CHAPTER VII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

7.1 Introduction

This chapter deals with the results of Government companies and departmentally managed commercial undertakings. Paragraphs 7.2 to 7.8 deal with general view of Government companies, investment in Public Sector Undertakings and departmentally managed commercial undertakings. Paragraph 7.9 contains a review on the working of Pondicherry Adi-dravidar Development Corporation Limited.

7.2 Overview of Government companies

As on 31 March 2002, there were 11 Government companies including one subsidiary company (all working companies) and one departmentally managed commercial undertaking as against 11 Government companies as on 31 March 2001 under the control of the Government of Pondicherry. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG) as per provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956.

The accounts of departmentally managed commercial undertaking are audited solely by the CAG under Section 13 of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

7.3 Working Public Sector Undertakings (PSUs)

7.3.1 Investment in working PSUs

Total investment in Government companies in the form of equity and loans as on 31 March 2001 and 31 March 2002 was as under:

(Rupees in crore)

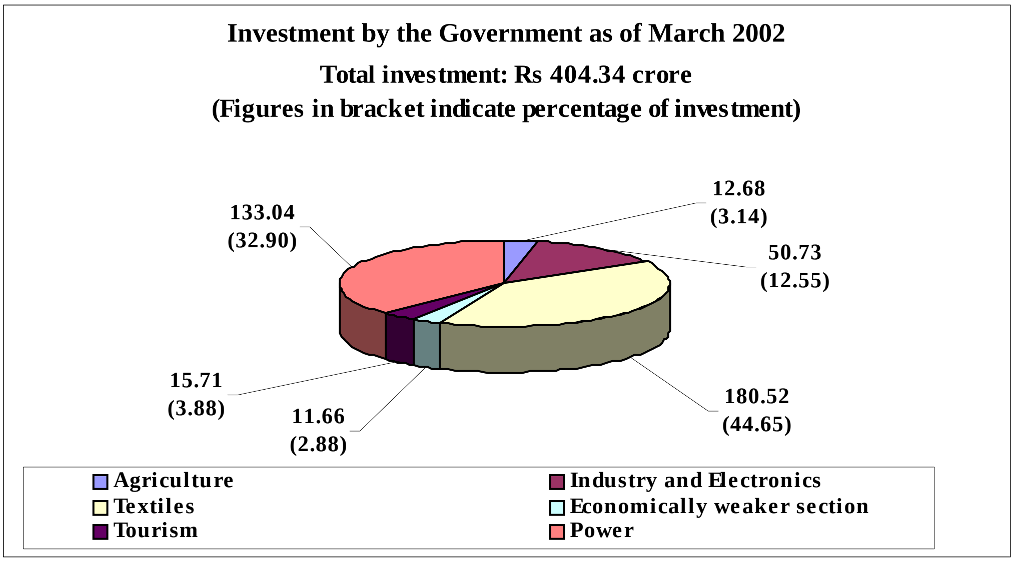
Year	Number of companies	Investment			Total
		Equity	Share application money	Long term Loans[14]	
2000-2001	11	351.24	--	6.92	358.16
2001-2002	11	379.81	5.52	19.01	404.34

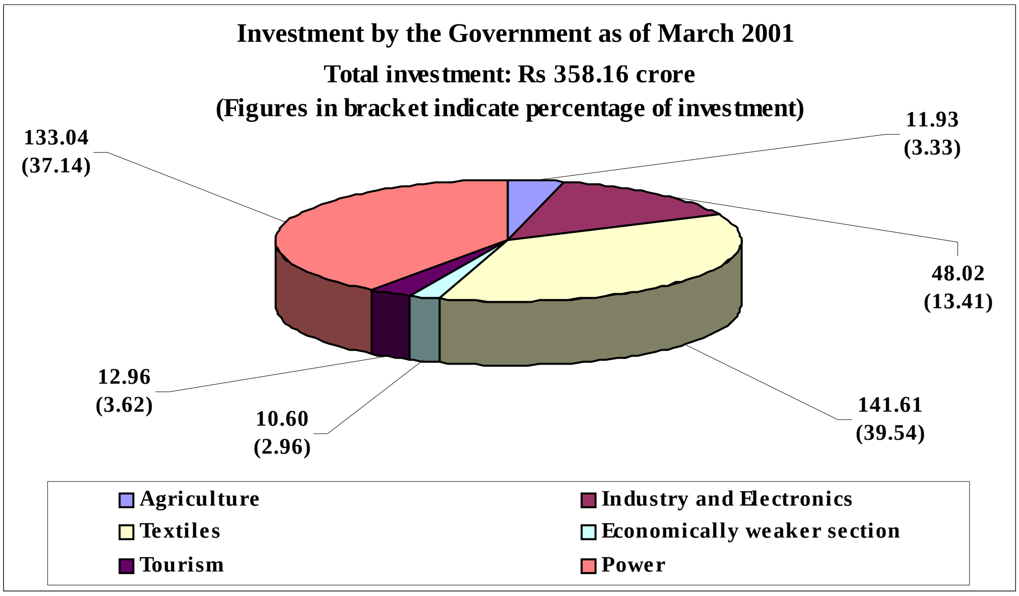
[14] **Long-term loans mentioned in Paragraph 7.3.1 are excluding interest accrued and due on such loans**

The summarised statement of Government investment in working Government companies in the form of equity and loans is detailed in Appendix 22.

As on 31 March 2002, the total investment in working Government companies comprised 95.30 *per cent* of equity capital and 4.70 *per cent* of loans as compared to 98.07 *per cent* and 1.93 *per cent* respectively as on 31 March 2001. The main reason for increase in capital was induction of substantial equity (Rs 26.73 crore) in textile sector. The debt equity ratio was 0.05:1 during 2001-2002 as against 0.02:1 in 2000-2001.

The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2002 and 31 March 2001 are indicated below in the pie charts.





7.3.2 Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by Government to working Government companies are given in Appendix 22 and 24.

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the Government to working Government companies for the three years upto 2001-2002 are given below:

(Rupees in crore)

Particulars	**1999-2000 Companies**		**2000-2001 Companies**		**2001-2002 Companies**	
	Number	**Amount**	**Number**	**Amount**	**Number**	**Amount**
Equity capital outgo from budget	8	44.97	7	26.10	6	31.56
Loans given from budget	1	1.00	---	---	---	----
Grants	2	6.01	5	2.09	5	3.14
Subsidy towards						
(i)Projects/Programmes/Schemes	1	0.20	1	0.20	3	12.97
(ii) Other subsidy	---	---	---	---	---	---
(iii) Total subsidy	1	0.20	1	0.20	3	12.97
Total outgo	**8**[15]	**52.18**	**7**[15]	**28.39**	**8**[15]	**47.67**

During the year 2001-2002, the Government guaranteed loans amounting to Rs 3.15 crore obtained by two working Government companies. At the end of the year guarantees of Rs 3.15 crore against two working companies were outstanding. There was no conversion of Government loans into equity.

7.3.3 Finalisation of accounts by working PSUs

The accounts of the companies for every financial year are required to be finalised within six months from the end of relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of financial year.

However, as could be noticed from Appendix 23, out of 11 working Government companies only three companies finalised their accounts for the year 2001-2002 within the stipulated period. During the period from October 2001 to September 2002, eight working Government companies finalised eight accounts for previous years.

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[15] **These are the actual number of companies which received budgetary support in the form of equity, loans, grants and subsidy from the Government during the respective years**

The accounts of eight working Government companies were in arrears for periods ranging from one to five years as on 30 September 2002 as detailed below:

Serial number	Number of working companies	Period for which accounts are in arrears	Number of years for which accounts are in arrears	Reference to Serial number of Appendix 23
1.	1	1997-98 to 2001-2002	5	10
2.	3	2000-2001 to 2001-2002	2	2, 7 and 8
3.	4	2001-2002	1	3, 4, 6, and 9

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within prescribed period. Though the concerned administrative departments and officials of the Government were appraised quarterly by the Audit regarding arrears in finalisation of accounts, no effective measures have been taken by the Government and as a result, net worth of these PSUs could not be assessed in audit.

7.3.4 Financial position and working results of working PSUs

The summarised financial results of working Government PSUs as per latest finalised accounts are given in Appendix 23.

According to latest finalised accounts of 11 working Government companies, five companies incurred aggregate loss of Rs 22.21 crore and five companies earned aggregate profit of Rs 12.35 crore. In respect of one company (Serial number 9 of Appendix 23) the entire loss was met by the Government of Union Territory of Pondicherry.

7.3.4.1 Working Government companies

(i) Profit earning working companies and dividend

The three working Government companies which finalised their accounts for 2001-2002 by September 2002 earned aggregate profit of Rs 7.35 crore. Only one company (Serial number 11 of Appendix 23) declared dividend of Rs 1.46 crore for the year 2001-2002. The dividend as a percentage of share capital of the company worked out to 1.10. The total return of above dividend of Rs 1.46 crore worked out to 0.39 *per cent* in 2001-2002 on the total equity investment of Rs 375.58 crore by the Government in all the 11 Government companies as against 'NIL' dividend in the previous year. The Government had not formulated any dividend policy for payment of minimum dividend.

Similarly, out of eight working Government companies, which finalised their accounts for previous years by September 2002, two companies earned an aggregate profit of Rs 5 crore and both these companies earned profit for two or more successive years.

(ii) Loss incurring working Government companies

Of the five loss-incurring working Government companies, two companies (Serial numbers 2 and 10 of Appendix 23) had accumulated losses aggregating Rs 12 crore which exceeded their paid-up capital of Rs 9.89 crore.

Despite poor performance and complete erosion of paid-up capital, the Government continued to provide financial support to these companies in the form of equity, grant, and subsidy. According to available information, the total financial support so provided by the Government by way of equity, grant and subsidy during the year to both the companies was Rs 3.52 crore.

7.3.5 Return on capital employed

As per the latest finalised accounts (upto September 2002), the capital employed[16] worked out to Rs 318.97 crore in 11 working companies and total return[17] thereon amounted to (-) Rs 8.36 crore, as compared to total return of (-) Rs 107.06 crore in the previous year (accounts finalised upto September 2001). The details of capital employed and total return on capital employed in case of working Government companies are given in Appendix 23.

7.4 Non-working PSUs

There was no non-working PSUs in the Union Territory.

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[16] **Capital employed represents net fixed assets (including capital works-in-progress) PLUS working capital except in finance companies and corporations where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance)**

[17] **For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account**

7.5 Disinvestment, privatisation and restructuring of PSUs

During the year 2001-2002, there was no case of disinvestment, privatisation and restructuring of PSUs.

7.6 Results of audit of accounts of PSUs by CAG

During the period from October 2001 to September 2002, 11 accounts of nine working Government companies were selected for review and "Nil Comments" were issued for nine accounts.

The net impact of the important audit observations as a result of the review of the remaining two PSUs were as follows:

Serial number	Details	Number of accounts of working Government companies	Amount (Rupees in lakh)
1.	Increase in profit	1	11.63
2.	Classification errors	1	22.05

7.6.1 Some of the major errors and omissions noticed in the course of review of annual accounts of the above companies are mentioned below:

Serial number	Name of company	Year of accounts	Errors/omissions	Amount (Rupees in lakh)
1.	Pondicherry Adi-dravidar Development Corporation Limited	1999-2000	(i) Understatement of cash balance	0.11
			(ii) Overstatement of fixed deposits	11.79
			(iii) Overstatement of bank balance	10.15
2.	Pondicherry Corporation for Development of Women and Handicapped persons Limited	1999-2000	Non-accounting of grants-in-aid	36.72

7.7 Response to Inspection Reports, Draft Paragraphs and Reviews

Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned Departments of Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of Departments within a period of six weeks. Inspection Reports issued upto March 2002 pertaining to 11 PSUs disclosed that 214 paragraphs relating to 35 Inspection Reports remained outstanding at the end of September 2002. Department-wise break-up of Inspection Reports and Audit Observations outstanding as on 30 September 2002 is given in Appendix 25.

Similarly, the reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that one draft review forwarded to the Industries department during July 2001 had not been replied to so far.

It is recommended that the Government should ensure that (a) procedure exists for action against the officials who failed to send replies to Inspection Reports/Draft Paragraphs/Reviews as per the prescribed time schedule, (b) action to recover loss/outstanding advances/overpayment in a time bound schedule and (c) revamping the system of responding to the audit observations.

7.8 619-B companies

There was no 619-B company in the Union Territory.

7.9 Working of Pondicherry Adi-dravidar Development Corporation Limited (Adi-dravidar Welfare Department)

Highlights

- Pondicherry Adi-dravidar Development Corporation Limited was incorporated in September 1986 to undertake the task of economic upliftment of the members of Adi-dravidar community in the Union Territory of Pondicherry.

(Paragraph 7.9.1)

- Out of Rs 2.52 crore Special Component Plan and Special Central Assistance funds received during the last five years, the Company utilised only Rs 2.22 crore.

(Paragraph 7.9.5.3)

- As against target to cover 5000 Adi-dravidar community families during Ninth Plan period, only 2840 families were covered and average disbursement per beneficiary was even below the unit cost fixed by the Company for such assistance.

(Paragraph 7.9.7.1(i))

- The benefits of training schemes implemented at a cost of Rs 1.22 crore from 1989-90 to 2000-2001 were not evaluated by the Company.

(Paragraph 7.9.7.1(ii))

- Disbursement of term loans under National Scheduled Castes and Scheduled Tribes Finance and Development Corporation Limited term loan scheme was 18 to 48 *per cent* of the funds received. Allocation of funds to agriculture sector was from 8 to 20 *per cent* as against norm of 40 *per cent*.

(Paragraph 7.9.7.1(iii))

- Recovery percentage of loans extended under National Scheduled Castes and Scheduled Tribes Finance and Development Corporation Limited scheme came down from 50 *per cent* to 14 *per cent* of overdues.

(Paragraph7.9.7.1(iv))

- Cost of disbursement per beneficiary as a percentage of disbursement was very high and ranged from 32 to 56 during the five years ended 31 March 2002.

(Paragraph 7.9.7.4)

7.9.1 Introduction

Pondicherry Adi-dravidar Development Corporation Limited (Company) was incorporated in September 1986 with a view to undertake the task of economic upliftment of the members of Adi-dravidar community (Scheduled Castes and Scheduled Tribes) in the Union Territory (UT) of Pondicherry.

The Company was set up by the Government of UT of Pondicherry to serve as a nodal institution for financing development schemes for Adi-dravidar community. The Company has also to liaise with various financial and other agencies to identify trades/business/profession and other economic activities of importance to Adi-dravidar community so as to fill critical gaps in the existing programmes and generate employment and raise their economic level and to upgrade skills and process used by Adi-dravidar community people by providing both institutional and on the job training.

The UT of Pondicherry is 492 Square metre in area and has a population of 8,07,785 as per 1991 census. The population of Scheduled Castes (SC) in the UT is 1,31,278, which worked out to 16.25 *per cent* of total population. As per Below Poverty Line (BPL) survey, 1997, there were 26,664 SC families living below the poverty line (Rural: 22,562 and Urban: 4102). In the Ninth Five Year Plan (1997-2002), it was programmed to cover 12,500 such families. Target for the Company was fixed to cover 5000 such families. There was no Scheduled Tribe community in the UT of Pondicherry.

7.9.2 Objectives

The objectives as envisaged in the Memorandum of Association of the Company are:

(i) To plan, promote, undertake activities which will enable the members to earn better living and help them to improve their standard of living.

(ii) To undertake programmes for setting up of employment-oriented industries by providing technical knowledge, managerial and financial assistance and any other form of assistance.

(iii) To provide working capital to the members by advancing loans.

(iv) To co-ordinate, supervise and control activities of those who obtain supplies and services from the Company.

In order to achieve these objectives, the Company is presently engaged in the following activities:

(a) Loan-cum-subsidy scheme through banks;

(b) training schemes;

(c) non-banking loan-cum-subsidy scheme under National Scheduled Castes and Scheduled Tribes Finance and Development Corporation Limited (NSFDC);

(d) welfare scheme for Safai Karamcharis under National Safai Karamcharis Finance and Development Corporation Limited (NSKFDC).

It was observed in Audit that the Company had not undertaken programmes for setting up of employment-oriented industries as envisaged in the main objectives.

7.9.3 Scope of Audit

The performance of the Company as a whole had not been reviewed by the Comptroller and Auditor General of India so far. The present review conducted during the period from January to May 2002 covers the activities of the Company for the last five years ended 31 March 2002. The records relating to release of loan, subsidy, margin money, etc., pertaining to various schemes, selection process of beneficiaries including payment of stipend, course fee, etc., and recovery thereof were examined in detail at head office of the Company during the course of review.

7.9.4 Organisational set up

The Company's head office is situated at Pondicherry and two field offices in Karaikal and Yanam. The Articles of Association of the Company contemplate that the number of Directors shall not be less than three and not more than 12, of which two shall be nominees of Government of India (Ministry of Welfare). Both Chairman and Managing Director are appointed by the Lieutenant Governor to conduct and manage the day-to-day business of the Company. As on 31 March 2002, the Company had seven Directors including a Chairman and a Managing Director. The post of the Chairman was held by the Secretary, Welfare Department, Government of Pondicherry for 16 months and by Members of the Legislative Assembly for 44 months during the period covered under review.

Four persons held the post of Managing Director for 30, 9, 8 and 13 months, respectively during the period under review. Managing Director should be appointed for atleast three years, so that the functions of the Company are not seriously affected.

7.9.5 Funding

7.9.5.1 Share capital

The authorised and paid-up share capital of the Company as on 31 March 2002 were Rs 5 crore and Rs 1.98 crore, respectively. The paid-up share capital was contributed by Government of India (GOI) (Rs 1.06 crore) and Government of UT of Pondicherry (Rs 0.92 crore)

7.9.5.2 Borrowings

The borrowings of the Company as on 31 March 2002 were Rs 5.86 crore comprising term loans from NSFDC (Rs 4.43 crore), NSKFDC (Rs 0.65 crore) and National Backward Classes Finance and Development Corporation Limited (NBCFDC) (Rs 0.78 crore) for further lending to the beneficiaries.

7.9.5.3 Special Component Plan and Special Central Assistance

The Special Component Plan (SCP) concept was first introduced during the Sixth Plan (1982-87), to channelise the flow of benefits and outlays in physical and financial terms from the general sectors in the plans of the States/UTs for development of SCs. These plans are envisaged to help the poor SC families through composite income generating/welfare schemes. According to the guidelines received from GOI, flow of funds to SCs in the States and UTs should be equivalent to percentage of SC population to total population of the States and UTs.

SCP is prepared as an integral part of Five Year Plan/Annual Plan showing sector-wise, scheme-wise outlays earmarked for SCs and corresponding physical targets.

GOI releases Special Central Assistance (SCA) every year to the States/UTs as an additive to SCP. According to GOI guidelines, SCA should be utilised in conjunction with SCP for filling the critical gaps and for providing missing inputs on viable schemes for the economic development of SC families. The Company utilises SCA/SCP for the following schemes:

- Grant of subsidy under the loan-cum subsidy scheme;
- Payment of stipend/course fee for training scheme;
- Grant of subsidy under NSFDC term loan assistance.

Out of Rs 2.52 crore SCP and SCA funds received during the last five years, the company utilised only Rs 2.22 crore

During the period covered under review (1997-98 to 2001-2002), the Company received Rs 2.52 crore as SCA and SCP but utilised Rs 2.22 crore only on the above schemes leaving a balance of Rs 30 lakh unutilised as on 31 March 2002.

7.9.6 Financial position and Working results

7.9.6.1 Financial position

The financial position of the Company for the five years ended 31 March 2002 is given in Appendix 26.

From the appendix, it could be seen that in spite of increase in capital employed from Rs 3.94 crore to Rs 7.68 crore (95 *per cent*) during the period under review, net worth decreased from Rs 2.78 crore to Rs 1.82 crore (35 *per cent*) during the same period. This was mainly due to losses incurred by the Company from 1998-99 onwards.

7.9.6.2 Working results

The details of working results of the Company for the five years ended 31 March 2002 are given in Appendix 27.

From the details in the appendix it could be seen that:

(i) The losses in 1998-99 to 2001-2002 (Rs 1.81 crore) were mainly due to the provision for doubtful debts. The Company was not providing for doubtful debts upto 1997-98.

(ii) The administrative and other routine expenses of the Company were met from the managerial assistance received from the Government of UT of Pondicherry and interest income on investment of unutilised funds.

7.9.7 Audit analysis of schemes

7.9.7.1 Schemes for Scheduled Caste Community

(i) Loan-cum-subsidy scheme

Under this scheme, the Adi-dravidar community people living below the poverty line are extended loan-cum-subsidy through banks for starting viable trades/business/profession and other economic activities under self-employment programme so as to raise their economic level. The features/criteria of the scheme are as follows:

(a) 25 *per cent* of the unit cost or Rs 10,000 whichever is less is released to the concerned loan disbursing banks as margin money deposit for a maximum period of three years. The interest earned on the deposit is to be apportioned equally between the Company and the beneficiary.

(b) 50 *per cent* of the unit cost or Rs 10,000 whichever is less, is released as subsidy to the loan disbursing banks from the grants, to be released to the beneficiaries along with loan.

(c) Remaining portion of the unit cost will be released by the disbursing banks as loan at a nominal rate of interest as prescribed by Reserve Bank of India from time to time.

The beneficiaries were selected through newspaper advertisement till 1998-99. From 1999-2000, the Company selects beneficiaries through annual credit camp conducted at block levels. After initial screening, the Company selects the beneficiaries and forwards the applications to the banks. Under the scheme, the Company identifies targeted groups for extension of subsidy and loan. When the banks inform the Company about the number of applicants selected finally for grant of loan, the Company releases margin money and subsidy to the banks for onward release of subsidy and loan to the beneficiaries. In case the banks fail to release loan to the applicants selected, the unutilised subsidy and margin money has to be refunded immediately to the Company.

The details regarding number of beneficiaries targeted *vis-a-vis* achieved, margin money/subsidy released, amount of bank loans for the last five years ended 31 March 2002 are given below:

(Amount – Rupees in lakh)

Serial number	Year	Number of beneficiaries			Margin money	Subsidy	Bank loan	Total benefit
		Target	Achievement					
			Selected by the Company	Assisted by the banks				
1.	1997-98	650	493	364	9.20	17.40	19.40	36.80
2.	1998-99	700	506	376	10.29	20.15	21.01	41.16
3.	1999-2000	650	484	NA	11.11	20.54	23.88	44.42
4.	2000-2001	650	668	NA	31.06	28.52	29.29	57.81
5.	2001-2002	650	689	NA	18.79	37.07	38.14	75.21

NA - Not Available

The Company did not have any mechanism to check whether all the applicants selected by it were extended the loan assistance and subsidy. As per evaluation study report of the Company, out of 999 beneficiaries finally recommended during the year 1997-98 and 1998-99 by the Company, in respect of 259 beneficiaries, banks did not release intended benefits as they had defaulted in earlier loan repayments. This resulted in blocking up of margin money and subsidy as these were not refunded immediately by the banks.

Further analysis of the scheme revealed the following:

As against target to cover 5000 Adi-dravidar Community families during Ninth Plan period, only 2840 families were covered and average disbursement per beneficiary was even below the unit cost fixed by the Company for such assistance

(i) As there was no periodical reconciliation of funds released by the Company, the receipt or otherwise of margin money and subsidy of unselected applicants, could not be confirmed by the Company. There were inordinate delays in the refund of matured margin money amount. As on 31 March 2001, the amount of unrefunded matured margin money, advance for margin money and subsidy lying with banks aggregated to Rs 39.69 lakh.

(ii) It was observed that against target to cover 5000 Adi-dravidar community families living below the poverty line during the Ninth Plan period (1997-2002), the Company extended the assistance to only 2840 families during the Plan period.

(iii) The banks have been selecting only a limited number of applicants. The reasons for non-selection of all the applicants were neither intimated by the banks nor sought for by the Company.

(iv) The unit cost of the scheme was low in a majority of the cases. Average loan (including subsidy) extended per beneficiary worked out to Rs 7465, Rs 8134, Rs 9180 and Rs 8654 in 1997-98, 1998-99, 1999-2000 and 2000-2001 respectively, though the unit costs fixed by the Company, for dairy (milch animals) and grocery shop were Rs 13,000 and Rs 10,000 respectively in 1997-98. From this, it would be clear that the quantum of assistance rendered was considerably less than even the minimum fixed by the Company, thereby defeating the very objective of the scheme.

(v) Review of the evaluation reports for 1997-98 and 1998-99, prepared belatedly, revealed that out of the 999 beneficiaries, who were extended loan-cum-subsidy, 187 beneficiaries (19 *per cent*) lost their assets valued at Rs 21.27 lakh, of which 107 beneficiaries were extended loan of Rs 13.91 lakh for milch animals.

(vi) From the evaluation reports, it was also observed that out of 715 beneficiaries in 1997-98 and 1998-99 on whom survey was conducted, 453 beneficiaries (63 *per cent*) could not cross the poverty line. The main reason for this failure was the selection of majority of the schemes, whose income generation level was low *viz*., dairy.

(vii) Though GOI directed (October 2000) that the number of SC families assisted under the scheme and crossing the poverty line are to be monitored and reported on quarterly basis, the Company did not conduct any studies about the beneficiaries, who were extended assistance from 1999-2000 onwards.

(ii) Training schemes

The Company provides training in various fields to educated unemployed youths of Adi-dravidar community through recognised training institutions for the improvement of their skills. Trainees are paid stipend depending upon the field of training and the educational qualification of the trainees. The Company also pays the course fees to the training institutions. The funds required for these training programmes are met out of SCP and SCA.

The targets and achievements of the Company for the last five years on training schemes are given below:

Year	Targets		Achievements	
	Physical (Numbers)	Financial (Rupees in lakh)	Physical (Numbers)	Financial (Rupees in lakh)
1997-98	350	10.24	449	11.35
1998-99	400	21.39	694	17.68
1999-2000	400	22.88	492	31.63
2000-2001	450	25.69	529	23.22
2001-2002	500	36.34	423	11.90

Government organisations and technical institutions like Industrial Training Institutes (ITIs) were not involved at all in imparting training and no evaluation of the training schemes and their utility to the trainees was undertaken by the Company. Though the physical achievement exceeded the targets during these years, it was observed that the implementation was lopsided with a majority of trainees (52 *per cent*) imparted training in typewriting and tailoring during the three years 1997-98 to 1999-2000.

The benefits of training schemes implemented at a cost of Rs 1.22 crore were not evaluated by the Company

Though training scheme was being implemented by the Company every year since 1987-88, it did not undertake any effective post-training evaluation till March 2001 to assess whether the objectives *viz*., improvement of skills of SC youths for availing wage/self-employment were achieved. A survey was conducted by the Company from March to October 2001, which covered 541 and 117 trainees in Pondicherry and Karaikal regions respectively but the survey report had not been finalised so far (March 2002). From the available information it was seen that out of 658 trainees surveyed, 423 (64 *per cent*) remained unemployed. Though it was stated that the remaining trainees (235) were self/wage employed, it was observed that there was no relevance between the training imparted and the nature of self/wage employment. Trainees trained in typewriting were working as wire-man, sales girls, diesel taxi operators, *etc*. Trainees who learnt tailoring were engaged in agriculture labour, driving, *etc*. The Company attributed this to the fact that evaluation was undertaken more than two years after training. The Company also stated that the trainees wanted to be wage earners only and did not want to take risk in self-employment. The fact remains that the Company just stops with imparting training year after year without evaluating the effectiveness of such trainings. Thus, the usefulness of the training schemes on which the Company spent Rs 1.22 crore from 1989-90 to 2000-2001 remained totally unevaluated.

(iii) Term Loans

NSFDC is the apex institution for financing and promoting economic development activities of SC and ST communities, whose annual family income is below double the poverty line (presently Rs 31,952 *per annum* for rural areas and Rs 42,412 *per annum* for urban areas) through the State Channelising Agencies (*i.e.*, State SC Development Corporations). Under this scheme financial assistance is extended to the beneficiaries at a very low interest rate of 7 *per cent per annum* and subsidy of Rs 10,000 or 50 *per cent* of the project cost, whichever is less, is also granted. The Company extends loans under this scheme by obtaining 80 to 85 *per cent* of the project cost as term loan from NSFDC and 10 *per cent* from its own funds. Balance 5 *per cent* is met by the beneficiaries as promoters' contribution.

The details regarding opening balance, receipts, disbursements and achievements under this scheme are given below:

(Amount – Rupees in lakh)

Year	Opening balance		Received		Disbursed			Closing balance		Percentage utilised
	Units (Numbers)	Amount	Units (Numbers)	Amount	Target (Numbers)	Actual (Numbers)	Amount	Units (Numbers)	Amount	
1997-98	22	24.23	41	69.20	NA	30	23.50	33	69.93	25
1998-99	33	69.93	40	80.92	NA	30	66.12	43	84.73	44
1999-2000	43	84.73	33	34.37	100	36	57.73	40	61.37	48
2000-2001	40	61.37	108	214.23	100	32	50.98	116	224.62	18
2001-2002	116	224.62	96	157.81	100	45	89.22	167	293.21	23

NA: Not Available

Disbursement of loans under this scheme was 18 to 48 *per cent* of the funds received. Allocation of funds to agriculture sector was from 8 to 20 *per cent* as against the norm of 40 percent.

From the above details, it would be observed that the disbursement was very poor and it ranged from 18 to 48 *per cent* only. As on 31 March 2002, the Company was holding an undisbursed amount of Rs 2.93 crore.

Further analysis revealed that

(a) The allocation of loan assistance to various sectors was not balanced. NSFDC set broad norms (1999) to achieve balanced sectoral allocation according to which 40 *per cent* of funds was to be allocated to agriculture, 10 *per cent* to industrial sector and the balance 50 *per cent* to service sector. However, allocation to agriculture ranged from 8 to 20 *per cent* only during the three years ended 2001-2002, while the transport sector got 70 to 91 *per cent* during the same period. Further scrutiny of the records revealed that 32 beneficiaries, who were selected (1997 to 2001) for assistance under power-tiller scheme for a value of Rs 23.71 lakh, were not extended loan assistance because the formalities required for availing the loan could not be completed by the applicants. Action is required to be taken to extend adequate assistance to agriculture sector since sizeable population of SC belongs to this category.

(b) The recovery performance in loans sanctioned for auto rickshaw was the best. Out of Rs 19.85 lakh disbursed in 1997-98, Rs 18.73 lakh were recovered. Despite this, 47 applicants selected (1997 to 2001) were not extended the loan of Rs 31.19 lakh.

(c) Out of 882 applicants who attended interviews during April 1997 to August 2000, 539 applicants were not extended assistance, for which reasons were not on record.

(iv) Recovery of loans

Term loans extended as above were to be recovered in 60 monthly instalments.

The details of term loans disbursed, amount due for recovery, amount recovered and overdues in respect of these schemes are given in the following table.

(Amount – Rupees in lakh)

Year	Cumula-tive dis-bursement	Due for recovery		Recovered		Overdue		Percentage of recovery
		Principal	Interest	Principal	Interest	Principal	Interest	
1997-98	107.72	34.52	6.36	17.41	3.50	17.11	2.86	50
1998-99	201.21	46.88	15.13	8.99	7.85	37.89	7.28	19
1999-2000	267.93	74.87	21.08	12.72	8.69	62.15	12.39	17
2000-2001	328.51	111.81	31.45	15.68	12.34	96.13	19.11	14
2001-2002	411.15	59.30	25.80	16.17	13.47	43.13	12.33	27

Recovery of loans which was 50 *per cent* of overdues in 1997-98 came down to 14 *per cent* during 2000-2001

From the above details, it could be seen that the recovery performance was very poor and was also deteriorating. The recovery which was 50 *per cent* in 1997-98 came down to 14 *per cent* in 2000-2001. GOI recommended (April 1999) that recovery should be 60 *per cent* of the loans due. Effective action is required to be taken to strengthen the recovery mechanism so as to increase recovery, which would facilitate availability of funds for future welfare schemes.

Further analysis revealed that term-loans to the tune of Rs 34.08 lakh were disbursed to 12 beneficiaries from 1995-96 to 1999-2000 for diesel taxi, passenger van, photocopier and mini lorry against which recovery of Rs 1000 only could be made. The principal and interest outstanding was Rs 42.61 lakh (February 2002). The Company filed (August/September 2000) legal suits in six cases (Rs 22.77 lakh). No effective action was taken in the remaining six cases (Rs 19.84 lakh).

7.9.7.2 Schemes for Backward Classes

The Company was nominated (March 1995) as the channelising agency to promote welfare of Backward Classes (BCs) in the UT of Pondicherry. The Company was relieved of this activity with effect from 31 March 1999, after the formation of Backward Classes and Minorities Development Corporation. However, the Company has continued with the left over work.

During the period the Company was the channelising agency for the welfare of the BCs, it operated two schemes for them *viz*., term loan scheme and loan-cum-subsidy scheme.

(i) Term loan scheme

NBCFDC, the apex institution for financing and promoting economic development activities of BCs, provides assistance to the members of the BC communities through the State channelising agencies. Under this scheme, financial assistance was extended to the beneficiaries at a low interest rate of 6 to 12 *per cent per annum* and subsidy of Rs 4000 or 33.33 *per cent* of the project cost, whichever was less was also granted. The Company extended loan under this scheme by obtaining 85 *per cent* of the project cost as term loan from NBCFDC and 10 *per cent* as margin money from its own sources. Balance 5 *per cent* was met by the beneficiaries as promoters' contribution. Since the nomination as channelising agency for NBCFDC sponsored schemes, the Company extended term loan to 105 backward class beneficiaries as detailed below:

(Amount – Rupees in lakh)

Year	Opening balance		Received		Disbursed		Closing balance		Percent-age utilised
	Units (Numbers)	Amount	Units (Numbers)	Amount	Units (Numbers)	Amount	Units (Numbers)	Amount	
1998-99	---	---	125	154.06	9	24.52	116	129.54	16
1999-2000	116	129.54	---	---	84	98.88	32	30.66	76
2000-2001	32	30.66	---	---	9	5.74	23	24.92	19
2001-2002	23	24.92	---	---	3	1.23	20	23.69	5

From the above, it could be seen that the Company is holding an undisbursed amount of Rs 23.69 lakh as on 31 March 2002 which was lying unutilised for more than three years.

(ii) Recovery of loans

Term loans extended as above were to be recovered in 60 instalments.

The details of term loans disbursed, amounts due for recovery, amount recovered and overdues in respect of this scheme are given in the following table.

(Amount – Rupees in lakh)

Year	Cumulative disbursement	Due for recovery		Recovered		Overdue		Percentage of recovery
		Principal	Interest	Principal	Interest	Principal	Interest	
1998-99	27.40	---	0.01	---	---	---	0.01	---
1999-2000	137.09	9.63	9.85	5.81	6.38	3.82	3.47	60
2000-2001	143.38	31.48	17.58	12.37	12.08	19.11	5.50	39
2001-2002	144.75	31.04	14.33	11.73	9.55	19.31	4.78	38

The recovery under this scheme, which was 60 *per cent* (1999-2000) of loans due came down to 38 *per cent* (2001-2002). Effective action is required to be taken to strengthen the recovery mechanism so as to increase recovery, which would facilitate availability of funds for future welfare schemes. Further analysis revealed that a sum of Rs 26.13 lakh was disbursed to 16 beneficiaries from April to November 1999 and out of this, only Rs 5612 could be recovered till February 2002. Besides principal, interest accumulated but not recovered amounted to Rs 5.31 lakh.

(iii) Loan-cum-subsidy scheme

Under this scheme, the BC community people living below the poverty line were extended loan-cum-subsidy through banks for starting viable trades/business/profession and other economic activities under self-employment programme so as to raise their economic level. The features/criteria of the scheme were as follows:

(a) 33.33 *per cent* of the unit cost or Rs 4000, whichever was less was released by the Company as subsidy to the loan disbursing banks from the grants.

(b) Remaining portion of the unit cost was released by the disbursing banks as loan at a nominal rate of interest prescribed from time to time. The details of targets and achievements under this scheme are given below:

Year	Target (number of beneficiaries)	Achievements		Percentage of achievement
		Physical (Numbers)	Financial (Subsidy) (Rupees in lakh)	
1997-98	2000	225	5.61	11
1998-99	2500	693	17.43	28
1999-2000	3000	664	16.03	22

It could be seen that the achievements were very poor. The Company did not evolve any mechanism to ensure whether the subsidy was actually disbursed to the beneficiaries by the banks.

(iv) Loss due to payment of advance without adequate safeguards

Payment of advance without safeguarding its financial interest resulted in loss of Rs 16.83 lakh

Based on newspaper advertisement (7 March 1998) inviting applications from BC candidates for availing term loans for purchase of diesel auto rickshaw, M/s.HMK Motors, Pondicherry, authorised dealer for "Greaves Garuda" diesel autos, sent a leaflet of their product. On being requested to send their quotation, M/s.HMK Motors offered to supply at Rs 84,236 each. The offer was valid upto 31 March 1998. The offer letter further stated that if 50 *per cent* advance was paid, the offer would be valid upto 30 April 1998. The Company paid Rs 21.06 lakh between June and September 1998 being the 50 *per cent* advance for 50 autos. Though the supplier supplied only one auto in February 1999, the Company paid further advances of Rs 9.26 lakh between April and August 1999. Against total advance of Rs 30.32 lakh, the supplier supplied 15 autos valued Rs 12.64 lakh and a power tiller for Rs 0.86 lakh upto November 1999, leaving a balance of Rs 16.83 lakh. The supplier neither refunded this amount to the Company nor supplied the balance vehicles till date (March 2002). It is pertinent to mention here that though M/s.HMK Motors were defaulters to the extent of Rs 1.44 lakh against advances paid for NSFDC loan schemes since March 1998, the Company paid advance without safeguarding its financial interests. The non-supply of autos had also deprived the beneficiaries from the assistance.

7.9.7.3 Welfare schemes extended to members of Safai Karamcharis

Government of Pondicherry nominated (November 1998) the Company as channelising agency for providing assistance to the members of Safai Karamcharis. NSKFDC is the apex institution for financing and promoting economic development activities for the members of Safai Karamcharis. Under this scheme, financial assistance is extended to the beneficiaries at a very low interest rate of 6 *per cent per annum*. The Company extends loan under this scheme by obtaining 85 *per cent* of the project cost as term loan from NSKFDC and meeting 10 *per cent* as margin money loan from its own sources. Balance 5 *per cent* is met by the beneficiaries as promoters' contribution.

The Company submitted (September 1999) various schemes to benefit 450 scavengers involving a loan assistance of Rs 89.90 lakh and received the amount during January – March 2000 from NSKFDC. The Company refunded (April 2001) Rs 56.35 lakh to NSKFDC due to poor response and retained Rs 33.55 lakh for release to 162 beneficiaries. However, an amount of Rs 10.53 lakh only was released (January 2002) to 55 beneficiaries. The remaining amount (Rs 23.02 lakh) has not been utilised so far (March 2002).

7.9.7.4 Analysis of cost of disbursement

The details of cost of disbursement per beneficiary for the five years ended 31 March 2002 are given below:

Year	**Number of benefi-ciaries**	**Disbursement**		**Administrative Expenses**		**Percentage of cost to benefit**
		Total (Rupees in lakh)	**Per benefi-ciary (Rupees)**	**Total (Rupees in lakh)**	**Per benefi-ciary (Rupees)**	
1997-98	516	65.67	12,726	34.52	6690	53
1998-99	536	127.10	23,712	55.90	10,429	44
1999-2000	520	112.21	21,578	56.17	10,802	50
2000-2001	700	108.79	15,541	61.24	8749	56
2001-2002	776	165.22	21,291	52.85	6811	32

Cost of disbursement was very high and ranged from 32 to 56 *per cent* of per capita disbursements

From the above, it could be seen that the percentage of cost to benefit per beneficiary was very high during these five years and ranged from 32 to 56. The cost of disbursement needs to be pruned and brought down to minimum. This could be achieved only by increasing the number of beneficiaries covered which would also be in line with the objectives of the Company.

7.9.8 Man power Analysis

The Company did not evaluate its manpower requirement based on the workload involved. The Company has also not formulated service/recruitment rules till date (March 2002). It was observed that during 1996 to 2000, 33 persons were appointed directly without reference to Employment Exchange. Though the staff strength from year to year was almost equal to or more than the sanctioned strength, the performance of the Company in disbursement of loans under NSFDC Scheme and loan recoveries was far from satisfactory.

7.9.9 Internal Audit

The Company appoints chartered accountants every year as internal auditors. However, a review of the functions entrusted to be performed by the internal auditors revealed that they were utilised mainly for accounting functions. From this, it would be clear that the Company did not have effective internal audit system commensurate with its size and nature of operations. The Company had not compiled internal audit manual.

Conclusion

The performance of the Company, which started with the main objective of economic upliftment of Adi-dravidar community, was far from satisfactory. Though it was targeted to assist 5000 BPL Adi-dravidar beneficiaries during the Ninth Plan Period (1997-2002), the Company extended assistance to 2840 beneficiaries only during the Ninth Plan period which worked out to 57 *per cent* of target. This position prevailed in spite of the fact that funds were not a constraint and the Company had surplus funds. In monetary terms, though the cost index rose by 33 *per cent* between 1997-98 and 2000-2001 (from 305 to 406), per beneficiary assistance increased by 16 *per cent* only (from Rs 7465 to Rs 8654) during this period indicating that the quantum of assistance was very low and was not commensurate with the inflation.

The Company suffered from two major problems:

(i) It was not in a position to ensure that the entire funds received were disbursed to the beneficiaries in time. This resulted in non-fulfilment of the objective of economic upliftment of Adi-dravidar community.

(ii) Its performance in recovery of loan from the beneficiaries was poor, which affected the availability of funds for future schemes.

Concerted efforts are required to be taken on these two aspects, which would facilitate achievement of the object for which the Company was formed. In respect of training, the Company should restructure the scheme in such a way that it enhances the employment potential of the trainees.

The loan was advanced to an individual SC beneficiary for only one scheme. This was not sufficient for the economic growth of the individual. The Company need to consider selecting the beneficiaries for more than one scheme for faster economic upliftment. Action is required to be taken to extend adequate assistance to agriculture sector since a sizeable population of SCs belong to this category.

The matter was referred to Government in July 2002; reply had not been received (January 2003).

(C.V.AVADHANI)

Chennai,
The

Principal Accountant General (Audit) I
Tamil Nadu and Pondicherry.

Countersigned

New Delhi,
The

(VIJAYENDRA N. KAUL)
Comptroller and Auditor General of India.