

**Chapter-VI**  
**Disbursement and recovery of  
financial assistance**



## Chapter-VI

### WELFARE OF SCHEDULED CASTES AND BACKWARD CLASSES DEPARTMENT

#### Punjab Scheduled Castes Land Development and Finance Corporation

##### Disbursement and recovery of financial assistance

**There were significant shortfalls in achieving the targets of lending activities, ranging from 34.87 per cent to 78.50 per cent under various schemes which showed that the implementation of the welfare schemes was poor which deprived the targeted beneficiaries of the intended benefits. There were 5,651 pending applications from intending beneficiaries. The available lendable funds reduced from ₹ 29.84 crore in 2018-19 to ₹ 5.05 crore in 2020-21.**

#### 6.1 Introduction

Punjab Scheduled Castes Land Development and Finance Corporation (Corporation) was set up (January 1971) for the economic upliftment of the scheduled castes (SC) community and specially abled people in the State. The State Government and Government of India (GoI) hold equity of the Corporation in ratio of 51:49.

The Corporation advances loans to the members of the SC community and specially abled people in the State under various schemes either directly through 'Direct Lending Scheme' or in collaboration with National Scheduled Castes Finance and Development Corporation (NSFDC), National Safai Karamcharis Finance and Development Corporation (NSKFDC) and National Handicapped Finance and Development Corporation (NHFDC) by acting as State channelising agency to implement their welfare schemes in the State. The Corporation extends subsidy to Below Poverty Line (BPL) SC families under the Special Central Assistance (SCA) scheme of GoI through its Bank Tie-up Scheme (BTS). The Corporation being State channelising agency for NSKFDC has also been nominated as nodal agency for rehabilitation of scavengers in the State under the scheme for rehabilitation of manual scavengers<sup>1</sup> (SRMS) launched by GoI. The Corporation provides loans for self employment creation under small businesses, small scale industries and agriculture and allied activities sectors besides education loans.

The Corporation had finalised its accounts upto 2020-21 and had incurred aggregate loss of ₹ 15.20 crore during 2018-19 to 2020-21. The Corporation

<sup>1</sup> One who is engaged in manually cleaning, carrying, disposing of human excreta in an insanitary latrine or in an open drain or pit.

had disbursed loan amounting to ₹ 551.80 crore to 49,854 beneficiaries (excluding subsidy of ₹ 168.48 crore disbursed to 4,60,633 beneficiaries under BTS) since its inception.

## **6.2 Audit Objective**

The Audit objective was to assess whether the Corporation planned and executed its activities to cover the targeted population in an effective and efficient manner, periodically reviewed the impact of its activities and took remedial measures wherever required.

## **6.3 Audit Scope and Methodology**

Audit of disbursement and recovery of financial assistance by selecting<sup>2</sup> six district offices<sup>3</sup> along with head office was conducted for the period from 2018-19 to 2020-21. The sample covers 32 *per cent* of the transactions relating to disbursement of loans during these three years.

## **6.4 Audit Findings**

### **6.4.1 Identification of beneficiaries**

Identification of beneficiaries is crucial to the success of development schemes as they are targeted towards the downtrodden sections of the society, having a greater risk of exclusion owing to their lack of awareness. There is a need for identification of target groups through surveys and maintenance of reliable database of SC/ Below Poverty Line (BPL) / Specially abled population. Such survey helps in identification of viable professions and trades for various blocks/ districts and facilitates in planning and extending financial assistance to cover the entire targeted section of population in a phased manner.

Audit observed that neither any survey was conducted nor any reliable database was maintained by the Corporation. Instead, the Corporation was advertising in newspapers for identification of beneficiaries which was not serving the purpose.

The Management stated (February 2022) that camps were organised by the District Managers of the Corporation to create awareness among scheduled castes and specially abled people about the benefits of various welfare schemes implemented by the Corporation. However, record notes substantiating outcome and effectiveness of such camps were not shown to Audit. In absence of the records, Audit therefore cannot comment upon the participation levels and effectiveness of the awareness camps reported organised by the Corporation.

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<sup>2</sup> criteria was disbursement of loans under various schemes, disbursement of subsidy and recovery of loans selected on judgemental basis.

<sup>3</sup> Barnala, Pathankot, Patiala, Sangrur, SAS Nagar and Tarn Taran.

### 6.4.2 Planning

The Corporation had not prepared any strategic plan for coverage of targeted beneficiaries in a phased manner and was fixing targets on ad-hoc basis.

The Corporation prepared annual budgets in which targets for disbursement of loans and subsidy were fixed. Audit observed that there were significant shortfalls in achieving the targets of lending activities, ranging between 34.87 per cent and 78.50 per cent under various schemes except in NSFDC scheme where achievement during 2018-21 was only 2.07 per cent due to non-receiving of funds during the period 2018-20 as given in **Table 6.4**. This shows that the planning of the welfare schemes was inadequate which deprived the targeted population of the intended benefits.

The Management replied (February 2022) that the Corporation had already prepared four year strategic action plan. The reply is not acceptable as the Corporation has only compiled data for four years based on its annual plans which cannot be construed as a Strategic plan. The lack of strategic planning is also evident from the fact that a large number of applications for the loan schemes were pending for decision at the end of each year.

### 6.4.3 Receipts and Disbursements under various schemes

The Corporation received funds as share capital from GOI/ State Government, Special Central Assistance (SCA) from GOI and term loans from National Financial Institutions (NFIs) *i.e.* NSFDC, NSKFDC and NHFDC. Share Capital is utilised for providing loans under Direct Lending Scheme and margin money for various loans schemes of NFIs. SCA is utilised for granting subsidy to BPL SC families under Bank Tie -up Scheme. A summary of the details of lendable funds available to the Corporation for disbursement during 2018-19 to 2020-21 is given in **Table 6.1** below:

**Table 6.1: Lendable funds available to the Corporation for disbursement**

(₹ in crore)

Particulars		Years		
		2018-19	2019-20	2020-21
<b>Opening Balance of Lendable funds (A)</b>		<b>16.03</b>	<b>21.58</b>	<b>4.82</b>
Receipts	Share Capital	0.00	6.87	11.78
	Long term loans from NFIs	0.99	2.2	3.93
	SCA (BTS)	3.58	2.08	2.29
	Other subsidies	0.52	0.15	0.50
	Recovery of loan and interest	36.90 <sup>4</sup>	9.73	10.27
	Interest on Savings Bank and Fixed Deposits	1.17	3.34	2.53
	Other Income	0.16	0.08	0.12
<b>Total of Receipts (B)</b>		<b>43.32</b>	<b>24.45</b>	<b>31.42</b>

<sup>4</sup> Includes ₹27.74 crore received on account of loan waiver scheme during 2018-19.

Particulars		Years		
		2018-19	2019-20	2020-21
Payments other than disbursement of schemes	Administrative expenses	10.17	10.64	11.53
	Gratuity	1.38	0.32	0.54
	Leave encashment	0.90	0.17	0.35
	Repay to NFIs	8.52	6.39	4.48
	Other expenses	0.00	0.13	0.01
<b>Total of Payments (C)</b>		<b>20.97</b>	<b>17.65</b>	<b>16.91</b>
<b>Committed liability (D)</b>		<b>8.54</b>	<b>13.93</b>	<b>14.28</b>
<b>Available Lendable funds (E) = (A)+(B)-(C)-(D)</b>		<b>29.84</b>	<b>14.45</b>	<b>5.05</b>
Disbursement under scheme	subsidy SCA (BTS)	2.93	0.37	3.00
	other subsidy	0.36	0.15	0.50
	loan advanced (Direct + NFIs)	4.97	9.11	8.34
	<b>Total of Disbursement under scheme (F)</b>	<b>8.26</b>	<b>9.63</b>	<b>11.84</b>
<b>Closing Balance of Lendable funds (G) = (E) - (F)</b>		<b>21.58</b>	<b>4.82</b>	<b>(-)6.79</b>

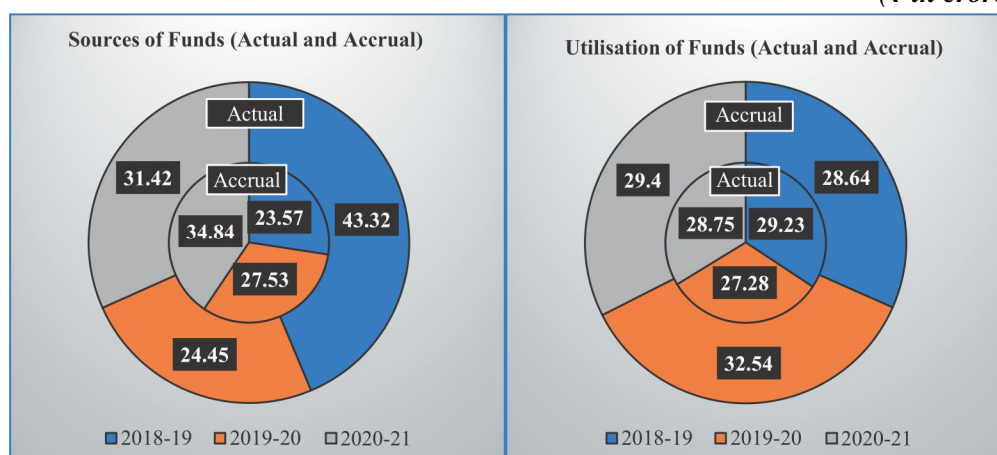
Source: Financial statements of the Corporation

The Corporation had clear surplus funds of ₹ 16.03 crore, ₹ 21.58 crore and ₹ 4.82 crore at the beginning of the years 2018-19, 2019-20 and 2020-21 respectively. The auditee had not demarcated funds for lending and for meeting its administrative expenses separately. During the years, the total receipts were ₹ 43.32 crore, ₹ 24.45 crore and ₹ 31.42 crore respectively. After considering the opening balance and the receipts during the year and providing for the administrative expenses/committed liabilities, the auditee was still left with substantial lendable funds of ₹ 21.58 crore and ₹ 4.82 crore during 2018-19 and 2019-20. The auditee could lend only 28 per cent and 67 per cent of the clear funds available during 2018-19 and 2019-20.

The following pie charts depict the sources and utilisation of funds on accrual and actual basis:

**Chart 6.1: Sources and utilisation of funds on accrual and actual basis**

(₹ in crore)



Audit observed that available lendable funds reduced from ₹ 29.84 crore in 2018-19 to ₹ 5.05 crore in 2020-21 (after taking into consideration committed liabilities at the end of the year). Investment profile of the Corporation for the period 2018-21 is as follows:

**Table 6.2: Investment profile of the Corporation***(₹ in crore)*

Investment	2018-19	2019-20	2020-21
Saving Accounts	2.77	6.27	14.98
Fixed Deposits	40.15	33.55	27.31
<b>Total</b>	<b>42.92</b>	<b>39.82</b>	<b>42.29</b>

*Source: Financial statements of the Corporation*

The Corporation continued to hold funds despite large number of pending applications for approval, from intending beneficiaries. The highest disbursement that the Corporation could achieve during 2018-21, in financial terms, was 55.8 per cent of its targets for its direct lending schemes. It could achieve a mere 2.04 per cent of its financial targets during the same period for disbursement under NSFDC operated schemes.

#### 6.4.4 High Cost of Service vis-à-vis scale of operations

As no separate budget is allotted for Administrative Expenses by the Govt. of Punjab, the Corporation has been meeting its administrative expenses from interest income and recovery of loans. During 2018-21, mapping of Administrative Expenses from various sources of income is given below in **Table 6.3:**

**Table 6.3: Mapping of Administrative expenses and all sources of Income for the period 2018-21***(₹ in crore)*

Particulars	Actual Basis	Accrual Basis
Operational Income (A)	33.88	20.28
Administrative Expenses (B)	36.00	41.37
<b>Balance (C = A - B)</b>	<b>-2.12</b>	<b>-21.09</b>
Investing Income (D)	7.04	7.39
<b>Balance (E = C+D)</b>	<b>4.92</b>	<b>-13.70</b>
Other Income (F)	0.36	0.57
<b>Balance (G = E + F)</b>	<b>5.28</b>	<b>-13.13</b>

*Source: Financial statements of the Corporation.*

Audit observed that as compared to the disbursement of loan/subsidy of ₹ 29.73 crore during 2018-21, the administrative expenditure of the Corporation was ₹ 36.00 crore. The Corporation was not able to generate enough funds from its operations to meet even its administrative expenditure. For every rupee of disbursement, its administrative expenditure worked out to be ₹ 1.21 during 2018-21. The Corporation may like to make increased efforts to reach out to intending beneficiaries for disbursement of funds and needs to streamline its operations to reduce its costs.

#### 6.4.5 Procedure for sanction and disbursement

Applications received from prospective beneficiaries are appraised in the first instance by district offices of the Corporation and then placed before the district level Screening Committee<sup>5</sup> (DSC) for recommendations. The recommendations of the committee are forwarded to head office for sanction of loan. After sanction of loan, agreement is entered into between the Corporation and the beneficiary.

#### 6.4.6 Implementation of the Schemes

On the basis of budgetary allocation made by the State Government for different schemes, the Corporation fixed targets for disbursement of loans each year. A summary of financial and physical targets and achievements there against during 2018-21 is given in **Table 6.4** below:

**Table 6.4: Financial and physical targets/achievements**

(Financial: ₹ in crore and Physical: in numbers)

		Direct Lending		Bank Tie up		NSFDC schemes		NSKFDC Schemes		NHFDC Schemes	
		T	A	T	A	T	A	T	A	T	A
2018-19	Financial	10	3.88	5	3.27	7.50	0.43	2	0.22	3	0.42
	Physical	500	248	5000	3267	500	30	200	25	200	23
2019-20	Financial	10	7.13	5	1.40	7.50	0.01	2	1.09	3	0.88
	Physical	500	421	5000	1404	500	0	200	75	200	47
2020-21	Financial	10	5.73	5	1.65	7.50	0.02	2	1.49	3.0	1.10
	Physical	500	308	5000	1645	500	1	200	103	200	59
Total	Financial	30	16.74 (55.80%)	15	6.32 (42.13%)	22.50	0.46 (2.04%)	6	2.80 (46.67%)	9	2.40 (26.67%)
	Physical	1500	977 (65.13%)	15000	6316 (42.10%)	1500	31 (2.07%)	600	203 (33.83%)	600	129 (21.5%)

Source: Information supplied by the Corporation.

T: Target, A: Achievement, Figures in bracket indicate percentage achievement

Analysis of performance of the schemes brought out the following:

#### (A) Direct Lending Scheme

Under this scheme, loans upto ₹ 10 lakh (except land purchase where maximum limit is ₹ 30 lakh) are granted to SC beneficiaries having income of

<sup>5</sup> consists of District Social Justice and Empowerment officer, District Manager- PSCLDFC, Deputy Economic and Statistical Advisor, Assistant Project Officer-District Rural Development Agency, Lead Bank Manager, Manager- Department of Industries and Commerce, one representative of any Non-Government Organisation.



not more than ₹ one lakh *per annum* (increased to three lakhs from May 2020) for various income generating schemes.

There was shortfall in achievement of physical and financial targets due to non/ short release of funds by the State Government against budget provisions. Audit observed that during 2018-19, State Government did not release its share of ₹ 5.42 crore and share of GoI of ₹ 5.79 crore (received during 2016-18). Funds of ₹ 5.79 crore were released by State Government to Corporation in 2019-20. Due to non-release of funds by the State Government timely, GoI did not release<sup>6</sup> any funds in 2019-20 and released partial funds in 2020-21, resulting into non release of ₹ 2.35 crore<sup>7</sup>. As of 31 March 2021, there were 3,039 pending loan applications.

**(B) Bank Tie-up scheme**

Under this scheme, loan applications received from BPL<sup>8</sup> SC families are submitted to the District Manager. The District Manager in turn sponsors the application to the bank for joint verification. Successfully verified applicants are sanctioned loans and the Corporation releases subsidy to banks (equal to 50 *per cent* of the total project cost subject to a maximum of ₹ 10,000) for further disbursement to beneficiaries along with loan.

Subsidy under SCA was to be distributed in a manner admissible under the Swarna Jayanti Gram Swarajgar Yojana - the amount of subsidy released to the banks was to be kept in a separate capital subsidy reserve account and it was to be adjusted at the end of the recovery of loan as a backend subsidy. Utilisation Certificates (UCs) were to be provided by the bank within seven days of the payment of loan.

Audit observed:

- No time limit was fixed for sanction and disbursement of loans under Bank Tie-up Scheme (BTS) while time limits were in place under other loan schemes.
- In six selected districts, subsidy amounting to ₹ 1.32 crore was released (during 2018-21) to banks after delays ranging from one to 621 days<sup>9</sup> from the date of sanction of the cases by the District Screening Committee. Audit observed that these delays were on part of head office of the Corporation in releasing the subsidy to banks.

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<sup>6</sup> prior release of State's share is a pre-condition for release of central share by GoI.

<sup>7</sup> ₹ 1.31 crore pertains to previous years prior to 2019-20 and ₹ 1.04 crore pertains to 2020-21.

<sup>8</sup> income for rural areas ₹ 67,649 *per annum* and for urban areas ₹ 88,756 *per annum per family*.

<sup>9</sup> after giving margin of 15 days.

- No monitoring system was available in the Corporation to ensure the timely disbursement of subsidy by banks to the beneficiaries and in case of non-disbursement, recovery of the undisbursed subsidy from the banks alongwith interest. The Corporation was not aware of the extent of subsidy recoverable from banks. In six selected districts, subsidy amounting to ₹ 0.27 crore was refunded (during 2018-21) to the Corporation after delays ranging between three and 1497 days<sup>10</sup>. No arrangements were made to recover the interest on the refunded amount.
- The Corporation was not obtaining utilisation certificates from beneficiaries and conducting physical verification post disbursement.
- Subsidy released to banks was to be kept in a separate subsidy reserve account which was not ensured.
- The percentage of cases sanctioned by the banks to the total sponsored cases was low, ranging from 18.23 *per cent* to 28.77 *per cent* during 2018-21.
- There was shortfall in achievement of physical and financial targets as only 42 *per cent* of targets were achieved during 2018-21.
- There was no requirement of proof of credit worthiness like CIBIL score of the beneficiary, while making application for disbursement of loan under the scheme.

Audit observed that in six selected districts, out of the subsidy of ₹ 1.80 crore released to the banks, ₹ 0.24 crore was received back due to non-disbursement of loans to 239 beneficiaries but these were included in the achievements. Thus, the actual physical and financial achievements were even less than 42 *per cent*.

The Corporation was having unutilised balance amount of Special Central Assistance (SCA) of ₹ 10.12 crore and ₹ 9.32 crore at the end of the year 2019-20 and 2020-21 respectively.

The Management stated (February 2022) that loanees do not come forward to complete the requisite formalities required by the banks and sometimes their CIBIL score is poor and that is why banks are reluctant in disbursing loans to the beneficiaries. The reply is not acceptable as the banks rejected the applications for availing loans under bank –tie-up schemes due to various reasons e.g. no experience in the field of business for which loan was applied for, non-availability of space/ shed for the cattle, adverse past records, low

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<sup>10</sup> after giving margin of 15 days.

CIBIL score etc. CIBIL considers inter alia among various other parameters, the payment history, credit exposure, credit type & duration etc. Further, more number of times, credit facility is availed and repaid, more would be the CIBIL score of the person. The CIBIL score is adversely affected if the person has not availed any loan from the financial institution.

Out of total 1476 rejected cases, 371 rejected cases (25 per cent) in six selected districts were selected for substantive audit. It was noticed that 48 (13 per cent) cases were rejected based on low CIBIL score/ poor credit worthiness. This is not acceptable in Audit as the Corporation extends assistance in the priority social sector schemes of the State Government and Government of India where insistence on a acceptable level of CIBIL score of the intending beneficiaries while granting assistance can not ensured. Moreover, the Reserve Bank of India guidelines for extending assistance in the priority sector of lending, at no stage prescribe the checking of CIBIL score of the applicants, in which this Corporation is operating.

It is worthwhile to mention here that the said scheme was for the downtrodden strata of the society. Rejection on the basis of low CIBIL score may force the loan applicants to resort to informal channels of credit. It not only defeated the very purpose of the scheme but also resulted in non-achievement of the targets which remained as low as 42 per cent during the period of audit.

The Corporation should take up the matter with the bank to not reject any cases solely on the basis of low CIBIL score. It is recommended that the Government may revisit its criteria of character, capacity, capital, collateral and conditions attached while extending loans under bank tie up scheme.

**(C) Backend Subsidy Incentive Scheme**

The Corporation introduced (March 2018) backend Subsidy incentive scheme for BPL families to encourage them (i) for self-employment; (ii) for proper utilisation of loan amount and (iii) for regular repayment by giving subsidy of 25 per cent of the loan amount subject to the maximum of ₹ 10,000 as incentive. In the six selected district offices, test check of 121 files produced to Audit revealed that:

- 79 beneficiaries were ineligible for backend Subsidy as ration cards pertaining to above poverty line were issued to them.
- In four cases, income of the family was higher than the limit for annual income fixed for BPL families as one of the family members was in government job<sup>11</sup>.

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<sup>11</sup> annual income of these families exceeds the maximum prescribed limit for a BPL family.

**(D) National Scheduled Castes Finance and Development Corporation (NSFDC) Loan scheme**

The Corporation with assistance of NSFDC provides loan for various trades to beneficiaries having income up to ₹ three lakhs *per annum* for both rural and urban areas by raising term loan upto 90 *per cent* from NSFDC and remaining 10 *per cent* is shared by the beneficiary as well as Corporation. BPL SC families are also eligible for backend subsidy up to ₹ 10,000.

NSFDC stopped financing the Corporation during 2018-19 and 2019-20 due to non repayment of its loan amount of ₹ 19.23 crore. During 2020-21, the Corporation received funds amounting to ₹ 0.81 crore only against budget of ₹ 6.75 crore. The Corporation could achieve only two *per cent* of its targets during 2018-21. As of 31 March 2021, 1784 applications were pending decision under the scheme.

**(E) National Safai Karamcharis Finance and Development Corporation (NSKFDC) Loan schemes**

The Corporation raises term loan from NSKFDC at the rate of three *per cent* for specific schemes for onwards disbursement to the Safai Karamcharis and their dependents at interest rate of six *per cent* per annum. Ninety *per cent* of the project cost is to be contributed by NSKFDC and remaining ten *per cent* is to be contributed by the Corporation and Loanee.

The Corporation achieved 74.5 *per cent* of its financial targets in 2020-21 which was an improvement from 11 *per cent* and 54.5 *per cent* achieved during 2018-19 and 2019-20 respectively. As of 31 March 2021, 637 applications were pending decision under the scheme.

**(F) National Handicapped Finance and Development Corporation (NHFDC) Loan Schemes**

The Corporation is providing loans to specially abled people with 40 *per cent* or more disability in the age group of 18 to 60 years for various income generating self-employment schemes. There is no income limit for availing loan, however, 90 *per cent* of loan cases would cover the specially abled persons with income up to ₹ five lakh *per annum*.

During 2018-21, 129 beneficiaries were covered and loans amounting to ₹ 2.41 crore were disbursed against the targeted 600 beneficiaries with total loan amount of ₹ nine crore. The Corporation had not maintained lists of unemployed specially abled in the State by coordinating with the departments<sup>12</sup> concerned to cover maximum cases under the scheme and targets have not been revised since long.

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<sup>12</sup> Department of Social Security and Women & Child Development, Government of Punjab.

NHFDC pointed (June 2019) out that the operations of the Corporation were affected due to inadequate government guarantee and non-submission of sufficient proposals. To scale up the coverage of disabled population, NHFDC proposed the Corporation to (i) identify self-employment/service sector niches where persons afflicted with various disabilities can be sustainably deployed (ii) to support NHFDC in extending loans to extend/develop the facilities of assessable toilets and safe drinking water for disabled population (iii) to establish skill training centers at appropriate places throughout the State for quality skill training of disabled persons. Audit observed that the Corporation had not made any efforts to implement the *ibid* proposals.

The Management accepted the observation and added (February 2022) that the Corporation has directed the District Managers to improve the progress under the scheme.

**(G) Self Employment Scheme for Rehabilitation of Manual Scavengers (SRMS)**

To rehabilitate manual scavengers in alternative occupations, the Corporation arranges loan from banks and subsidy from NSKFDC. The identified manual scavengers, one from each family are also eligible for one time Cash assistance (OTCA) of ₹ 40,000 immediately after identification.

Under this scheme, 228 manual scavengers<sup>13</sup> were identified in the State by the GoI till date. OTCA of ₹ 40,000 was given directly by GoI to 211 beneficiaries and remaining 17 cases were referred to NSKFDC for OTCA. Out of 86 identified beneficiaries (before 2018), loan and subsidy was provided to only 38 beneficiaries. NSKFDC asked the Corporation to send the proposals of 142 manual scavengers (identified in 2019) to avail the financial assistance. However, no efforts were made by the Corporation to approach 190<sup>14</sup> identified beneficiaries so as to encourage them to avail financial assistance for setting up self-employment unit/ ventures. Thus, the Corporation had not ensured the rehabilitation of the manual scavengers which defeated the very purpose of the scheme.

The Management stated (February 2022) that out of manual scavengers who have not been provided subsidy or loan, some have started business with the OTCA and are not willing to take loan and some of them wanted jobs instead of loans. The reply of the Management is not acceptable as records pertaining to only 52 persons who were not willing to take loan was made available to Audit.

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<sup>13</sup> 86 identified before 2018 and 142 identified in 2019.

<sup>14</sup> 142+48 (86-38).

#### 6.4.7 Delay in disposal of cases

Punjab Right to Service Act, 2011 was made applicable on the Corporation by the State Government (March 2015) to facilitate delivery of services within the time limit. Accordingly, the Corporation fixed the time schedule for sanction and disbursement of loans at each stage. The Corporation fixed 45 days {including 20 days for Divisional Manager office (DM) for sending the case to Head Office (HO)} for sanctioning the case and 60 days for disbursement of loan.

Test check of 350 loan cases<sup>15</sup> showed that there were delays ranging from 15 days to 765 days in disbursement of loans against the prescribed time allowed. It was observed that delay in sanctioning the cases was mainly attributable to the delay in sending cases by District Manager's offices to HO. The year wise delay in processing the cases is as shown in **Table 6.5**.

**Table 6.5: Delay in processing of cases**

Year	Delay in sending to HO			Delay in Sanction			Delay in Disbursement		
	Number of cases			Number of Cases			Number of cases		
	15 to 100 days	101 to 200 days	Above 200 days	15 to 100 days	101 to 200 days	Above 200 days	15 to 100 days	101 to 200 days	Above 200 days
2018-19	52	17	6	43	30	8	33	42	22
2019-20	63	17	11	58	20	15	67	52	19
2020-21	45	9	2	27	27	6	17	38	33

Source: Compiled from Loan files

Audit observed that the Corporation was not analysing the reasons for delay in processing of loan cases. The Corporation had 5,651 loan applications pending under various schemes as of 31 March 2021 as shown in **Table 6.6**.

**Table 6.6: Year wise pendency of applications**

Year	Opening balance	Received	Rejected before sanction	Sanctioned	Pending
Since inception upto 2018-19	5666	514	62	509	5609
2019-20	5609	902	16	691	5804
2020-21	5804	537	70	620	5651

Audit observed that age wise pendency of applications since inception was not monitored. The Corporation was not reviewing the applications pending since long to weed out the ineligible applicants who do not require the loan anymore.

<sup>15</sup> Out of 445 loan cases (excluding Bank Tie up Scheme) of six selected districts disbursed during 2018-21.

The Management stated (February 2022) that sometimes beneficiaries do not complete formalities in time which causes delay in sanction and disbursement of loan and that efforts are made to adhere to the time limit fixed for sanction and disbursement of loan. The reply of the Management is not acceptable as it is the responsibility of the District Manager to get all the formalities completed in time.

#### **6.4.8 Non-obtaining of Utilisation Certificates**

As per terms and conditions of the loan, loanee was required to submit utilisation certificate (UC) within two months of disbursement of loan and in case of non-furnishing of UC, loan was to be recovered in lump sum with interest.

Test check of 350 loan cases in six selected districts offices revealed that UCs were not received in as many as 322 cases (92 per cent). Therefore, proper utilisation of the loan amount could not be ensured. The Corporation was required to recover the loan amount in lump sum with interest, however, it had not initiated any action to recover the amount.

The Management accepted the audit observation and stated (February 2022) that instructions have been issued to the District Managers to obtain utilisation certificates within stipulated period.

#### **6.4.9 Non-maintenance of centralised database of loanees/ beneficiaries**

- Loan amount is disbursed to each beneficiary through Real Time Gross Settlement (RTGS) System in an Aadhaar linked bank account. Audit observed that the Corporation has not maintained centralised database indicating Aadhaar number and bank account number of the beneficiaries, in the absence of which duplication of beneficiaries in disbursement of loans could not be verified.
- The Corporation has not developed any software for disbursement of loans to streamline the process from beginning to end.

#### **6.4.10 Impact assessment of Schemes**

Post disbursement monitoring of beneficiary is necessary to ensure that the financial assistance was used for intended purpose. Our scrutiny of monitoring system of the Corporation showed that the Corporation attitude in implementation of its socially relevant credit/ assistance schemes was bordering on apathy and was indifferent to the plight of the most vulnerable sections of the Society, for the upliftment of which the Corporation is established. The criteria for assessment of the credit worthiness of the applicants appeared to be unusually harsh and in cases ultimately led to denial

of assistance. For assessing the socio economic impact of its schemes, it is recommended that:

- the Corporation maintain database of the beneficiaries; and
- devise procedures for post disbursement monitoring of the beneficiaries and undertake impact assessment at timely intervals.

#### 6.4.11 Recovery Position

The Corporation had not maintained any record to show scheme wise recovery, as such it had fixed consolidated targets for recovery of principal and interest. **Table 6.7** below shows the details of consolidated targets of recovery, total amount recoverable and recoveries effected during April 2018 to March 2021.

**Table 6.7: Details pertaining to targets of recovery and recovery effected**

(₹ in crore)				
Sr. No.	Particulars	2018-19	2019-20	2020-21
1.	Amount overdue for recovery at the beginning of the year	99.26	76.65	79.84
2.	Recovery due during the year	14.28	12.84	13.74
3.	Total recoverable amount (1+2)	113.54	89.49	93.58
4.	Target of recovery	10.00	10.00	10.00
5.	Recovery effected during the year	36.89	9.65	10.33
6.	Closing balance of overdue amount (3-5)	76.65	79.84	83.25
7.	Percentage of recovery to recoverable amount	32.49	10.78	11.04

Source: Information supplied by the Corporation

Recovery during 2018-19 was more than the targets due to receipt of ₹ 27.74 crore under loan waiver scheme from the State Government.

As evident from above, during 2018-21, the overdue amount had increased from ₹ 76.65 crore to ₹ 83.25 crore whereas the targets fixed for recovery were on lower side *i.e.* 8.8 per cent, 11.17 per cent and 10.68 per cent of the total recoverable amount during 2018-19, 2019-20 and 2020-21 respectively. Audit observed that poor performance of recoveries was due to not ensuring the proper utilisation of loan amount and inadequate pursuance of recovery by the district offices.

In case of continued default, Sections 24 and 25 of the Punjab Scheduled Castes Land Development and Finance Corporation Act, 1970, empowers the Corporation to recover the entire outstanding amount from the defaulters as arrears of land revenue by issuing a recovery certificate to the Collector of district concerned. The Collectors were sent 23,321 cases involving ₹ 115.14 crore for effecting recoveries and the recoveries amounting to ₹ 50.62 crore in 15,913 cases only were made upto March 2021.



Management stated (February 2022) that efforts are being made to recover the outstanding loan amount from the loanees. Reply of the Management is not acceptable as the percentage of recovery of overdue amount was as low as 11 *per cent* during 2020-21, which shows that measures taken to improve its recovery position did not yield adequate results.

#### 6.4.12 Loan Waiver Scheme

State Government introduced (March 2018) loan waiver scheme for waiving off the loan of poor SC beneficiaries who had availed loan up to ₹ 50,000 till 31 March 2017 from the Corporation. In this scheme, loans of 14,260 loanees amounting to ₹ 45.40 crore were waived off during 2017-19.

As per the Loan Waiver Scheme, benefit of waiving off the loan amount of maximum ₹ 50,000 was to be given to each loanee. Audit observed that loanees were included more than once in the list of this scheme. The names of 61 loanees' were repeated in the list which resulted in excess claim of ₹ 16.15 lakh from the State Government.

Management accepted and stated (February 2022) that inadvertently second account was created and the amount was claimed from the Government but the loanees were not given the benefit twice.

#### 6.4.13 Deficiencies in internal control

The internal control in the Corporation was deficient to the extent that there was no system to ascertain as to whether the banks had actually disbursed the subsidy/loan to the beneficiaries within stipulated period and in case the subsidy remain undisbursed, the same was refunded immediately. It could not be ascertained whether the loanees had submitted UCs within the prescribed period. There was not any record regarding age wise pendency of loan applications and defaulting loanees.

### 6.5 Recommendations

The Corporation may:

- *take steps to improve its performance in achieving the set targets of disbursement of loans and subsidy;*
- *take steps to bring its administrative expenses to realistic level as the ratio of 'administrative expenditure to loan disbursed' was more than 1.*
- *fix responsibility of its officials for delay in approving loan applications violating the provisions of time frame under Punjab Right to Service Act, 2011.*

- *take up the matter with banks to not make CIBIL a main criteria for disbursement of loan;*
- *strengthen the recovery mechanism to ensure recycling of funds and consequently maximise coverage of beneficiaries; and*
- *devise procedures for post disbursement monitoring of the beneficiaries and undertake impact assessment due to its assistance at timely intervals.*

The matter was referred (November 2021) to the State Government; their replies were awaited (November 2022).