

**EVALUATION STUDY OF SEEUY AND SEPUP
SCHEMES
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 proformae 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 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 SEEUY, it was decided to cover 80 cases of SEPUP and 40 cases of SEEUY 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 SEEUY 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 : SEEUY

For the study of evaluation of SEEUY 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 31.68% 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 SEEU 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 (SEUY)

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

In this conclusion it is necessary to understand that the basic purpose of SEUY 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 SEUY. 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 SEUY 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 FPP 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 SEEDY 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 installment, 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 SFEUY 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 Rashiyonki 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 note 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.

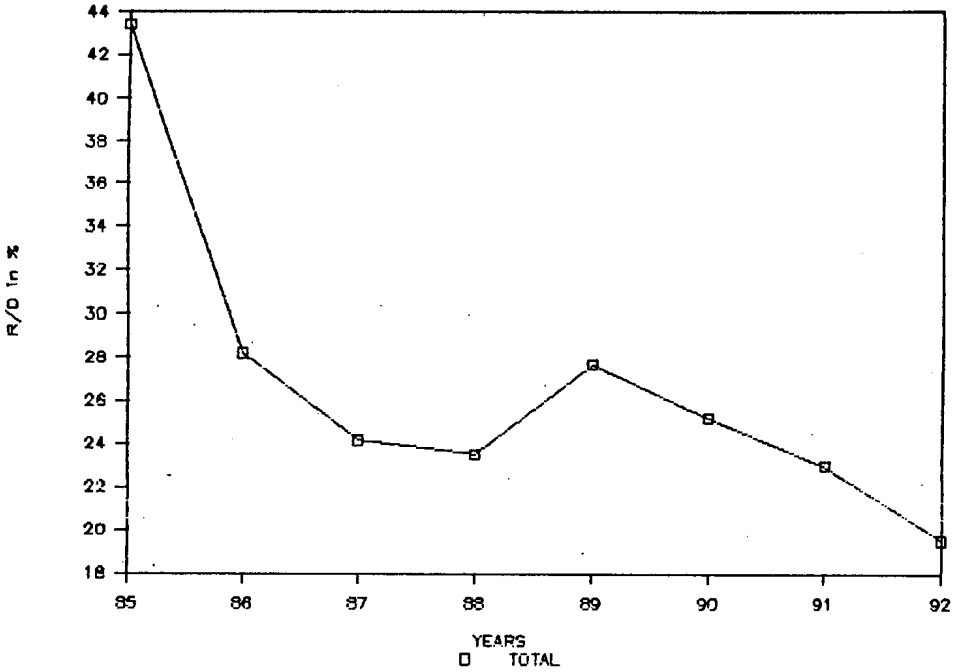
VIII. FURTHER AREAS OF RESEARCH

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)



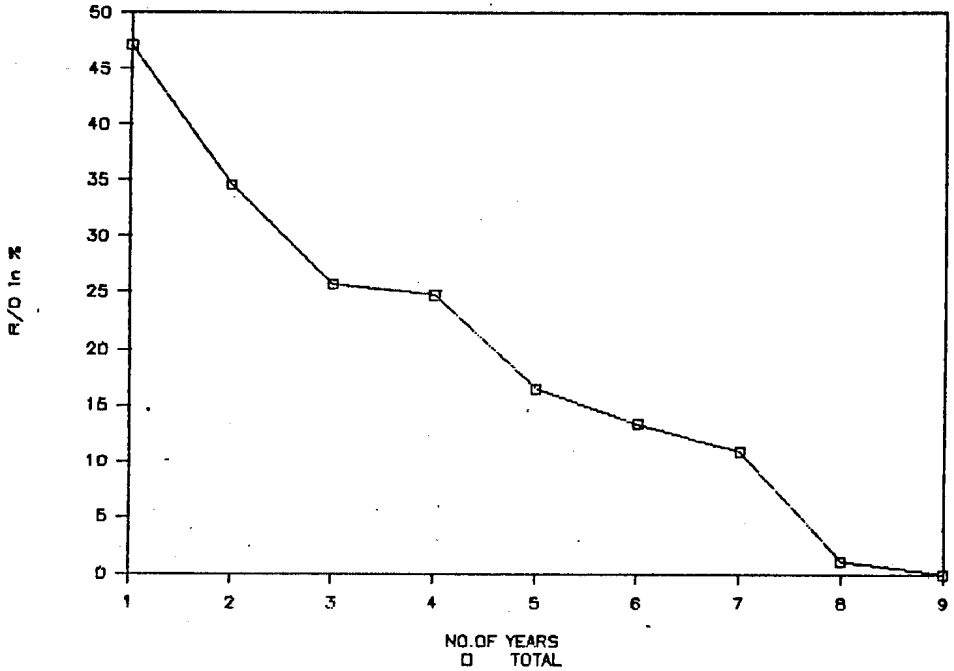
GRAPH 1

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 % (SEEUY)



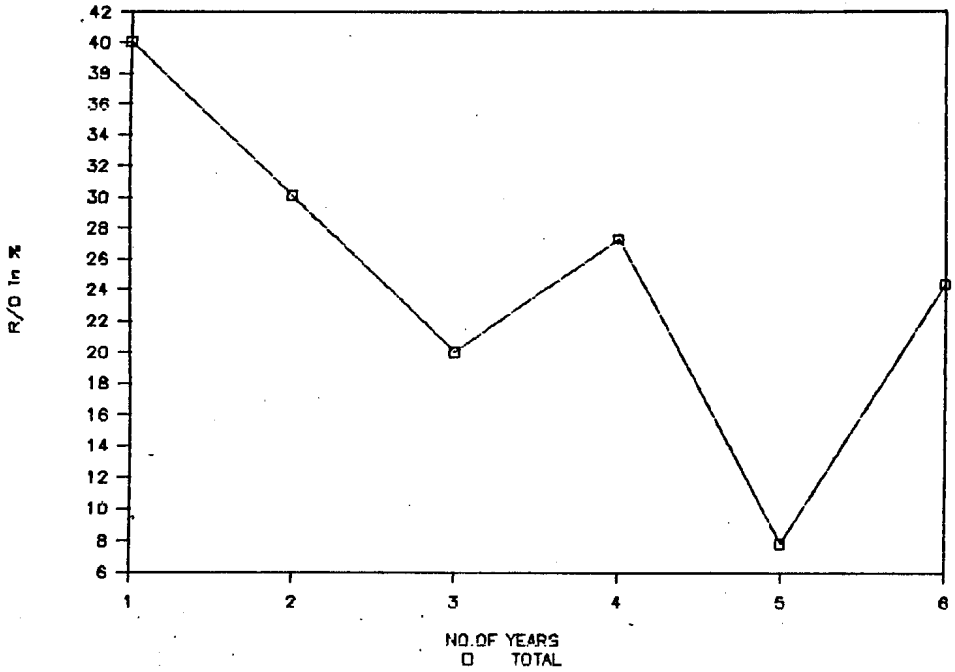
Repayment/Demand % (SEEUY)

GRAPH 3

es	1	2	3	4	5	6	7	8	9
	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

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)