

# **CHAPTER II**

**Compliance Audit of “Implementation of  
National Rural Livelihoods Mission in  
Assam”**



## Chapter-II

### Compliance Audit on implementation of the National Rural Livelihoods Mission in Assam

#### 2.1 Introduction:

Swarnajayanti Gram Swarojgar Yojana (SGSY) launched (April 1999) as an integrated programme for self-employment for the rural poor was restructured in June 2011 as the National Rural Livelihoods Mission (NRLM) with the following features:

- Adoption of demand-driven strategy for capacity building of women Self Help Groups (SHGs) and federations;
- First preference being given to the poorest of the poor;
- Promoting the formation of women SHGs on the basis of affinity;
- Adoption of a saturation approach to ensure that all the poor in a village are covered and at least one woman from each poor family is motivated to join the SHG;
- Promotion of the two critical support structures for the SHGs viz. Village federations and Cluster federations, and their members, in their journey out of poverty;
- Providing continuous hand-holding support to SHGs; and
- Ensuring that SHGs are enabled to access repeat finance from banks till they attain sustainable livelihoods.

In Assam, the NRLM was implemented by the Assam State Rural Livelihoods Mission Society (ASRLMS). Implementation of NRLM in all 27 districts of Assam was targeted to be done in a phased manner<sup>13</sup> during five to seven years from the commencement within the Twelfth Five year Plan.

During the years 2011-12 to 2015-16, total expenditure of ₹ 284.16 crore was incurred on implementation of NRLM in Assam. Audit of implementation of NRLM was carried out with the objective of assessing whether:

- The planning was adequate to cover the envisaged objectives of NRLM;
- The allocation, release and utilisation of funds were made as per the proposed plans and goals set for the implementation of the various components of NRLM;
- NRLM was successful in providing strong self-managed grass root institutions and supported investments by the groups of the poor as per the targets set; and
- Sufficient monitoring and evaluation mechanisms have been devised and implemented for achieving the intended objectives of NRLM.

The following criteria have been used to benchmark the audit findings:

- Framework for implementation of NRLM and instructions issued by MoRD, Government of India (GoI);
- Instructions issued by the Government of Assam (GoA) and Nodal agencies at State and District level;
- Finance Manual published by SMD, NRLM, Assam;

<sup>13</sup> Year-wise coverage:(2012-13 to 2015-16)

1 <sup>st</sup> Phase (w.e.f 2012-13):	7 Districts and 42 Blocks
2 <sup>nd</sup> Phase (2013-14):	7 District and 30 Blocks
3 <sup>rd</sup> Phase (2014-15):	7 District and 30 Blocks
4 <sup>th</sup> Phase (2015-16)	6 District and 30 Blocks

## 2.2 Audit Scope and Methodology

This audit, covering the period from 2011-12 to 2015-16, was conducted during April-July 2016. The audit involved collection of data from the State Mission Management Unit (SMMU) and test-check of records of seven districts<sup>14</sup> and 21 blocks<sup>15</sup> within those districts.

The findings of this audit are discussed in the succeeding paragraphs

## 2.3 Deficiencies in Planning

For successful implementation of NRLM, the following elements of planning was necessary:

- preparation of State Perspective and Implementation Plan (SPIP) consolidating all District Action plan and duly approved by Governing Body and the Ministry of Rural Development, Government of India;
- preparation of Initial Annual Action Plan (IAAP) within the prescribed time and approval by the Governing body;
- separate action plan for intensive and non-intensive block to be worked out to arrive at the consolidated plan for the state;
- State to prescribed detailed procedural guidelines for the implementation of NRLM for intensive<sup>16</sup> and non-intensive<sup>17</sup> block;
- involvement of Community Based Organisations (CBO)/Non-Government Organisation (NGO)/ Self-Helped Group (SHG) in implementation of the scheme;
- building up federation at different level *viz.* village, GP, cluster, block *etc.* for sustaining collective action;
- Setting up Rural Self Employment Training Institutes (RSETIs) to train up unemployed youth into confident self-employed entrepreneurs;
- mechanism to share information and views, resource pooling and planning and regular monitoring for interface with PRI and SHG to work together;
- setting up capacity building cell for imparting training to the field implementation units and nurturing the community resource persons;
- target for setting up community structures to cover the entire poor population within a specified period of time;
- identification of State Resource Centres to coordinate capacity building and training activities for employees and stakeholders; and
- Mechanism to adopt phase implementation of the programme

However, it was found that the GoA and ASRLMS failed at the planning stage of implementation of NRLM in Assam which adversely affected the process of achieving the desired objectives of the scheme even after four years of launch of the scheme. The State did not prescribe any detailed procedural guidelines for the implementation of NRLM for intensive and non-intensive block. There was no mechanism to share information and views, resource pooling and planning and regular monitoring for interface with PRI and SHG to work together. Capacity building cell for imparting training to the field implementation units and nurturing the community resource persons was also not set up by ASRLMS and no target

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<sup>14</sup> Sonitpur, Nagaon, Jorhat, Tinsukia, Bongaigaon, Dhubri and Hailakandi (selected additionally on request of ASRLMS)

<sup>15</sup> Dhekiajuli, Borsola, Behali, Binnakandi, Barhampur, Udali, Lala, Algapur, Hailakandi, Titabor, Ujani Majuli, East Jorhat, Kakopathar, Guijan, Saikhowa, Dangtol, Srijangram, Tapatari, Chapar Salkocha, South Salmara, and Nayaralga

<sup>16</sup> In Intensive blocks all the components of NRLM were implemented with State Rural Livelihoods Mission (SRLM) staff and internal Community Resource Persons (CRPs) and the CRPs generated in resource blocks;

<sup>17</sup> The remaining blocks in the State which are not taken up for implementation in the initial phase.

was fixed for setting up community structures to cover the entire poor population within a specified period of time.

The deficiencies noticed in planning are elaborated in the succeeding paragraphs.

### **2.3.1 Preparation and adoption of beneficiary list for NRLM through 'Participatory Identification of Poor' process**

As per the scheme guidelines, the beneficiaries under the NRLM were to be identified through the 'Participatory Identification of Poor' (PIP) process. PIP is a process by which the community itself would identify the poorest of the poor and vulnerable. The beneficiary list was to be prepared with the names of the poorest of the poor at the top, from the excluded sections of the society, for ensuring social inclusion. The list so prepared was to be placed in the *Gaon Sabhas (GS)* for approval.

However, the Department/ASRLMS/State deviated from predetermined criterion and methodology as PIP was not done in any of the test-checked blocks, and beneficiary list for all blocks and districts was not prepared for implementation of NRLM in the State. The ASRLMS stated that the selection of beneficiaries was done on the basis of BPL list 2002, and visibly poor method. The beneficiaries were selected by a pick and choose method from the BPL list 2002 of the PRDD, GoA and which was also not approved by GS. Thus, the formation of SHGs, as well as Village Organisations (VOs) with genuine beneficiaries, could not be guaranteed. As a result, the ASRLMS implemented NRLM in the State, without preparing any list of targeted beneficiaries which was indicative of lack of effective planning in coverage of targeted beneficiaries under NRLM.

### **2.3.2 State Perspective Implementation Plan**

The State Perspective Implementation Plan (SPIP) was a long-term (5-7 year) plan for reducing poverty comprehensively in the State. As part of long term planning, ASRLMS was to prepare SPIP, consolidating all District Action Plans, along with SMMU action plan. SMMU was to submit SPIP, duly approved by its Governing Body (GB), to NRLM/ Ministry of Rural Development (MoRD) for appraisal and approval within 6-12 months from the formal launch of the NRLM.

However, ASRLMS did not prepare the SPIP, as instructed by GB, till the date of audit (July 2016). Non-preparation of SPIP led to the absence of long term plan for reducing poverty and affected the achievement of the targeted goal of providing sustainable livelihood opportunities. In reply, ASRLMS stated that the process of preparation of SPIP was initiated during 2013-14 but due to shortage of manpower at all levels in the beginning of NRLM, SPIP could not be prepared.

### **2.3.3 Annual Action Plan**

As per NRLM guidelines, based on the broad indication of resource availability to the State in a particular year, ASRLMS was to undertake a prioritisation exercise and prepare Annual Action Plan (AAP) dovetailing from SPIP. The AAP was to be submitted to Executive Committee (EC) after compiling AAPs of all the Blocks and Districts along with AAP of SMMU by the SMD, ASRLMS which is also to be approved by Governing Body before sending to Empowered Committee, MoRD. The State AAP and the rolling plan approved by Executive Committee (EC) and General Body (GB) should reach NRLM/NMMU on or before 15 December every year.

It was observed that ASRLMS submitted AAP for the year 2013-14 to 2015-16 to the Empowered Committee, MoRD, without obtaining approval of EC and GB even though the GB had cautioned the ASRLM not to send the AAP to MoRD without its approval. The demands/requirements<sup>18</sup> of all units were not represented in the AAP, due to non-preparation of AAP through the process of consolidating all the district plans.

The ASRLM stated (November 2016) that AAPs were submitted to the EC, MoRD before obtaining approval of the Executive Committee and GB due to shortage of time. The reply of ASRLMS is not tenable as the AAPs were prepared without consolidating all the blocks and district plans. Further, approval of the Executive Committee and GB was also not obtained.

Thus, not obtaining of approval of AAP from the GB not only resulted in lack of guidance in planning, but also led to irregularities in the implementation of NRLM in the State which are elaborated in the succeeding paragraphs.

### **2.3.4 Preparation of Budget**

As per Paras 2.3.2 to 2.3.4 of the Finance Manual of ASRLMS, BMMU was to prepare the budget for the block after compiling the Gram Panchayat-wise information, as to their needs and future plans, both in physical and financial terms.

However, the budgets for the years 2012-13 to 2015-16, were not prepared by ASRLMS on the basis of requirements at Block and district levels, as they were finalised without consolidating the budgets of all the District Rural Development Agencies (DRDAs)/District Mission Management Units (DMMUs). Further, timelines for submission of the budget at each level were also not adhered to. Thus, the demands/requirements of all units were not represented in the budget. To that extent, budgeting was based on subjective and not realistic assessment leading to a fundamental lacuna in financial planning and discipline.

### **2.3.5 Formation of Resource Blocks**

ASRLMS took up eight intensive blocks, to be developed as Resource Blocks, in 2012-13 and 2013-14, considering the higher percentage of SC/ST, rural BPL households, low level of rural female literacy, presence and potential of SHGs in these blocks/villages, geographical and regional variance; and existing support structure of women SHGs *etc.* Six intensive blocks, under four districts, were taken up as Resource Blocks during 2012-13. However, they could not be developed due to non-deployment of project resource persons and external community resource persons by SERP<sup>19</sup>, Hyderabad. Further, in respect of four blocks, taken up as Resource Blocks in the subsequent year, an agreement<sup>20</sup> was made with the Bihar Rural Livelihood Promotion Society (BRLPS) with the following key activities:

- Immersion, induction and training of SRLMS project staff in the BRPLS project areas
- Comprehensive institution building and training action plan developed and executed with the help of teams;
- Exposure visit for bankers, line department officials;
- Deployment of experienced external Community Resource Person (CRP) teams;
- Deployment of experienced PRPs, Block anchors and state anchors; and
- Assistance in designing customised training modules for ASRLMS staff.

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<sup>18</sup> Provided as key elements under Initial Annual Action Plan (IAAP) as per Framework for Implementation of NRLM.

<sup>19</sup> Society for Elimination of Rural Poverty, established by Government of Andhra Pradesh, as a sensitive support structure to facilitate poverty reduction through social mobilisation and improvement of livelihoods of rural poor in Andhra Pradesh.

<sup>20</sup> For training of staff in institutional building, social mobilisation, financial inclusion and other core competencies, mobilisation of poor households, basic training to SHGs, form VOs, development of internal CRP and immersion and exposure of community cadres.

However, they also could not be successfully developed, as targets for six activities under BRLPS could not be achieved, as per the plan and agreement. Thus, the aim and objectives of the creation of Resource Blocks remained unachieved, and no training could be imparted to SHGs and the VOs, as also the active women, for utilising them as internal CRPs.

### 2.3.6 Rural Self Employment Training Institutes (RSETIs)

Identification of State Resource Centres to coordinate capacity building and training activities for employees and stakeholders was an important element of planning for successful implementation of NRLM. The RSETI guidelines envisaged transforming unemployed youth into confident self-employed entrepreneurs, through a short duration experiential learning programme, followed by systematic long-duration hand-holding support. The State Government was to assign districts, preferably, to the respective Lead Banks in the States to set up RSETIs. As per the resolution of the GB meeting of the ASRLMS, held in September 2014, RSETIs were to be made operational by 31 March 2015, in each district.

However, due to lack of planning in setting up RSETIs there was no coordination between the GoA, ASRLMS and the lead banks which led to non-achievement of goals set for setting up of RSETIs as shown below:

- Four<sup>21</sup> out of 27 districts had not set up RSETIs for imparting training to their BPL unemployed youths till March 2016. Thus, the BPL youths of the four districts were deprived from getting skill-development training, as well as self and wage employment opportunities.
- In Six<sup>22</sup> out of 27 districts, RSETIs could not be established, due to non-provision of required land by the Government, even though the bankers had come up for construction of RSETIs in the respective districts.
- As per the RSETI guidelines, regular follow up/handholding support should be provided to the trainees, for a minimum period of two years, to ensure that the candidates take up their vocation at the earliest and are able to sustain it. It was seen during audit that RSETIs, in five<sup>23</sup> out of the seven selected districts, out of trained 7312 BPL youths during 2012-13 to 2015-16, only 4564 BPL youths were provided employment after availing of the short duration training. The respective RSETIs could neither provide wage employment, nor bank loans to the remaining 2748 trained BPL beneficiaries (till May 2016).

ASRLMS stated that it could only reimburse the training expenses to the concerned banks and it was the responsibility of corresponding bank to give bank loan and hand-holding support to RSETIs trainees. The reply is not tenable as ASRLMS was responsible to monitor the providing of wage employment as well as self-employment through bank loan after successful completion of the training by the concerned banks.

***Audit observed the planning process and analyse that due to deficiencies at the planning stage, the ASRLMS was lagging behind in achievement of its target which was evident from the fact that NRLM could be implemented in only eight districts and 63 blocks against the target of 27 districts and 132 blocks till March 2016.***

<sup>21</sup> Dibrugarh, Sivasagar, Karimganj & Hailakandi

<sup>22</sup> Cachar, Golaghat, Kamrup, Kamrup(M), Morigaon, Nagaon

<sup>23</sup> Tezpur, Jorhat, Tinsukia, Bongaigaon and Dhubri RSETI

## 2.4 Allocation, release and utilisation of funds

### 2.4.1 Release of funds by GoI and GoA to ASRLMS

The ASRLMS received ₹307.02 crore (Central share: ₹272.54 crore and State share: ₹34.48 crore) during 2012-16 against the allocation of ₹810.25 crore. However, the ASRLMS could utilise only ₹284.16 crore out of the available fund of ₹345.09 crore (including accrued interest of ₹38.07 crore) and consequently lost the opportunity of receiving ₹503.23 crore from GoI as well as the GoA. ASRLMS stated that due to acute shortage of staff in SMMU, DMMUs and BMMUs because of high attrition rate of staff, the funds could not be utilised. The reply is not tenable as available funds could also not be utilised in a gainful manner as there was no control over planning, action plan and budgeting which led to financial indiscipline at different levels of ASRLMS, as elaborated in the succeeding paragraphs.

### 2.4.2 Financial mismanagement by DRDAs

#### (i) Diversion of scheme funds

Scrutiny of the Chartered Accountants' Audit Reports of DRDAs revealed that the following unauthorised diversion of funds was done by the DRDAs:

- a) 12 DRDAs<sup>24</sup> irregularly diverted ₹5.58 crore SGSY fund to other schemes viz. MGNREGS, DRDA Administration *etc.*, for the year ended March 2013. Further, the Department did not take effective steps to recoup the diverted funds (as of 31 March 2016).
- b) DRDAs of three<sup>25</sup> out of the seven test checked districts diverted SGSY/NRLM funds amounting to ₹2.05 crore to other schemes/programmes, during 2012-13 to 2015-16.
- c) In spite of the order issued by the GoA, DRDA, Jorhat, diverted ₹1.56 crore to DRDA Administration fund, out of ₹1.87 crore from the funds available under SGSY during 2014-15 (₹39.50 lakh), 2015-16 (₹1.10 crore) and 2016-17 (₹6.00 lakh on 1.6.2016) for payment of salary of staff, which was not only an unauthorised diversion, but also constituted a violation of related Government orders.
- d) All the seven test-checked DRDAs paid advances, amounting to ₹2.46 crore, to officials, as well as contractors/suppliers, up to March 2013, under the SGSY funds. Out of this, ₹1.39 crore remained unadjusted for more than three years.

Thus, it can be seen from above that there was no fund control resulting in diversion of SGSY fund. The ASRLMS stated that action would be initiated for recoupment of diverted funds.

#### (ii) Unutilised balance of SGSY Fund not refunded

Test check of records of DRDA, Jorhat revealed that DRDA had been operating 10 bank accounts under the SGSY in different bank branches and there was an unutilised balance of ₹85.38 lakh (as on 31.3.2016). The PD, DRDA, Jorhat neither refunded the unspent balance (May 2016) nor was any action taken in this regard by the GoA or ASRLMS. Thus, the PD, DRDA, Jorhat not only violated the GoA order of June, 2013, but also blocked the SGSY fund to that extent.

#### (iii) Blockage of NRLM fund by DRDAs

The activities in the non-intensive blocks were taken up through the DRDAs. ASRLMS released ₹26.63 crore to 10 DRDAs for implementation of different activities, in non-

<sup>24</sup> Hailakandi, Karimganj, Cachar, Dhubri, Kamrup (R), Kamrup (M), Jorhat, Sonitpur, Lakhimpur, Dhemaji, Bongaigaon and Kokrajhar.

<sup>25</sup> Jorhat: ₹187.06 lakh, Sonitpur: ₹14.00 lakh and Bongaigaon: ₹3.80 lakh

intensive blocks, under NRLM, as per the physical and financial targets provided to them, during the year 2012-13. Out of the released amount, 10 DRDAs could utilise ₹16.93 crore and refunded ₹1.77 crore to ASRLMS leaving an unutilised balance ₹7.93 crore. Further, ASRLMS reallocated (2015-16) ₹2.00 crore out of the unutilised balance to seven DRDAs for implementation of the scheme, leaving a balance of ₹5.93 crore (as of March 2016) as shown in the following **Table-2.1**:

**Table-2.1: Statement showing the Blockage of funds by DRDAs under NRLM for the period 2012-13 to 2015-16**

(₹ in crore)							
Sl. no.	Name of the DRDA	Govt. fund released during 2012-13	Expenditure incurred	Amount refunded to ASRLMS	Unspent balance (3)-(4)-(5)	Fund re-allocated from the unspent balance	Blockage of Govt. funds (6-7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Sonitpur	3.64	1.91	0	1.73	-	1.73
2	Hailakandi	1.14	0.56	0	0.58	-	0.58
3	Jorhat	1.93	1.8	0.10	0.03	-	0.03
4	Barpeta	3.62	1.5	1.67	0.45	0.30	0.15
5	Cachar	4.10	2.35	0	1.75	0.48	1.27
6	Dhemaji	1.59	1.45	0	0.14	0.12	0.02
7	Goalpara	2.45	1.85	0	0.60	0.23	0.37
8	Golaghat	2.25	1.53	0	0.72	0.23	0.49
9	Kamrup (R)	3.18	1.9	0	1.28	0.45	0.83
10	Karimganj	2.73	2.08	0	0.65	0.19	0.46
<b>Total</b>		<b>26.63</b>	<b>16.93</b>	<b>1.77</b>	<b>7.93</b>	<b>2.00</b>	<b>5.93</b>

Further, ₹0.51 crore, accrued as interest in three<sup>26</sup> DRDAs, was also kept unutilised by the DRDAs. The above DRDAs could neither utilise ₹6.44 crore (₹5.93 crore + ₹0.51 crore) for the purposes for which they were given, nor was these amounts refunded to ASRLMS till date (July 2016). Thus, non-utilisation of ₹6.44 crore, for more than three years, not only led to blockage of scheme funds but also deprived the beneficiaries from the intended benefits of the scheme to that extent. Though the ASRLMS stated that an amount of ₹4.58 crore was refunded by DRDAs during April 2016 to September 2016, the DRDA wise details of refund was not furnished to audit.

*As described in the preceding paragraphs, audit analysed the finances of NRLM and observed that the control/monitoring over the management of finances of NRLM and SGSY were lacking in ASRLMS. Diversion of fund by DRDA was taking place. This affected achievements of goals set for implementation of various components of NRLM, as was evident from the fact that ASRLMS could utilise only ₹284.16 crore against total receipt of ₹307.02 crore and lost the opportunity of getting additional fund of ₹503.23 crore from GoI as well as GoA. Further, the available funds were also not utilised optimally.*

<sup>26</sup> Sonitpur=₹0.31 crore, Hailakandi=₹0.11 crore and Jorhat=₹0.09 crore

## 2.5 Implementation

### 2.5.1 Phased Implementation

As per the target set, ASRLMS has taken up implementation of NRLM in the State, in a phased manner, comprising three stages, over a period of five to seven years *viz*:

- National Rural Livelihoods Project (NRLP): 25 Intensive blocks including eight Resource Blocks<sup>27</sup> in Intensive districts;
- NRLM Intensive Blocks: 38 in Intensive & non- Intensive districts;
- NRLM: 156 Non- intensive Blocks in 24 districts.

It was observed that against the targeted 27 districts and 132 blocks, ASRLMS could implement NRLM only in eight districts (30 *per cent*) as intensive districts and 63 blocks (27 intensive blocks in eight intensive districts and 36 intensive blocks in 19 non-intensive districts).

The ASRLMS stated that the target of phased manner implementation could not be achieved due to non-receipt of grant under administrative costs from MoRD, GoI for rolling out NRLM, in the years 2013-14, 2014-15 and 2015-16. The reply is not tenable, as the total allocated amount in each of the above years was not fully released due to non-utilisation of 60 *per cent* of the first instalment of the Central and State shares and non-submission of utilisation certificate in time. Further, as mentioned in the preceding paragraphs the deficiency in the planning process, assessment of SHGs; VOs and CLFs; identification of beneficiaries, lack of control over budget and management of resources affected the progress and implementation of the scheme as elaborated in the succeeding paragraphs.

### 2.5.2 Shortfall in formation of Village Organisation (VOs) and Cluster Level Federations (CLFs)

As per framework for implementation of NRLM, strong institutions of the poor, such as SHGs and their village level and higher level federations, are necessary to provide space, voice and resources for the poor and for reducing their dependence on external agencies. The role of the VOs was to present a monthly report of the SHGs and an action plan for the coming month, in the VO meeting, share problems and issues facing individual SHGs in the VO meeting and report back to the SHGs on the proceedings of the VO. The primary role of the CLF<sup>28</sup> included collective problem solving, management of certain community services, lobbying for access to programme funds and creating a platform for sharing of experiences by holding monthly or quarterly meeting of group representatives at cluster level *etc.*

It was observed that during the years 2012-13 to 2015-16 there was shortfall in formation of 4520 VOs<sup>29</sup> (55.57 *per cent*) and 362 CLFs<sup>30</sup> (97.31 *per cent*). In the seven test-checked districts covering 14 intensive blocks, only one<sup>31</sup> CLF was formed till date (May 2016).

The ASRLMS stated that the shortfall was due to delay in implementation of resource block strategy and shortage of man power across all districts and blocks. Thus, due to non-achievement of target of formation of VOs, capacity building of the community institutions

<sup>27</sup> These blocks would be model blocks where all the key strategies would of NRLM would be piloted and besides other activities internal Community Resource Persons were developed.

<sup>28</sup> A CLF is a network of several SHGs and a structure or body evolved by SHGs themselves consisting of representatives from all member SHGs with a motive of supporting member SHGs attain the goals of economic and social empowerment of women members and their capacity building.

<sup>29</sup> Against the target of 8102 VOs, only 3582 VOs were formed

<sup>30</sup> Against the target of 372 CLFs, only 10 CLFs were formed

<sup>31</sup> BMMU Kakopathar under Tinsukia district

was adversely affected. Further, non-formation of the CLFs, after a lapse of four years from the year of commencement, indicated not only the slow implementation of the programme, but also the fact that the programme was being implemented without adequate planning.

### **2.5.3 Revolving Fund**

The Revolving Fund was to be provided to the SHGs as an incentive to inculcate the habit of thrift and accumulate their own funds, for meeting their credit needs in the long-run and immediate consumption needs in the short-run.

During audit it was observed that:

#### **2.5.3.1 Shortfall in disbursement of RF to SHGs**

In 10 BMMUs under five districts, ASRLMS had given a target for disbursement of RF @ ₹15000 per SHG to 350 SHGs, during 2014-15, to each BMMU.

It was observed that there was shortfall in achievement of target in respect of 2084 SHGs during 2014-15, as against the target of 3500 SHGs, 10 BMMUs could disburse RF to 1416 SHGs only amounting to ₹2.12 crore. The non-achievement of targets, in the disbursement of RF to the SHGs, deprived the beneficiaries from availing the intended benefits of the schemes.

#### **2.5.3.2 Excess expenditure under RF beyond budget provision**

The DRDAs of 7 test checked districts incurred expenditure of ₹2.48 crore for payment of RF to SHGs of non-intensive blocks, against the budget provision of ₹1.67 crore, during 2012-13 to 2015-16. Similarly, six DRDAs<sup>32</sup> incurred expenditure of ₹2.39 crore, for payment of RF to SHGs in non-intensive blocks, against the budget provision of ₹2.03 crore under NRLM, during 2012-13 to 2014-15. The excess expenditure of ₹1.17 crore, incurred by the DRDAs, for payment of RF to the SHGs, during 2012-16, beyond the budget provision and without obtaining approval from the competent authority, was irregular and unauthorised.

In reply, ASRLMS stated that clarification from DRDAs has been sought for and appropriate action would be taken on receipt of clarification.

#### **2.5.3.3 Unauthorised disbursement of RF to the beneficiaries of Intensive Blocks**

Scrutiny of records revealed that three<sup>33</sup> DRDAs violating the SMD's sanction of RF of ₹1.18 crore, intended for SHGs of Non-intensive blocks, disbursed RF of ₹16.10 lakh to 143 SHGs of Intensive blocks during 2012-13. Thus, payment of RF, to SHGs of intensive blocks, against the sanction for non-intensive blocks, was irregular and unauthorised. Besides, beneficiaries of the Non-intensive blocks were deprived of availing RF to that extent.

In reply, ASRLMS stated that clarification from DRDAs has been sought for and appropriate action would be taken on receipt of clarification.

### **2.5.4 Capital Subsidy (CS)**

CS fund is mainly intended to inject financial resources into the institutions of the poor and catalyse investments into the livelihoods of the poor. The CS fund is linked to the bank loan, and is to be released to SHGs satisfying the following eligibility conditions:

- Must have completed at least 12 months of active existence;
- A minimum period of 6 months should have elapsed after the receipt of revolving fund;

<sup>32</sup> Kamrup, Darang, Karimganj, Dibrugarh, Lakhimpur and Golaghat

<sup>33</sup> Nagaon, Jorhat and Dhubri

- Must have received satisfactory rating from the financing bank;
- Must have availed and repaid promptly at least one dose of bank linkage;
- Must have attained the 2<sup>nd</sup> grading<sup>34</sup>;
- Must have not received CS earlier; and
- Must have prepared a well-articulated proposal for the activity to be taken up.

The following irregularities in payment of CS were noticed during audit:

#### **2.5.4.1 Payment of CS to SHGs by DRDAs**

CS was to be provided to SHGs, based on the quality of the groups, their track record in managing their savings and internal lending, and on the basis of their micro-investment plan. Scrutiny of records of DRDAs revealed that DRDAs of three,<sup>35</sup> out of seven test checked districts, had released ₹444.48 lakh as CS to the banks, for payment to 441 SHGs and 67 Individual Beneficiaries (IBs), in 31 non-intensive blocks under NRLM, during 2012-13. However, no records/documents in support of eligibility<sup>36</sup> of these SHGs, could be made available to audit. Further, there was no monitoring mechanism to ascertain whether both the loan and subsidy disbursed by the banks to the SHGs had been utilised by them as per their Micro Credit Plan (MCP). Thus, the release of CS to the bank for payment to SHGs, without verifying their basic records, was irregular.

In reply, ASRLMS stated that clarification from DRDAs had been sought for and appropriate action would be taken on receipt of clarification.

#### **2.5.4.2 Unfruitful expenditure on payment of CS to SHGs**

The CS was released to the SHGs without satisfying all the eligibility conditions and the respective BDOs neither ensured that the proportionate share of bank loan was received by the SHGs nor they monitored the activities of the SHGs after release of the CS. It was found that DRDAs of four<sup>37</sup>, out of seven test-checked districts, released CS of ₹229.15 lakh to the banks, for payment to 242 SHGs, in 15 Non-intensive blocks, for taking up of their projects/activities under NRLM, during 2013-14 but the funds given to the SHGs were not utilised for the activities/purposes for which they were sanctioned to them, and the SHGs were found to have often closed the activities mid-way after receipt of the subsidy without citing any reason.

In reply, ASRLMS stated that clarification from DRDAs had been sought for and appropriate action would be taken on receipt of clarification.

#### **2.5.4.3 CS provided to male beneficiaries**

The PD, DRDA, Nagaon, paid CS, amounting to ₹30.87 lakh, to 25 SHGs, formed with male members, against payment of loans amounting to ₹33.19 lakh by banks, which was not only irregular but also constituted a violation of the guidelines. In reply, ASRLMS stated that clarification from DRDAs had been sought for and appropriate action would be taken on receipt of clarification.

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<sup>34</sup> Second grading means qualification benchmark as CS was given only after timely payment of RF and following the norms of Panchasutra, i.e., regular meetings; regular savings; regular inter-lending; timely repayment; and up-to-date books of accounts.

<sup>35</sup> Sonitpur, Nagaon and Dhubri

<sup>36</sup> Verification of the basic records/documents of SHGs that they have completed at least 12 months of active existence; a minimum period of 6 months has elapsed after the receipt of Revolving Fund (RF); have received satisfactory rating from the financing bank; availed and repaid promptly at least one dose of bank linkage; have attained the 2nd grading and have not received CS earlier etc.

<sup>37</sup> Hailakandi, Jorhat, Tinsukia and Bongaigaon

#### 2.5.4.4 Payment of CS without bank loan

In two<sup>38</sup>, out of the seven test-checked districts, the respective PD, DRDAs released ₹29.95 lakh to the lead banks for payment of CS to 25 SHGs, during 2012-13. However, the banks released the CS, without releasing the bank loans of ₹30.35 lakh to the SHGs. The respective PDs also took no initiative to communicate with the concerned banks for payment of loan to the SHGs. Thus, releasing of CS prior to disbursement of bank loans was irregular, besides, objective of providing CS was also not achieved.

In reply, ASRLMS stated that clarification from DRDAs had been sought for and appropriate action would be taken on receipt of clarification.

#### 2.5.4.5 Excess release of CS to SHGs

As per the Framework for Implementation of NRLM, the banks would maintain a minimum subsidy-loan ratio of 1:2. Test check of records of six<sup>39</sup> selected districts revealed that against the actual scheme amount of ₹9.71 crore, ₹3.24 crore was to be paid as subsidy and ₹6.47 crore was to be paid as loan in the ratio 1:2. However, it was found that against the loan amount of ₹6.47 crore only ₹5.11 crore was released and against subsidy of ₹3.24 crore, ₹4.60 crore was paid resulting in excess payment of ₹1.36 crore as subsidy to 461 SHGs. Had the DRDAs released the CS in the prescribed proportion, CS of ₹1.36 crore could have been released to other needy SHGs.

#### 2.5.4.6 Unauthorised disbursement of CS to beneficiaries of Intensive Blocks

Scrutiny of records revealed that two<sup>40</sup> DRDAs violating the SMD's sanction of CS of ₹2.57 crore for non-intensive blocks, disbursed CS of ₹40.87 lakh to 58 SHGs and 16 individual beneficiaries of Intensive blocks, during 2012-13. Thus, payment of CS, to SHGs and individual beneficiaries of intensive blocks, against the sanction for non-intensive blocks, was irregular and unauthorised. Besides, intended beneficiaries of the Non-intensive blocks were deprived of availing CS to that extent.

In reply, ASRLMS stated that clarification from DRDAs had been sought for and appropriate action would be taken on receipt of clarification.

#### 2.5.5 Delay in disbursement of Community Investment Fund (CIF)

Community Investment Fund (CIF) is provided as grant to the federations which will be extended to SHGs in the form of loans to be repaid back to the federations with an interest rate as deemed fit by the federations. ASRLMS fixed the deadline for disbursement of CIF to the SHGs/VOs in 23 days from the receipt of these funds by BMMUs.

Scrutiny revealed that six BMMUs, in four out of the seven test-checked districts, received ₹2.01 crore from ASRLMS, for payment of CIF to SHGs/VOs, against funds released/allocations made for the 1<sup>st</sup> and 2<sup>nd</sup> Quarters, for the year 2015-16. The BMMUs/DMMUs paid CIF of ₹1.96 crore to 392 SHGs @ ₹50,000 each, during 2015-16. However, BMMUs delayed payment of CIF to SHGs/VOs beyond the prescribed limit of 23 days, for periods ranging from 60 to 225 days from the date of receipt of funds. The delay in disbursement of CIFs to 392 SHGs was attributed to lack of monitoring on the part of the Mission authority and this indicated slow implementation of the scheme.

<sup>38</sup> Hailakandi and Tinsukia

<sup>39</sup> Sonitpur, Nagaon, Hailakandi, Jorhat, Tinsukia and Bongaigaon

<sup>40</sup> Sonitpur and Dhubri

ASRLMS stated that the timeline mentioned in the guideline on CIF to SHGs/VOs are from the date of preparation of MCPs by the SHGs till the date of release of CIF to VOs/SHGs by the BMMU. The reply is not tenable as the total time fixed for disbursement of CIF to VOs/SHGs was within 23 days from the date of release of fund to DMMUs/BMMUs.

#### **2.5.6 Disbursement of Interest Subsidy/Interest Subvention to SHGs bank account**

With a view to providing access to credit at affordable rates of interest to the rural poor and make their investments more viable, NRLM was to provide interest subsidy, comprising the difference between the interest charged by the bank and seven *per cent* per annum, on all loans from main stream financial institutions, to SHGs, which were regular in loan repayment.

It was observed that despite having a balance of ₹10.01 crore under the component “Interest Subvention” (as of 31.3.16), ASRLMS transferred Interest Subsidy of ₹15.05 lakh to the bank accounts of 1774 SHGs, against ₹39.36 lakh due to be transferred to the bank accounts of 5729 SHGs (as of March 2016). Thus, there was an outstanding of ₹24.31 lakh, to be paid to the bank accounts of 3955 SHGs (as of March 2016). This indicated lack of monitoring and persuasion by ASRLMS with the lead banks. Non-payment of interest subsidy to eligible SHGs not only deprived the beneficiaries from the intended benefit, but also led to under-utilisation of allocated funds under NRLM.

ASRLMS stated that necessary steps are being initiated to expedite the process of release of Interest Subvention to the eligible SHGs.

#### **2.5.7 Idle outlay on dairy project at Sadiya Development Block under NRLM**

The ASRLMS allocated ₹13.85 lakh to the DRDA, Tinsukia, under Scaling up Innovative project/best practice for non-intensive Block, in Tinsukia district, during the financial year 2012-13.

Construction of the project started (February 2013) departmentally and the PD, DRDA, Tinsukia, incurred expenditure of ₹15.83 lakh (₹1.98 lakh utilised from interest fund) towards execution of civil works, purchase of machinery and milk collection van, during the period from February-October 2013. However, the project could not be made operational till June, 2016, due to non-availability of power supply to the project. The expenditure of ₹15.83 lakh, incurred for construction of the project, remained idle since January 2014.

ASRLMS stated that clarification from DRDAs had been sought for and appropriate action would be taken after receipt of clarification.

#### **2.5.8 Non-operation of ‘upscaling Dairy project’ at Bajiagaon**

The PD, DRDA, Nagaon, released (March 2013) ₹27.99 lakh to the BMMU, Bajiagaon, for implementation of the upscaling project of dairy activity, under NRLM, during 2012-13. The Block Project Manager (BPM), BMMU, Bajiagaon, incurred expenditure of ₹24.85 lakh, towards execution of civil works, purchase of machinery and capacity building, during April 2013 to March 2014. Thereafter, the BPM, BMMU, Bajiagaon submitted a revised Detailed Project Report for ₹21.75 lakh for additional components, which was approved in the meeting of the Technical and Evaluation Committee (TEC) held on 18<sup>th</sup> Feb, 2015, with a direction to hand over the infrastructure created under the project to the VO or Producers Group formed in the project. However, neither did the ASRLMS release additional funds for completion of the projects, nor was the infrastructure created under the project handed over to

the VO or Producers Group till May 2016. As a result, the project could not be made operational.

In reply, ASRLMS stated that clarification from DRDAs has been sought for and appropriate action would be taken after receipt of clarification. Thus, delay in completion of the project deprived the beneficiaries from the intended benefits of the scheme.

### 2.5.9 Unauthorised expenditure on organising *Saras Fair*

GoI, MoRD, sanctioned (March 2016) ₹35.00 lakh, for organising the Regional *Saras Fair*,<sup>41</sup> during January-February 2016. MoRD released ₹26.25 lakh as first instalment to ASRLMS, stating that the balance amount would be released on submission of UC and audited statement of accounts.

GoI's sanction letter stipulated that any excess expenditure, over and above the sanctioned amount on organising the fair, would be met by the State Government, from its own resources. However, as per GoI letter dated 30 January 2015, State Government could incur expenditure upto 12.5 *per cent* of fund allocated under the head "Infrastructure creation and Marketing support" for holding of *Saras Fair*. Hence, it was permissible to incur upto ₹one crore for holding of the *Saras Fair*, as GoA had a provision of ₹eight crore, under the head 'Infrastructure creation and marketing support,' for the year 2015-16, in addition to the amount of ₹35 lakh sanctioned for the purpose by GoI. However, ASRLMS incurred ₹1.60 crore for holding of the *Saras Fair* during 30.01.16 to 08.02.16, which was extended upto February 2016. The excess expenditure of ₹0.25 crore (₹1.60 crore - ₹1.35 crore) was irregularly met from NRLM fund, instead of it being met from the State Government's own resources. Thus, incurring of excess expenditure beyond the allocation not only hampered implementation of the scheme but also deprived the beneficiaries from intended benefits to that extent.

The ASRLMS stated that they were eligible to spend ₹1.90 crore as the Technical and Evaluation Committee for Infrastructure and marketing had decided to launch the first producer collective Brand *Tejaswini*<sup>42</sup> in the Regional *Saras Fair* at an estimated cost of ₹75.00 lakh in addition to amount admissible under the head "Infrastructure creation and Marketing support" *i.e.* ₹80.00 lakh and amount sanctioned by the MoRD, GoI *i.e.* ₹35.00 lakh. The reply is not tenable as the expenditure for ₹one crore under the "Infrastructure creation and marketing support" had already been allowed in the total admissible amount of ₹1.35 crore for organising the *Saras Fair*.

### 2.5.10 Irregular payment of honorarium to Community Resource Persons

Scrutiny of records revealed that DRDA, Dhubri, disbursed ₹59.65 lakh to 14 Block Development Officers (BDOs), for payment of Active woman/CRP honorarium/SHG training. Out of this, ₹48.93 lakh was paid by the BDOs as honorarium to Active woman /CRPs during 2013-14 to 2015-16 without verifying their field movement registers activity reports as none of the Active woman/CRPs submitted the same to the Block. Thus, the payment of honorarium was irregular, as it was to be paid at the rate<sup>43</sup> based on their performance only.

<sup>41</sup> The *Saras Fair* is organised with a view to giving exposure to rural artisans/entrepreneurs/officials for developing markets for products of the beneficiaries of the programme.

<sup>42</sup> *Tejaswani* was a brand launched for the purpose of marketing of handloom product.

<sup>43</sup> The ceiling of daily remuneration was ₹200 limited to maximum 15 days in a month.

### 2.5.11 Avoidable excess expenditure on hiring and installation of hoarding

ASRLMS issued Notice Inviting Tender (NIT) for hiring and installation of 255 hoardings. After verification of tenders, the Technical and Financial Committee (T&FC) found six firms/agencies eligible for the financial bid. The lowest bidder (M/s Assam Commercial Agency) was accordingly selected for the lowest rate of ₹37,275 by the T&FC. The SMD however, ordered for retendering, on the basis of complaints received from three bidders, who were absent at the time of opening of tender, without consulting the T&FC. After retendering, the lowest bidder (M/s Pradip Advertising), who offered a rate of ₹52,500, was selected.

Audit observed the following irregularities in the whole process:

- The offer of the lowest bidder (₹37,275) was cancelled by the SMD, on the basis of complaints from the said three bidders. The complaints were against the opening of bid in the presence of only seven out of 11 bidders and the lowest bidder was not technically fit for the work. One of the bidders of the three complaining bidders also complained about the non-selection of his offer which he stated to be lower than the lowest bidder. However, the complaint did not stand on merit as audit found that the offer was not the lowest and more than 50 per cent of the bidders were present while bids were opened. Moreover, both the technical and financial bid of lowest bidder were also approved by the Technical evaluation committee where the SMD himself was the Chairman.
- The rate (₹52,500) offered by the lowest bidder (M/s Pradip Advertising) on retendering was significantly higher than the rate offered by him in the previous tender (₹44,205) and was accepted by the T&FC. The period of maintenance of the hoardings was also reduced from three years to one year in the second tender.

Thus, there was no valid reason for cancellation of the earlier tender and the whole process of rejecting the earlier tender and accepting the higher rate was irregular and resulted in extra expenditure of ₹38.82<sup>44</sup> lakh.

The ASRLMS stated that the contract was awarded to the lowest bidder after re-inviting open competitive tender and all procedural requirements were followed. The reply is not tenable, as the cancellation of the first tender itself were done without any specific reasons.

***As described in the preceding paragraphs, audit analysed the implementation of NRLM and observed that lacunae in implementation of various components of NRLM, due to improper planning process, non-assessment of performance of SHGs; VOs and CLFs; improper identification of beneficiaries, lack of control over budget and management of resources, affected the process of providing strong self-managed grass root institutions.***

### 2.6 Monitoring and evaluation

As NRLM is process intensive scheme, there is a need to constantly review, assess and learn from the progress achieved at various levels, both in terms of qualitative and quantitative targets. A robust IT-based Monitoring Evaluation and Learning system was to be in place to facilitate learning and continuous improvement and support decision making at all levels. However, lacunae in planning process and irregularities in the implementation of the scheme during the period 2011-12 to 2015-16 as discussed in the preceding paragraphs was

<sup>44</sup> (₹52,500 - ₹37,275) × 255nos. = ₹38,82,375)

indicative of lack of control over monitoring, evaluation and reporting at the different levels of implementation.

Only three review meetings with the districts and block officers and staff was held by ASRLMS, for review of implementation of NRLM, during 2012-13 and 2013-14. Though ASRLMS had stated that it would convene 22 review meetings during 2014-15 and 2015-16, it could provide minutes of only seven review meetings. Neither ASRLMS assessed the achievement through community score cards nor did any external social audits were conducted. District Advisory/Monitoring Group was not set up in six<sup>45</sup> out of seven selected districts. Further, ASRLMS did not monitored the ratio of disbursement of CS with loans in the Non-intensive districts. CS was provided to the banks, by DRDAs without any verification of the ratio of disbursement of CS with loans. Moreover, prescribed rate of interest was neither considered during inter-lending of CIF loan at different levels nor it was monitored by ASRLMS.

### 2.6.1 Role of GB and EC

(i) **GB:** The role of the GB, in providing policy guidance, was limited as only three meetings of the GB were held during the period 2011-12 to 2015-16 that too beyond the prescribed period of three months from the end of a financial year. Further, involvement of representatives from training institutes and academic institutions, experts (Rural Development)/Non-Government Organisations (NGOs), SHGs/federations, required as part of GBs was also lacking as academic institutions, expert groups, SHGs/federations had not been represented in two out of three meetings held so far. The inputs of the GB was also not obtained in the SPIP and AAP as it were submitted directly to the MoRD without obtaining GB's approval.

(ii) **EC:** The EC comprising of maximum eight members includes Chief Secretary, GoA as the chairperson and State Mission Director (SMD) as the Member Convener. The EC shall meet at least once in a quarter, or more frequently, if necessary, with the permission of the chairperson, for the management of the affairs of the ASRLMS. However, against the required 16 meetings, only five were held during 2011-16, thereby adversely impacting the planning, implementation and monitoring of schemes. ASRLMS stated that steps would be taken to hold the EC meetings regularly.

### 2.7 Conclusion

Though ₹284.16 crore was involved in implementation of the NRLM in the State, the benefits of the scheme could not be reaped due to the absence of effective planning in terms of an SPIP, inadequate capacity building of the CRPs for programme implementation; short, as well as delayed, release of funds (both Central and State share); and failure of the ASRLMS to utilise funds optimally. Programmes were implemented without any targeted beneficiary list and time-bound goals due to non-finalisation of the list of 'poorest of the poor' households. There was significant shortfall in coverage of districts and blocks against the coverage targets fixed under the NRLM. RSETIs were not established in four districts, depriving BPL youth from skill development trainings. Monitoring and evaluation to assess the impact of the scheme were inadequate, due to the absence of monitoring by a State Project Manager/Project Manager Monitoring.

<sup>45</sup> Tinsukia, Nagaon, Jorhat, Hailakandi, Bongaigaon and Dhubri district

## **2.8 Recommendations**

For better implementation of NRLM in timely manner, ASRLMS may:

- prepare a beneficiary list, of the 'poorest of the poor' households of the State, covering all the *Gaon Panchayats*, Blocks and districts, by adopting PIP ;
- utilise funds effectively and promptly and ensures timely submission of UCs against all installment, so that the central share does not lapse; and
- improve the monitoring mechanism by holding regular review meetings at all levels and ensure preparation of an action taken report on the drawbacks and lapses found in the review meetings.