REFORMATION OF THE SEEUY SCHEME
A SUGGESTIVE FRAMEWORK
CHAPTER VI

REFORMATION OF THE SEEUY SCHEME

A SUGGESTIVE FRAMEWORK

Having discussed SEEUY Scheme in all its theoretical aspects and also the problems of banks in implementing the SEEUY Scheme, it is but logical that an assessment should be made of its actual working from different angles. Hence, an attempt has been made in this chapter for reforming the SEEUY scheme with a view to make the scheme more useful to the educated unemployed and facilitate easy operation by the Commercial Banks. The rationale behind this approach is to find out whether the scheme is really fruitful, whether the person for whom it has been drafted are fully aware of it and are familiar with the procedures involved therein and to find out the difference in their endeavours to get their loans sanctioned and also to see the attitude of the Government and Bank officials who play a key role in the selection of beneficiaries and disbursement of loans. The suggestions proposed here are mainly based on the measures suggested by the beneficiaries and the officials during their interviews. The personal observations at the time of the visits to the sample units and different offices of Commercial Banks have also been kept in view, while making the suggestions.
The findings of the study will no doubt, help in eliminating some of the major short-comings, serious weaknesses and other lacunae in the implementation of the scheme. These should serve as guidelines for the effective and efficient implementation of the SEEUY scheme and they are by no means final solutions.

From the Bank's point of view SEEUY scheme is a good and laudable scheme. The scheme runs surprisingly smoothly on paper but the grim fact remains that educated unemployed for whom this programme has been introduced are to be achieved. The progress and future of this scheme mainly depend upon proper identification and honesty of the beneficiaries. The identification of prospective beneficiaries is the lynchpin in the totality of SEEUY scheme. Because, if the Government machinery is not cautious and equitable in identifying and distributing the SEEUY scheme benefits to right persons with motivation, interest and eligibility then the whole purpose of the SEEUY scheme will be defeated.

a) Since the scheme is to continue for the rest of the VII Plan period, the process of calling for applications and screening them should start by May
every year, after getting necessary clearance from Government of India and RBI in time so that the inordinate delay in the dispensing of loan applications can be averted. Loans should be sanctioned evenly throughout the year. The bunching of applications at the end of the financial year should be discouraged with a view to affording a reasonable time to the Bank branches for taking proper decision on the merits of each case. Hence, basic rules laid down should be adhered to in all strictness in the selection of only eligible persons for financial assistance under the SEEUY scheme.

b) The application form should be in regional language, drastically simplified and standardised. The beneficiary should be advised to affix his recent passport size photograph on the application form which can help greatly in identifying the borrower. Nativity of the applicant has to be ensured with the help of family ration card, domicile certificate, place of education etc. This will weed out applicants from other areas who may after availing the loan shift to other places.

The borrower should be issued a Small Loan Pass Book in which all important particulars should be
entered in regional language particularly terms and conditions on which the loan is sanctioned, disbursement, rate of interest, repayment period, subsidy amount etc.

c) Before the interview, there should be basic scrutiny to ensure the technical feasibility, economic viability and bankability of the project alongside with the eligibility and capacity of the applicant. Identify whether the beneficiary possesses basic skill, aptitude, capabilities for the type of activity that he wants to establish and experience in the line should all be taken into account.

d) Not more than 20 applicants should be interviewed in a day so that adequate time for discussion with applicants, counselling etc., would be available. Many of the beneficiaries have no experience whatsoever, in starting of the business or service or industrial activity and the DIC has to give proper advice to avoid most of the problems through orientation course or proper training to expose them to the various aspects of running business establishment. This will definitely help in better implementation of the scheme.

e) Many of the borrowers are under the impression that Bank loans are in the nature of subsidies given
by the Government and that these are not to be repaid. Such an impression may be the result of reckless statements made by political functionaries during election times. To counter this, borrowers need to be educated. Towards this end a booklet or brochure containing the terms and conditions and the details of the scheme in regional language together with the liability and responsibility of the beneficiary should be sent to the applicants along with the interview notices, so that they could know their role clearly and get clarification if needed, at the time of interview. This will provide a crystal clear idea about the scheme and will help in removing the false impression erroneously formed in the minds of the borrowers. An increase in awareness should lead to a greater involvement of the educated unemployed youth in the implementation of the programme.

f) Sanction or rejections with reasons, should be disclosed by Banks within 15 days after pre-sanction inspection to the beneficiary.

The above steps would help in improvement of quality and avoid last minute pressures on the Banks. The rate of rejection by Banks should also be considerably reduced.
g) The beneficiaries have to be helped to get local body licenses and electricity supply and this has to be monitored both by the branch manager of the Bank and officials of the DIC, so that any delay could be averted in the single window clearance meeting held every month.

h) DICs should on a continuous basis, monitor the sanction and disbursement of loans, setting up, commissioning and functioning of the units and take necessary corrective steps as and when needed. Periodical meetings with the beneficiaries and bankers would also help in sorting out problems.

i) For genuine business failures, the borrower deserves sympathy and assistance to overcome the difficulty and any modification needed in terms and conditions should be considered. Bank officials, should maintain personal rapport with the borrowers. They should not visit them for mere recovery, but should guide them in all possible ways. Banks should meet all genuine needs of the borrowers so that they do not go for private borrowings.

j) A list of viable activities suitable for each Panchayat can be prepared by a survey team which should
satisfactorily establish the potential of each Panchayat for supporting the activities. Entrepreneurs should be identified and selected from each Panchayat on the basis of their interest in the identified activity.

Since this is going to be a large scale exercise, every college in each State should be made to get involved in conducting the survey, identifying activities and locations and also identifying potential entrepreneurs. Thus, it will become a movement involving the entire higher educational community in the region. The activities suitable to the area and the number of units in each activity which could profitably run in an area should also be decided upon in advance.

k) Banks should also strengthen their system and machinery for the appraisal and follow up of advance under the scheme. They should quickly review the existing irregular accounts and wherever the default is found due to genuine difficulties, the loans could be rephased or otherwise nursed after a thorough discussion with the borrowers. Genuine needs of working capital and finance for expansion in case of successful units may be considered, since such a gesture would create confidence and enthuse other units to be prompt in repayment of Bank dues.
1) The Banks should act, not only as a siphoning agencies for providing the much needed loans, rather, they should deeply involve themselves with the development of the scheme in all the stages of planning, implementation and monitoring. The Banks must possess, besides the needed expertise, qualities conducive to team spirit and collective work.

m) The activities of the unscrupulous middlemen should be completely curbed. The benefits should reach the beneficiaries directly. Also political interference, either in identification of beneficiaries, or in the disbursement of loans should be eschewed.

n) The Bank officials should maintain area-wise diaries in which details of their contact with the borrowers and discussion as well as income earned and expenses incurred by borrowers under the activity as well as for their consumption purpose should be recorded.

It is most unfortunate that even if a branch is implementing both the IRDP and the SEEUY scheme, registers under IRDP are maintained while in case of SEEUY scheme such registers are seldom maintained. Under SEEUY scheme the branch must maintain registers
and records and all the other required data to verify the existence of assets and ensure that the borrowers are adequately earning out of the assets, so acquired.

o) Pre-sanction appraisal and Post-disbursement supervision should be done meticulously by the Banks and DIC's for proper identification and selection of deserving beneficiaries. Careful study of the borrower's background, integrity, whereabouts and examination of the economic stability, and technical feasibility of the project, the borrower's capacity to arrange things and overcome the challenges of the business are to be made, to identify the deserving entrepreneurs to provide loan under the SEEUY scheme.

p) The Manager should share his experience with the members of the staff by frequent meeting. Training of staff in the recovery procedures is an important task. All staff members are considered as eyes and ears of the Bank. Proper motivation, recognition of good work, involvement, delegation, freedom, etc., and taking them to borrower's field of operations matter a lot.

The Banker has to safeguard his interest through periodic reviews, follow-up and supervision, This
is possible only by a free flow of communication from top to bottom and vice-versa, so that policy making and implementation process remain continuously integrated. There is also an urgent need for taking effective steps by the individual Banks to ensure speedy implementation of the instructions of the RBI.

q) While launching the SEEUY scheme, there seemed to be some conflict in approach and organisation between DIC/Govt. Agencies and Banks on the one hand and DIC/Banks and the beneficiaries on the other, and each side holds the other side responsible for wrong identification, delay in sanction and disbursement, misuse of credit facilities, poor recovery etc. While considerable amount has been disbursed by Banks as loan, the desired effect on employment generation is missing. The Banking industry can boast to have achieved the credit targets in general, but the problem of educated unemployment is not eradicated.

r) The present state of co-ordination mechanism between DIC/Government agencies and Banks, DIC/Banks with the beneficiaries was considered as a weak link in the smooth implementation of the scheme. It need not be emphasised that full co-operation of the offi-
cials of the State Governments and proper co-ordination with the departments concerned with the development of small industrial units are essential for the smooth functioning of the SEEBUY scheme. Hence, there should be better tie-up arrangement for co-operation, and close co-ordination between the DIC/Government agencies and Banks in the manner of pre-sanction appraisal and post-sanction follow-up.

The above observation proves the third hypothesis, in as much as that the lack of proper co-ordination between the DIC's, the Commercial Banks and different departments and authorities of Tamil Nadu State Government which result in inordinate delay in the processing of applications and sanctioning of the loan and create many problems for the Bank and the beneficiaries alike, is justified. There should be periodical meetings among them to discuss the problems confronted in the implementation of the scheme.

Training of Beneficiaries

Human resources are a critical input and vital resource upon which depends the economic future of the country. Kautilya in his "Arthasastra" had emphasised the importance of training and developing human
resources for national prosperity. Adequate training should be imparted to the SEEUY beneficiaries by the DIC. The content of training should be carefully worked out, keeping its relevance and practicability and the level of the participants in view. Tips for efficiently managing the units and proper use of credit and facilities should form an important part of training. Persons in charge of implementation of the scheme in various organisation should be developed as trainers of the SEEUY scheme. Simple manuals may be prepared for the use of these personnel to enable them to impart worthwhile training to the beneficiaries.

Training of implementing personnel

Personnel of various departments of the Government, Financial Institutions and others who are involved in implementing the programme, do not have a clear understanding about the concept of the SEEUY scheme. As a result, they fail to appreciate the importance of the role assigned to them and how the roles played by various agencies act as complementary to each other. The functionaries of different agencies carry on their work in isolation, without giving much thought to how it is linked with the work of other agencies thus,
creating serious obstacles to the programme. Positive and dynamic orientation and problem-solving attitudes are found to be very much wanting. For that suitable training courses meeting the required different levels of personnel will have to be designed. They impart adequate knowledge and develop specific skills for conducting surveys of small scale industries, formulating viable schemes, monitoring progress, and ensuring co-ordination. Training orients attitudes for the individual growth and organisational effectiveness. Continuous training will lead to continuous improvement in performance. Suitable syllabi and teaching material including case studies, may be prepared for wide distribution and adoption by all the implementing agencies.

The administrative problems that are experienced by the Commercial Banks are rather general in nature and are not specific to the SEEUY scheme. Even so, they affect the implementation of the scheme. The existing organisational set-up in most Banks reveals a number of deficiencies as indicated in the following paragraphs.

1. **Staff inadequacies, Qualifications and Experience**

   SEEUY scheme requires for its efficient and effective management adequate knowledge of the scheme
and sufficient experience in this area on the part of the officials entrusted with the scheme. Apart from proper educational qualifications such as degree in economics, or commerce, law and engineering, adequate experience in this line is another pre-requisite for a smooth and successful implementation of this scheme.

Although certain officials of the Commercial Banks are highly qualified and a few of them have received proper training, by and large most of them do not possess proper qualifications and have not undergone suitable training. All the Regional Managers and the Managers-in-charge of Commercial Banks opined that they do not have adequate number of properly qualified and suitably trained staff. All of them desired to work with more properly qualified staff in their branches. Dedication and commitment to the cause of development of self-employment is vital at all levels of the management.

To boost the morale of the organisation, frequent transfers and changes are to be avoided.

Allocation of responsibilities at the various levels of the development hierarchy must be well defined
and clearcut and the authority must be commensurate with the responsibility. Accountability must be made precise at each level and what is more, must be enforced. No less vital is the need for development functionaries to mobilise the local population in programmes.

Inadequate delegation of powers to Regional and Branch Managers. The policy of decentralisation and delegation of powers to Regional and Branch Managers, is not properly implemented as they are not given adequate authority for implementation of the scheme. All the Managers felt the need for delegation of more power at their level. One of the Branch Manager expressed his unhappiness with the existing delegation of powers by declaring that his office was merely acting as a post office in forwarding the application to the head office.

**Discretionary Powers**

Banks should review the discretionary powers of their Branch Managers so that 60 to 80 percent of the decisions are taken at the branch level itself. The intention is that the credit should normally be disposed off within a period of 15 days from the date of receipt of the applications. The delegation of
adequate authority should, of course, be with due regard to the experience and capabilities of the Branch Managers and there should be proper system of control over their discretionary powers. Decentralisation and delegation of powers and functions are a crying need along with a simplification of procedures, especially at the grassroots level.

Poor working conditions

The working conditions at different regional offices of the Commercial Banks and its branches, as observed at the time of visits to them were found to be unsatisfactory. The rented accommodation where the regional offices are situated, is quite inadequate. There is little space in the offices for employees to move freely. Furniture provided is not comfortable and there is no proper provision for keeping the files safely. Proper working condition are to be provided with modern facilities and amenities.

Political interference

The officials at the Regional Office of the Commercial Banks complained that the local politicians interfere in the working of the scheme in certain
places. They try to influence the authorities. Many hardened defaulters do not care to pay the instalments on due dates since they are backed by the politicians.

The officials expressed in an informal chat that a relative of a very highly influential politician occupying one of the highest position in the Government had obtained loan under the scheme through the influence of the politician and gave maximum trouble to the Bank in the recovery of the dues. But political interference has become universal and this scheme is not the only scheme suffering from it.

Financial problems

Inadequacy of financial resources of the Commercial Banks in financing the SEEUY scheme is caused by the following factors:

Poor Recovery of SEEUY scheme loans. The paucity of funds is further accentuated by large scale defaults of the borrowers. The poor recovery of the debts and the delay in releasing the amount by the Government limits this scope for recycling of the Bank's funds causing financial constrains arresting the growth of its progress. Let Banker be reminded that if "Mercy
is twice blessed" for Banker" recovery is multiple blessed". Recovery is more important than even the deposits and each and every paisa of the recovery is recyclable as against the deposits which is recyclable only after deducting statutory obligations in the form of Statutory Liquidity Ratio (SLR) and Cash Reserve Ratio (CRR).

**Procedural Problems**

The procedure adopted by the DIC in financing SEEUY scheme is also a source of trouble to the Commercial Banks as well as the applicants. Procedural problems faced by the Commercial Banks are analysed as follows:

There is also a need to impart extension education to the SEEUY beneficiaries about the terms and conditions of loans received by them from the Banks more in detail.

i) **Lengthy and complex procedure**

The beneficiaries felt that the procedure adopted was lengthy and complex. This has been admitted by the officials of the Commercial Banks. Many officers endorsed at the time of their interview that there
is a scope for further simplification of scheme by removing certain stages in the processing of application and despending with certain formalities.

ii) Ignorance of the applicants

The officers of the DIC were of the view that many applicants did not know the complete procedure and were not well informed about all the formalities required to be fulfilled by them. Many borrowers stated that they did not understand the procedure completely and, therefore, suffered on account of their ignorance. They blamed the officials who did not explain the procedure and the formalities completely all at the outset. Some applicants purchase the application from the DIC's indifferent districts, Commercial Banks and also from private sellers. These institutions also do not explain the procedures and formalities to the applicant in entirety.

Consequently, the applicants do not fill up the forms completely and properly and the DIC has to send them back to the applicants with a request to complete them or to give the correct information. Many applications are rejected for not being completely filled up. Similarly, the applicants whose applications
are tentatively accepted do not fulfil the formalities in time and are to be reminded for that. All these result in considerable delay and the applicants blame the DIC for that. To avoid these difficulties the DIC officials should render necessary assistance in filling up the forms, wherever necessary. Some applicants have to go to the Regional Office or Head Office of the corporation to get clarification and to complete the formalities, more than once in many cases.

iii). Carelessness of the applicants in fulfilling formalities

Many applicants are not serious about the application for availing loan under the scheme or are careless in fulfilling the formalities involved therein. They need a reminder from the DIC every time. They do not attach the required documents. A lot of inconvenience caused to the DIC's officials due to this.

iv) Inordinate delay in the sanctioning of loans

The aforesaid procedural problems ultimately delay the actual sanctioning of loans to the beneficiaries. The Commercial Bank's image is tarnished even when it is not responsible for the delay.
Legal Problems

Another, rather nagging problem faced by the Commercial Banks is the legal problem manifested in different forms. It can be explained by analysing its important aspects individually.

i) No separate Recovery Act in India. The Banks have to approach the court for recovering the amount. They find it rather difficult to fight the legal battle with their beneficiaries as there is no specific recovery act in India at present. The Judgement is delayed due to prolonged arguments by the advocates trying to interpret the rights and responsibilities of the borrowers. Although the need for a specific recovery act is felt for a long time it has not been passed yet.

ii) Lengthy and Dilatory Court Proceedings. The suits filed by a Bank take very long time to be decided owing to the lengthy and cumbersome procedure involved there in. In some cases the proceedings continue even for several years. It takes about a year just to start the proceedings. Sometimes, one year or more passes for obtaining a certified copy of getting the decree executed. Justice delayed is justice denied, as rightly observed.
iii) Courts are biased towards the borrowers.

Not only the laws are inclined favourably towards the borrowers, but even courts also are biased towards them. In the case of the suits filed by the Banks the courts take a lenient stand towards the borrowers as they are small entrepreneurs. While deciding the cases, the judges sympathise with the borrowers and try, as far as possible, to pass judgement which are not harsh to the borrowers. Hence, the Bank's interest may not be properly and completely safeguarded in many cases.

iv) Incompetent Law Officers of the Bank.

The Officers of the Bank entrusted with the duty of looking after the legal cases are qualified law graduates or even post-graduates but none of them has the experience of practising in court, as an advocate. They do not possess competence to fight the cases themselves.

v) Difficulties in the seizure of assets/machines.

Even after serving a proper seizure notice, the Bank finds it difficult in many cases, to actually
seize the machinery from the concerned borrowers who stoutly resist it. Many borrowers are not submissive to the appeal of the Bank to let it peacefully seize the machine and show their violent tendency. The police officers of the State Governments do not extend the Bank the co-operation expected of them in such delicate tasks.

The abovementioned observation proves the fourth hypothesis, that the Commercial Banks have been confronted with a number of socio-economic, political and legal hindrances which have prevented the scheme from becoming a popular one.

Opinion of task force members

In order to collect the opinion of the Task force members who are responsible for screening and selecting the borrowers under SEEUY scheme, the officials at DIC, Lead Bank Officers and the Managers of leading Commercial Banks who are the members of Task force in respective districts, were interviewed. The following is the summary of their views and suggestions in regard to the implementation of the SEEUY scheme.

Majority of the members held that due to lack of time they could not do full justification in the
scrutiny of the individual cases, since they have to dispose of the targeted applications within the limited time.

A few members expressed their inability to attend the interview due to pre-occupation with their office work.

Some of the members of Task force have admitted that there was political pressure which also impaired the smooth implementation of the programme.

Certain members suggested that number of persons to be interviewed per day should be kept at minimum, in order to improve the quality of screening the application.

A collective opinion was expressed that this programme should not be target oriented one. The implementation should be phased evenly throughout the year.

**Views of General Managers of District Industries Centres**

For selecting candidates, it is suggested not to select the candidates in the age group between 18-20 years as they are immature to start enterprises. The General Managers agree with the Banker's view
for spreading over the target evenly throughout the year.

Regarding the power connection to the units, it was reported that DIC takes all the necessary steps with Electricity Board and they are not responsible for any delay in this regard. Certain Managers of the DICs suggested that video films on various procedures of the SEEUY scheme and success stories may be displayed with the help of mobile van at different places for educating the targeted group.

Some of the General Managers in the districts have openly admitted that the DICs were not able to cover all the units due to shortage of man-power. Present strength of the DICs could not definitely bestow their attention to each and every unit under the scheme as the number of units under SEEUY scheme is increasing year after year. The operational responsibility assigned to them is in addition to their present normal activities. Hence it is suggested that a monitoring cell may be set up in each DIC exclusively to attend the matters concerning SEEUY scheme.

One of their complaints against the bankers is that the feed back on the sanctions and disbursements from the Bank was not coming in time which ulti-
mately handicapped the proper monitoring of the scheme.

For recovery drive, it was ascertained that DIC is ready to help the Banks.

A suggestion was made that the subsidy should be kept in a separate Fixed Deposit. The quarterly interest accrued should be adjusted in the loan account.

They have assured to render any help to the Banks for initiating criminal proceedings against the erring defaulters.

Opinion of the District Collectors

Since the beneficiaries belong to the first generation coming to self-employment ventures, there is bound to be some problems in the implementation of the programme in the initial stages.

District Industries Centres may publish DO's and Dont's exclusively to enable the SEEUY beneficiaries to follow.

Borrowers should be educated to clearly understand their obligations to the Banks and trained for proper use of credit including ethics of repayments. Banks should adhere strictly to the norms prescribed
by the RBI for the implementation of the scheme.

Collectors have assured that they would extend all help to the Bank for taking criminal action against the defaulters.

Pre-sanction appraisal and post-disbursal supervision should be done meticulously by the Bank and the DIC officials.

There is a greater need for close co-operation between the DIC and the Banks in the matter of post sanction follow-up and recovery of loans.