaries admitted that they have repaid nothing.

Those who responded to above question saying they were not regular, were asked about the reasons behind their behavior. Major reasons quoted were insufficient income, loss in business, closure of activity, additional investment in the activity, etc.

We inquired with these beneficiaries as to whether they reported their difficulties to the bank officials. Of these 175 only 99 (56.57 percent) beneficiaries had told their difficulties to the bank and other have not reported anything regarding their problems to the bank.

These beneficiaries were asked as to why they did not explain or report their difficulties to the bank, 83 of them gave no reason. The reasons given by the remaining 16 were like no bank officer met or inquired, because of the fear of compulsion of repayment, sickness, etc.

On asking about the plans for payment of overdues, 108 out of 175, that is, 61.71 percent stated that they would repay shortly. 38 (21.71 percent) told that they would start repaying soon, only 4 wanted the loan to be waived, and 12 were not ready to do anything whatsoever.

#### SEPOP

About 70 percent (444 cases) of the beneficiaries reported themselves that they were not regular in repayment. As a matter of fact 17 percent reported that they have not done any repayment.

During the interview, each borrower was questioned as to the reason for non-repayment. The main reasons given by them were activity closed, insufficient income, loss in the business, additional investment made, etc.

During the interview these beneficiaries were also asked whether they had informed the banker about their difficulties of repayment. It is noticed that 44% beneficiaries had informed their difficulties to the banker and remaining did not inform the bankers any difficulty.

#### OBSERVATIONS BASED ON BANK DATA

In order to study the repayment performance the, data regarding demand and repayment is required. We had prepared two proformae, namely A and B and the sample branch offices were requested to fill in this data and submit to us. The proforma A covered the general information about the sample beneficiary's account such as the purpose of loan, amount of loan, repayment programme, position of the account, rating of the account, amount outstanding as on 31.3.1992, etc. The columns in the proforma were such that all of them can be filled in from the ledger. The proforma B was for all the data on demand and repayment of the sample borrowers.

#### The problems in bank data

At the time of the field work the proformae were explained to the branch managers and request was made to fill them in and hand over to our field staff or send to us by post on an urgent basis. However, we have even now not received the proformae from many branches. As an

initial exercise we have computed repayment/demand percentages at the branch level and the same are presented in graphical and tabular form. Before we discuss these graphs, it is necessary to understand the nature and quality of data. As explained in the methodology section we have covered in sampling procedure the beneficiaries from the beginning of each of the scheme. Therefore, for the demand/repayment data we had provided for the years from 1983-84 to 1991-92 in the case of SEEUY and from 1986-87 to 1991-92 in the case of SEPUP and requested the branch offices to record the cumulative demand for each of the beneficiary in our sample and give the figures of repayment in each year. To our surprise the data on demand furnished to us is quite unsatisfactory. After we completed our graphical exercise, we took up the exercises in order to examine whether repayment performance has some relationship with certain socio-economic characteristics of the borrowers. At this stage we thought of scrutinising some of the data for which we have got some doubts on the basis of graphs. On scrutiny we have found that the data on demand in most of the cases was full of discrepancies. In order to confirm our observations we visited some branches and explained the discrepancies and we were right. Since this came to our notice very late we were handicapped to carry out further analysis of the data. However, we present the graphs in this section. Since graphs are drawn on the aggregate basis at the branch level, they still may be somewhat useful. Now, we are looking for the way to procure the correct data. Visiting the branches and recollecting the data may not be advisable since it will require considerable time. We are working on an exercise of generating the demand data assuming that the repayment figures generally are correct. On this we will have to have discussion.

## Graphs

We have taken all the data received by us for graphical exercise. In all we have presented 26 graph sheets in the report. We present here only four graphs at the end. These are drawn on the basis of combined data all sample districts. Below each graph the data is presented in tabular form. A wide variation in repayment percentage is observed in the data. When we observe the Graph 1 for SEEU, it is clear that there is a sharp decline in the percentage from 1985 to 1986. There is rise in the year 1988-89 and again fall. This phenomenon is also observed in many branch level and district level graphs presented in the report. It appears that around 1987-88 there were special efforts to improve the recovery. Perhaps this has paid the dividends. The graph no. 2 for SEPUP shows that there is rise in percentage recovery for 1987 to 1988 and then there is sharp fall. From 1990 to 1991 there is a sort of stability.

We have prepared another set of graphs in which we look into the behavior of beneficiaries after one year of borrowing, after two years of borrowing etc. These graphs we have drawn only at district level and presented in the report. Here we present graphs 3 and 4 which are based on all districts combined. From Graph 3 for SEEU it can be seen that the repayment performance is good, more than 45 percent, during the first year, declined to 35 percent in the second year, the decline continues in the third year but there is slight improvement in the fourth year followed by further decline. The graph no. 4 for SEPUP shows that there is decline in repayment performance of the borrowers

from 40 percent in the first year to 20 percent in the third year but it improved in the fourth year reaching 27 percent and declined heavily afterwards to 8 percent during the fifth year.

We do not take up more detailed discussion on these graphs at this stage since we have many doubts about the data.

#### VI. GENERAL PROBLEM IN IMPLEMENTATION ✓

We have had discussions at various levels on the problems faced by the bankers in implementation of SEFUY and SEPUP schemes. Three major problems expressed were the target oriented approach, the local pressure in sanctioning undeserving cases and the borrowers' general attitude towards the repayment.

It was mentioned that completing of target in the schematic finance leads some times to lending for non-viable activities, non-deserving borrowers, etc. The same thing happens due to pressure from local influential persons. According to the banker, since the SEPUP was handled by the Bankers' Committee that was better operated than SEFUY where the cases are recommended by the DIC. There was a general feeling that the new provision of SEPUP namely it being operated through municipalities may worsen the situation. There was a general observation that with the loan waivers the borrowers think that they need not repay such loans as they will eventually be waived and this affects the repayment performances.

In our opinion the sponsoring agencies (DIC, Municipalities etc.) and the bankers should try to follow the provisions of the scheme as fully as possible. A feeling that bankers reject the deserving cases and that the sponsoring agencies sponsor non-deserving cases in preva-

lent all over. To overcome that, at both ends the scrutiny provided in the schemes should be carried out more carefully.

As far as the target fulfilment is concerned, unless targets are fixed the lending in this section may not be done by the bankers. No doubt, there are some bankers who do a very good job in the priority sector and there are some who have done lot of successful lending even when targets are not fixed. Even then we feel removal of targets may worsen the situation. We suggest that the targets should be covered well in advance before the year end.

The local influence is part of life of the banker and he has to handle situation tactfully so that his sanctions are in the form, within the frame of the schemes.

As far the borrowers' attitude, we agree that a sort of general feeling exists among borrowers that the non-repayment will be condoned some time. But when we met the borrowers we observed that this feeling is strengthened because the bankers did not undertaken proper follow up. The responses to the questions regarding repayment given by the beneficiaries (reported later) indicate that the follow up work can improve the situation. Regarding the follow up the question of work load was raised by the bankers. We have presented our view on this at the end under "suggestion".

#### Income criterion and definition of family (SEFUY)

On income criterion for SEFUY, there appears to exist a wide spread confusion.

In this conclusion it is necessary to understand that the basic purpose of SEFUY was to reduce the unemployment among the educated youth. This is not poverty alleviation programme like IRDP or SEPUP.



We have examined the definition of the family for computation of family income. The compendium of Important Circular (1985) brought out by the Directorate of Industries, Government of Maharashtra on pages 80-81 gives some questions-answers on SEEUY. We shall quote one question and its answer from that -

Question 3: If husband is employed, can wife be considered eligible for loan?

Answer : Yes. For the purpose of the scheme each applicant is to be considered as an individual and there is no need to take into account the family unit.

Subsequently it appears that there was a change in this definition, the latest definition given in the SEEUY Manual (Bank of Maharashtra) is as follows:-

"For this purpose of determining income, family would mean husband/wife, children, dependent parents and other members of the household who are fully dependent on the beneficiary."

Another question and its answer from the above compendium is quoted below to get clear idea of the spirit and purpose of the scheme;

Question 5 : Can a son of businessman or very well-off family be considered eligible under the scheme.

Answer : Each case will have to be decided on its own individual merits. If an applicant fulfils all the criteria, viz. age, educational qualification and no other source of finance, then he can be considered. Normally, it is felt by the bankers that a person from an affluent family will have other sources of finance and therefore, it will be better if applies under the regular EPP scheme. However, the circumstances of each case may have to be considered to ascertain wherever the applicant is unable to tap any other source of finance. The case should not be rejected without detailed scrutiny.

During the discussions with the branch staff it appeared to us

that SEEUY is considered similar as IRDP or SEPUP in the matter of income criteria and they always explained to us how better off people get benefits of SEEUY due to the rush of target completion and also due to local influences. If the spirit of the scheme as explained above is understood such confusion will go. This would also help proper scrutiny of the applications. We feel that this aspect should be brought to the notice of bank managers.

## VII. SOME SUGGESTIONS FOR IMPROVEMENT OF RECOVERY

### Administration of subsidy:

The schemes of SEEUY and SEPUP have 25% subsidy component which is kept in fixed deposit in the name of the borrower and it is to be credited to his account after he has repaid 75 percent of the loan amount so that the account is closed. It is observed that the deposit is kept in the name of the borrower for a stipulated period of repayment and at the end of this period the amount along with the interest there on is credited to the account of the borrower irrespective of the fact whether he has repaid 75 percent of the loan amount or not. The scheme of fixed deposit was introduced in these schemes as a check for misutilization of loan in the sense that a number of beneficiaries of such schemes are taking the loan only to grab the subsidy. In scheme such as IRDP the subsidy is credited to the beneficiary's account immediately after it is received from the government. Since under SEEUY and SEPUP crediting the subsidy is not linked with the performance of account in practice, the system of fixed deposit has not made any difference. The beneficiary is not concerned whether the subsidy is credited to his account today or after three years, if his account

is to grab the subsidy. As the borrower of IRDP can grab subsidy by selling his asset immediately and paying to the bank the loan amount net of subsidy and take the advantage of subsidy. His account can be closed since the subsidy is already credited to his account. The beneficiary under SEEUY and SEPUP can just do the same thing but his account will get closed after three (or what ever period stipulated) years. How does it matter for him? The interest is being earned on the subsidy component which is in the fixed deposit and that can take care of interest on his balance loan which is again equal to subsidy amount. And this is so even when the condition of crediting subsidy only after the repayment of 75 percent loan amount is observed strictly. Thus unless the subsidy payment is linked with the performance of the beneficiary in terms of good repayment and also to condition that he continues the activity, the phenomenon of obtaining the loan only to grab the subsidy can not be checked. Secondly, even those who continue their activity but do not repay the loan instalment, the advantage of subsidy is being given at present as a result in default cases the liability of the borrower is only 75 percent even when suit is filed. If better utilization is to be achieved the delivery of subsidy to the beneficiary has to be linked with proper utilization as well as regular repayment. The borrower should be told at the time of sanction in clear terms the conditions under which he can have the benefit of subsidy. The purpose of subsidy is that the borrowers in the lower strata of the society for varied economic and efficiency reasons can not make their units viable by investing the capital at the market rate and if the capital investment is subsidized to the extent of 25%, the units have a good chance of becoming viable provided the beneficiary

is serious about doing his business. This purpose the borrower also should understand.

The question there arises as to how these conditions should be imposed and how the beneficiaries should be trained and motivated for regularity in repayment and proper attendance to the business. This brings in the question of follow up and the question of training. We shall take them up separately. Here, we shall present some modification in the present system of management of subsidy.

During our discussions with the branch managers, we had touched upon these points. Some of the managers showed concern that some sincere beneficiaries with good intention may not be able to regularly pay the instalments may also be punished under the strict linkage between the repayment regularity and crediting of subsidy. We feel that it is always possible to deal with these types of situations even under the strict approach in order to avoid under harrasment of genuine borrower.

#### Suggestion 1 :

Our first suggestion is to scrap the present system of individual fixed deposit in the name of the beneficiaries and creation of subsidy fund in a separate account for each scheme. The borrower should be allowed the withdrawal of subsidy to the extent of 25% of the regular payment he makes each time. The 'regular payment' makes should be operationally defined. He should be allowed to withdraw the subsidy after a week of his regular instalment payment. This would also increase the interaction between the borrower and the bank. Some beneficiaries who are even now are better in repayment many a times are

not regular as per the time schedule. These beneficiaries would improve their performance immediately. The more irregular ones would find that they are losers unless they become regular and more difficult one may not change but at least they will have to face a suit for full amount rather than the 75 percent amount.

On this suggestion there was one common reaction that this would result (assuming no change in the behavior of the beneficiaries) in lower repayment percentages as far as the bank is concerned. On this we feel that this is a mere question of 'figure work'. Recovery is in real terms where it is. Another question asked to us was 'Do we then return the subsidy to the Government?' Our answer is "no". The subsidy now is in the special account, it remains there. In case the recovery is effected through the suit filed the subsidy amount account may be shared between the government and the bank. A new arrangement between the government and the bank could be worked out after going into this question deeper. The non-crediting of subsidy to bad performer's account would also mean that the c.g.c. claim has to be of full amount and not of 75 percent amount. A new thinking on this may also be required. In any case we feel that the beneficiary who is default to the extent of the suit has to be filed should under no circumstances be given benefit of subsidy.

A regular borrower will feel delighted to take away the cash equal to 25% of this instalment after a week. He will be eligible for 25% of only the regular instalments on other investment he loses the subsidy. This helps the borrower since this amount is available to him for his consumption purposes. He has to arrange for say, Rs.100, pay to the bank and after a week he had Rs.25 for consumption. We strongly propose that this type of subsidy management should be tried on pilot

## Suggestion 2

Follow everything in suggestion 1 except that the subsidy should be paid only at the end instead of after every regular repayment. But this also to be done only if the account has been 'regular' and 75 percent repayment is already done. 'Regular accounts' in this context will have to be defined.

## Government help for recovery

Many of the officers expressed displeasure that D.I.C. has no responsibility of recovery though recommended the SEEUY cases. They proposed that the D.I.C. should also be involved in the recovery process. Some others proposed that the revenue department should help in the recovery.

In this connection we were told in Kolhapur District that taking the help of the revenue department was tried by certain branches, but they did not get encouraging results. When the revenue officers are able to obtain certain amount from the borrower the recovery due to government demand will have the first priority before the bank recovery. We were not able to assess the import of this type of effort through data base but on the basis of discussions we concluded that this has not given significant results.

Another point emerged was that the commercial banks have no legal support as it is there for Cooperative or Land Development Banks. These banks have legal powers of attachment but commercial banks have to go to the courts. On this we could not collect reference material for want of time. However, during our discussions with one official

from NABARD we came to know that such powers were granted in certain state but there has not been much impact even after that. We could not lay our hands on any of the reports on these experiments. The nature of certain lendings which are done periodically such as crop loan where repayment is followed immediately by new advance is such that the recovery appears quite good though many a times it is paper entry. In cooperative sector banks also in other lendings the recovery performance is really very good. In short, whether the type of legal power suggested would help in improving the recovery position can not be judged unless the issue is further examined.

Coming back to the help of the government machinery in recovery, we discussed the matter in Madhya Pradesh where Madhya Pradesh Lokdhan (Shodhya Rashionki Vasuli) Adhinyam 1987 is in vogue. We had covered two districts, namely, Chhindwada and Indore in our sample. We had discussions with officers on the experience of the provision of the act. In their opinion there has not been much improvement due to these provisions. Our field data also does not give any evidence of higher recovery due to this. However, since we were not aware of the act earlier we have not collected any direct information on as to how much recovery was done through the government machinery. These figures could be obtained and analysed any time.

It appears that this has helped the banks in procedural matters. They can send C.G.C. claim after sending the case to the M.P. Government without being required to file suit before the claim is sent.

#### Better follow up and recovery arrangements

It has been observed that in general the follow up is not satis-

factory. Most of the branch managers were of the opinion that since each branch is having 1000 to 1500 loan accounts, it is not possible to carry out the follow up work effectively. Most of them said we also felt during the survey that where ever follow up was good the performance of the accounts was also good.

The question of improving follow up seems to be of utmost importance. Efforts will have to be made for increasing the follow up. At present there are no checks and balances in the system for this follow up work. Some accounts remain totally unattended to after the disbursement. The question we want to ask is whether some internal reforms could be introduced so that the follow up work at the branch level could improve.

There is no machinery for recovery at present. Recovery is important and involves substantial work. Systematic assignment of the recovery work to the branch level staff could be done. At present the non-officer level staff is not formally involved in the recovery work. A change in this practice may be thought of.

From among the non-officer category staff some members may be given the recovery assignment as well. How this has to be done taking practical problems into consideration will have to be examined. The basic point is that at present the branch manager alone is shouldering these responsibilities; the other staff may be helping him in many places but that is on personal level and not as formal arrangement. We have to make this suggestion but we can not make detailed suggestions on this without studying the issue in depth. When we suggest the above our idea is that the staff to whom the recovery and follow up work is assigned should not become as specialised cadre but it should be possi-



ble to assign them the counter duties as well. As a matter of fact we feel that as the branch manager has to undertake both within the branch and outdoor work, it should be possible to put the other staff also for both these works. This, we know, would mean changing certain important service condition but it is going to be useful, in our opinion.

In addition, a proper check and balance system for the follow up work done should be developed. It may be mentioned here that when our investigators visited the beneficiaries, in some cases that itself worked as a follow up and specially when we asked to them about what they are going to do for the payment of overdues. To some of them we asked about when last they have gone to the bank they expressed they will now go to the bank in a day or two. The point is meeting the beneficiaries helps in general.

On the question of number of accounts, work-load and optimum staff strength, etc., again we can not give any detailed suggestions on the basis of the present study, but we would say that if the above reforms of involving non officer staff in recovery are not thought of, then in the present set up when the number of accounts exceed say 700-800, the staff strength may have to be improved. It may also be noted that lack of follow up is not a problem for schematic lending only it is a general problem and serious efforts to improve it need to be made.

### Daily Collection

A number of borrowers have come up with the suggestion that the bank should start the scheme of daily/weekly collection. Many of them told that on many occasion they are lazy in going to the banks, some

times they are not able to keep to the timings of the bank and most often they wait for collecting the full amount of instalment but fail to do so and the default continues. If daily or weekly collection scheme is introduced it would facilitate repayment by this type of beneficiaries. We have to look into all types and plan remedies; no single remedy is going to help recover amounts from all types (attitudinal-type) of beneficiaries.

When we discussed this with officials at various level we were told about the experience of Lok-Mangal scheme. It appears that there were many cases of misappropriation of collection by the agents appointed for the daily collection work. The daily collection of the same time, has been successful in many banks including cooperative banks in urban and rural areas. If proper checks and balances are introduced the frauds could be avoided.

We have an entirely different suggestion to make by combining earlier suggestion of distributing the responsibility to non-officer staff. We suggest that the daily/weekly collection job should be given to these bank employees on commission basis. Let these people go and collect the repayment and earn commission. This will not need any major change in their service conditions on the contrary they may be happy to receive the commission on the collection. There is, of course, a possibility that whatever recovery is being received at the bank counter today may also get channeled through them so that they get commission like it happens with National Saving Certificates etc., in post offices. The window collection are also somehow routed through the agents in most of the cases. But this should not deter us from introducing the scheme because we feel this will give good results.

As regards the rate of commission they will have to be fixed by

considering various factors. In this respect it may be noted that the banks have to pay 3 percent of the amount recovered to the Government as service charges.

#### Notices to the beneficiaries

It is observed that sending the notices is not adequately done. There is perhaps again a question of work load. We have a suggestion that firstly the system of sending the notices by hand may be introduced. This has an advantage of interaction with beneficiary, his present whereabouts and activity position can be known and in addition there is psychological impact on the borrower when an employee of the bank meets him with a notice. This, we are sure, would improve the recovery.

The second suggestion on this is that this work may be assigned to the peons and he may be paid say a rupee or one and half rupees per notice as remuneration for this work. The postal expenditure of seventy five paise is incurred at present.

#### Training of beneficiaries

Schemes should be given pre-sanction as well as post sanction training which should include the importance and salient features of the scheme, conditions laid down, methods of repayment, importance of repayment, purpose of subsidy etc., at the cluster level.

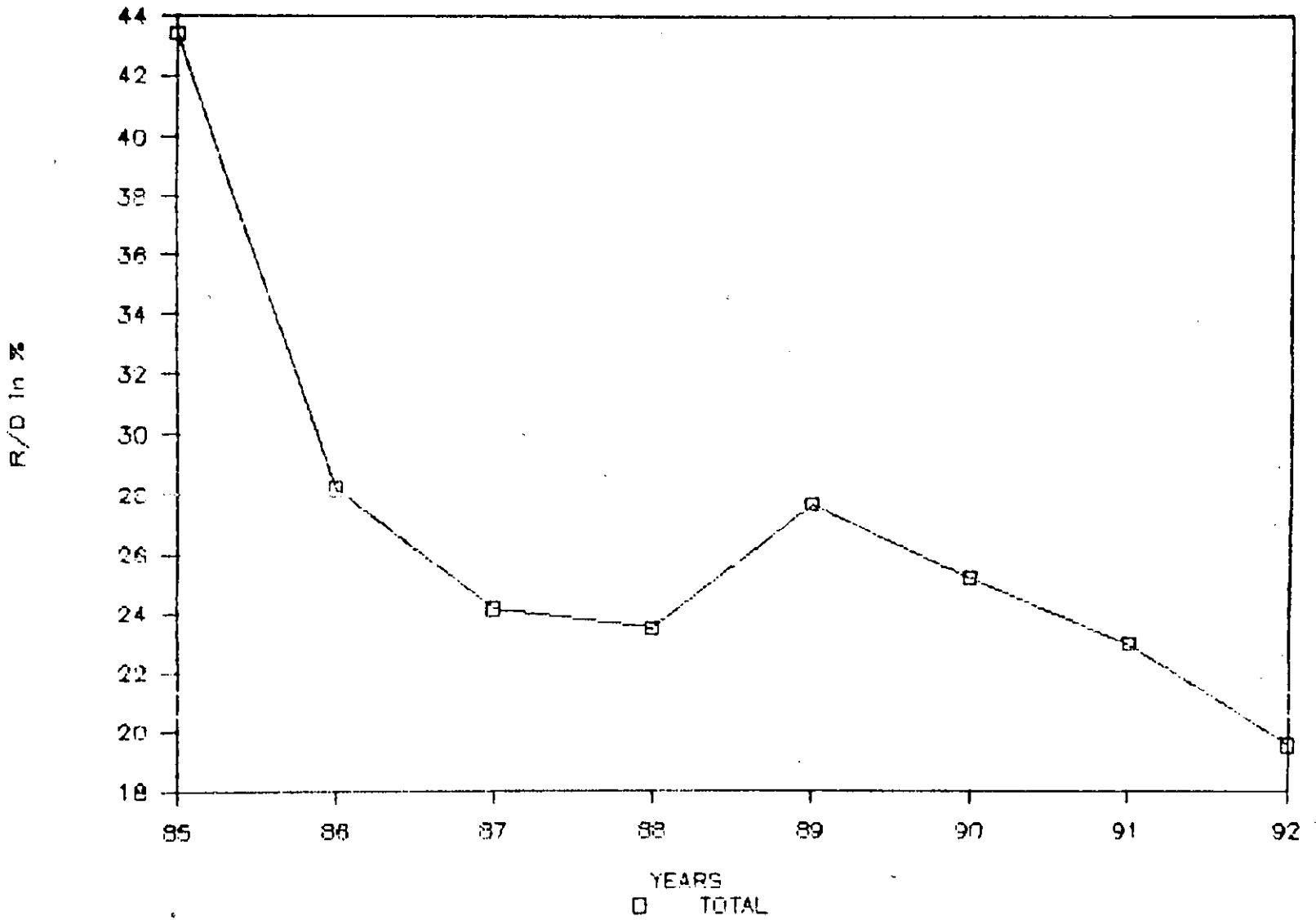
#### VIII. FURTHER AREAS OF RESEARCH

The question of bad recovery and discontinuation of activity are

the two serious problems faced by the schematic lending in priority sector. In the present study we have carried out some analysis of the repayment data but due to problems in the data we could not go further. We will pursue that further.

In addition, it will be interesting to study as to why the successful units are successful. More in depth study of the successful unit identified in this survey could be taken up with a view to identifying the dominant factors that make an unit successful. We look forward for the support for such a study which will be of interdeciplinary nature.

## Repayment/Demand % (SEEUY)



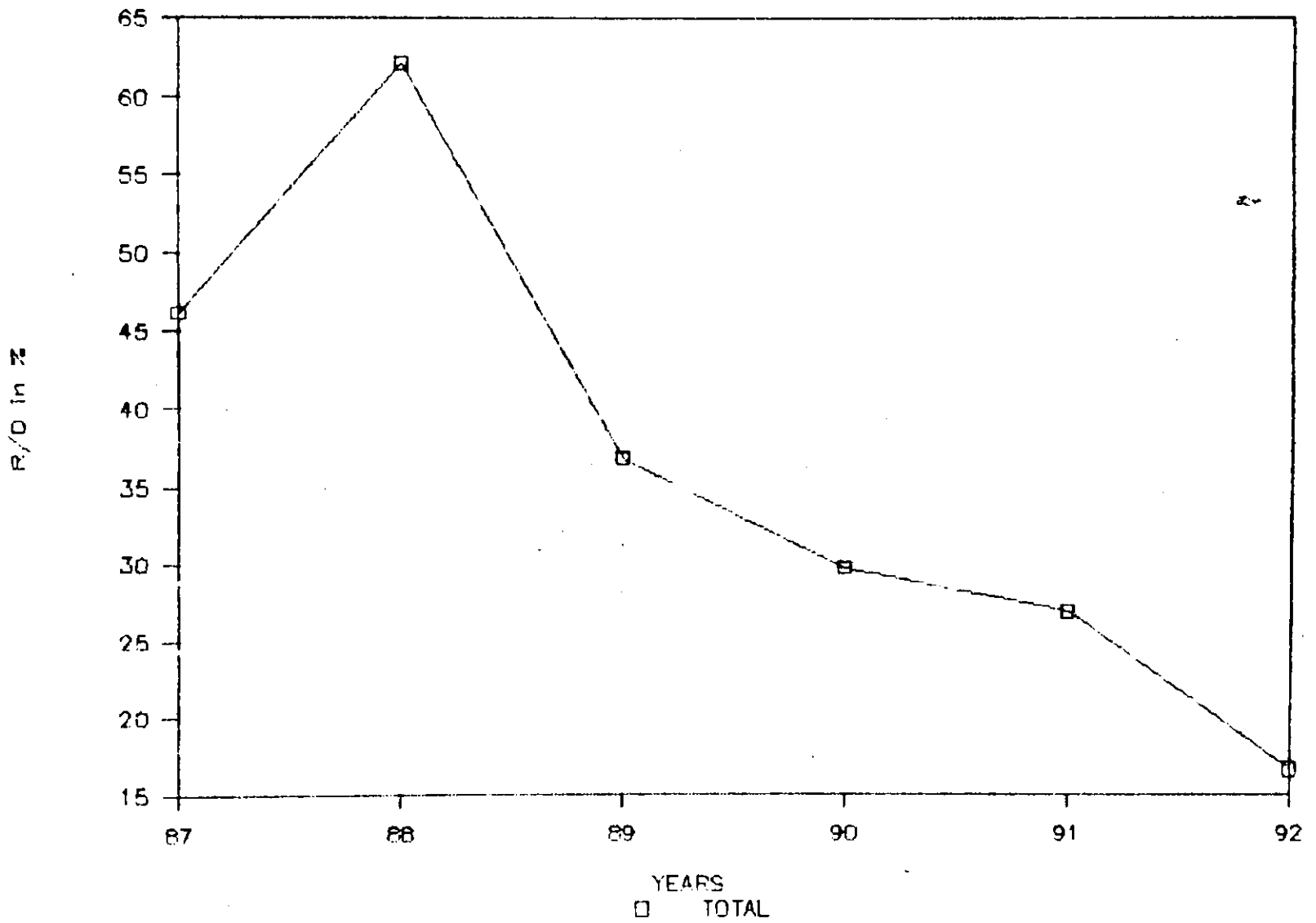
GRAPH 1

### Repayment/Demand % (SEEUY)

Branches	85	86	87	88	89	90	91	92
Total	43.43	28.20	24.12	23.49	27.62	25.16	22.95	19.53
	36	70	88	115	138	165	163	172

( 2 nd line indicates number of cases )

## Repayment/Demand % (SEPUP)



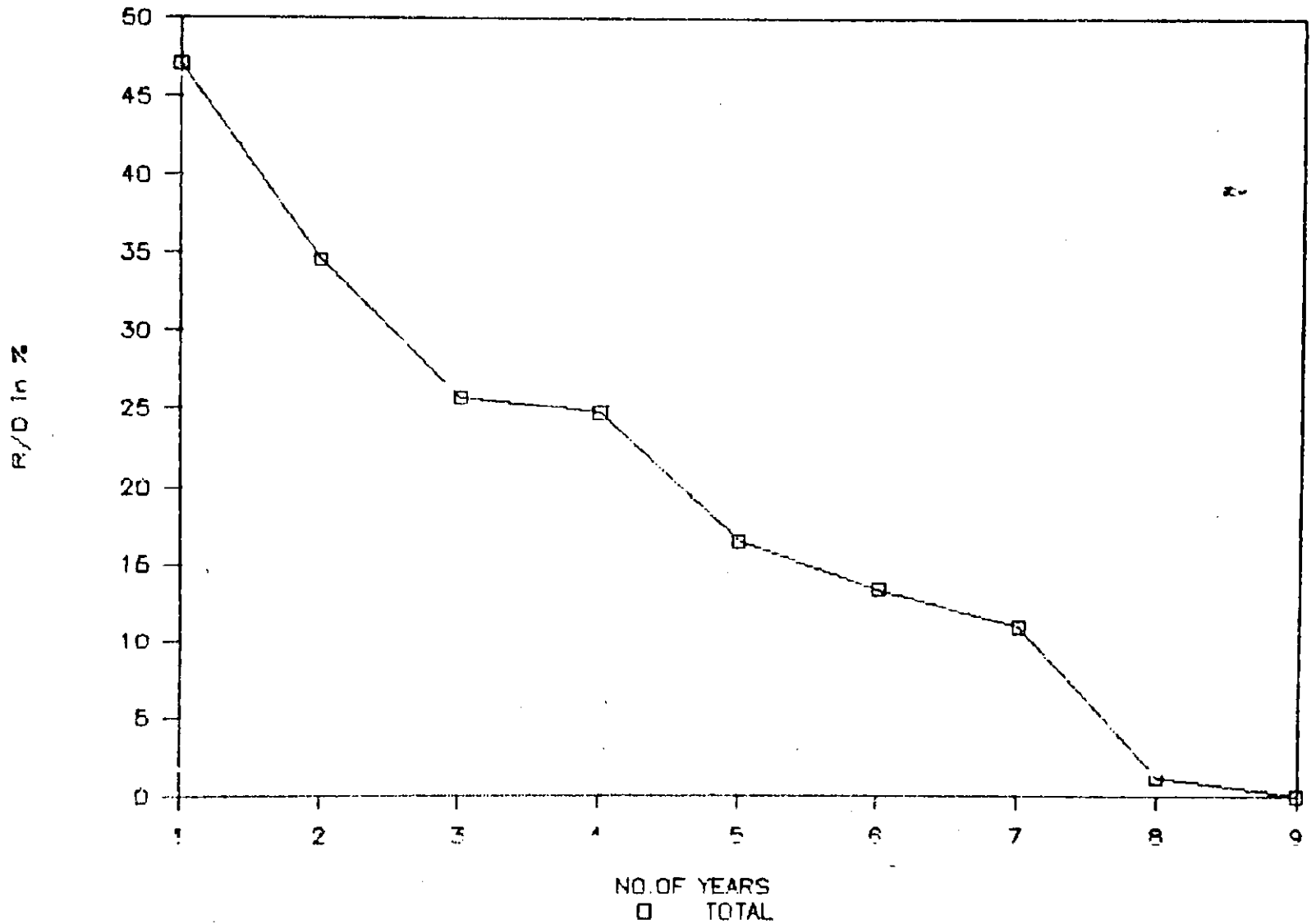
GRAPH 2

### Repayment/Demand % (SEPUP)

Branches	87	88	89	90	91	92
Total	46.17	62.15	36.80	29.70	26.87	16.61
	14	131	203	322	347	353

( 2 nd line indicates number of cases )

# Repayment/Demand % (SEEUY)



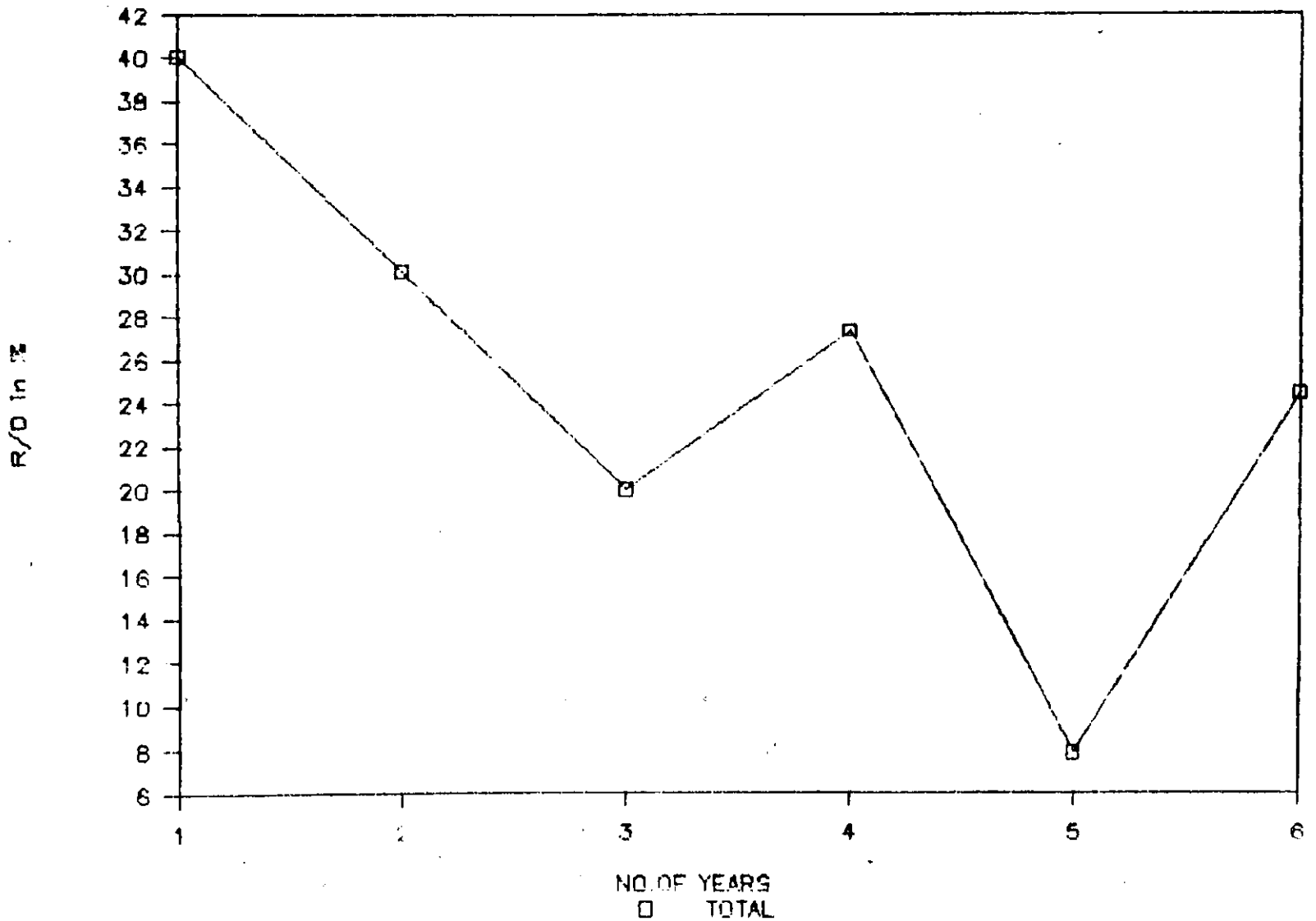
GRAPH 3

## Repayment/Demand % (SEEUY)

inches	1	2	3	4	5	6	7	8	9
Total	47.08	34.51	25.70	24.73	16.48	13.36	10.89	1.16	0.00
	220	196	177	135	96	62	42	20	1

Second line indicates number of cases )

## Repayment/Demand % (SEPUP)



GRAPH 4

### Repayment/Demand % (SEPUP)

Branches	1	2	3	4	5	6
Total	40.08	30.11	20.00	27.34	7.85	24.44
	411	368	320	178	91	2

( 2 nd line indicates number of cases )