

CHAPTER – III

THE SGSY – A REVIEW OF IT'S SALIENT FEATURES, MONITORING & INTEGRATING SYSTEMS

3.1. Introduction

Swarnajayanti Gram Swarozgar Yojana (SGSY) is the brainchild of S.R. Hashim Committee on rural development and poverty alleviation programme. Following a review of various antipoverty programmes in February 1997, the committee recommended a single self-employment programme for the rural poor and adoption of a group approach instead of targeting individual beneficiaries. This endeavour marked the new era of rural development which gives new momentum to entrepreneurship development for the rural vulnerable section society. The committee admitted that the ongoing various complementary programmes started operating as separate individual programmes without proper linkages resulting in a lack of focus. The committee argued that this new programme is a holistic programme for micro enterprise development in rural areas which envisages social mobilization of the rural poor as a prerequisite for providing them assistance. The committee also highlighted that this new programme covers different aspects of self-employment, viz. organization of the rural poor into self-help groups (SHGs) and building their capacity, planning of key activities and activity clusters, providing the required infrastructure, technology, credit and marketing.

The scheme aims at establishing a large number of micro enterprises in the rural areas under the close supervision of Gram Panchayats, block level official, district nodal agencies (DRDC), etc. The significant aspect of SGSY is that it aims to bring every assisted family above the poverty line in three years, by creating a monthly income from the activity undertaken of not less than Rs. 2,000 net of repayment of the bank loan

The SGSY offers credit-cum-subsidy to the beneficiaries, and banks will be involved in this process. It seeks to promote multiple credits rather than a one-time credit 'injection'. The credit requirement of the beneficiaries will be assessed and they will be encouraged to increase their credit intake over time.

The SGSY provides for skill development through customised training courses, along with appropriate technology inputs and marketing support through the market development initiatives including marketing information, consultancy services as well as institutional arrangements for marketing of the goods.

As a multiplicity of self employment programmes launched by the Government had resulted in a lack of proper social intermediation and absence of desired linkages among these programmes, Swarnjayanti Gram Swarozgar Yojana (SGSY) was launched by the Government of India from 1 April 1999 as a single holistic programme to cover all aspects of self employment for the rural poor by restructuring existing antipoverty programme such as IRDP, DWCRA, SITRA, TRYSEM, GKY, MSW. The funding pattern of the programme was to be shared by the Centre and the State in the ratio 75:25. The unspent balances as on 1.4.99 under these erstwhile programmes have been pooled under the head SGSY. This was not strictly followed and there was a significant shortfall in the release of matching State share particularly by the special category States. There were large scale diversions, misutilisation and parking of funds curtailing the actual funding for the programme.

The Guidelines of SGSY, issued by the Ministry of Rural Development-GOI, described that the objective of Swarnjayanti Gram Swarozgar Yojana is to bring every assisted family above the poverty line within three years, through provision micro-enterprise. SGSY seeks to develop close linkages with credit mechanism in such a manner as would promote multiple credit rather than a one time credit injection. Multiple doses of credit would mean assisting a Swarozgari over a period of time with a second and subsequent dose(s) enabling him/her to access higher amount of credit.

The SGSY programme was implemented with the following specific objective: -

1. Poverty Eradication.
2. Women's Empowerment.
3. Asset Building.
4. Establishment of Human Rights of vulnerable sections.
5. Market economy reaching the informal sector.

The aim of SGSY is to promote Micro Enterprises in rural areas by concentrating upon people living below the poverty line. The beneficiaries could be either families falling within the BPL and members of existing groups, in which case, individual loan and subsidy would be provided to them which could be rooted through the group. Besides, groups of BPL families would be provided group loan -cum- subsidy, not exceeding Rs 2.5 lakhs.

Only one member in the family can avail of SG SY of which 75 percent would be in the form of the group loan. Defaulters are excluded from the scheme. The scheme aims to concentrate on a few key activities for each block and providing infrastructure, training, marketing and other backward and forward linkages for the same. Instead of giving one-time credit, multiple credit would be given, and the supervision of back-ended subsidy is to reduce the risk of the non-utilisation, as evidenced in the IRDP. Besides, provision has also been made for skill development through training with 10 % of the total project cost, allocated as training fund.

3.2. The Salient Features Of The Swarnjayanti Gram Swarozgar Yojana (SGSY):

- The SGSY is a credit-cum-subsidy Programme. However, credit is the critical component of the SGSY, subsidy being a minor and enabling element. Accordingly, the SGSY envisages greater involvement of the banks. They are to be involved closely in the planning and preparation of project reports, identification of activity clusters, infrastructure planning as well as capacity building and choice of activity of the SHGs, selection of individual Swarozgaris, pre-credit activities and post credit monitoring including loan recovery. SGSY seeks to promote multiple credit rather than a one-time credit 'injection'. The credit requirements of the Swarozgaris need to be carefully assessed; the Swarozgaris are allowed and, in fact, encouraged to increase credit intake, over the years.
- SGSY focuses on Group approach. This involves organisation of the poor into self-help groups (SHGs) and their capacity building. Efforts are made to involve women members in each SHG. Besides, exclusive women groups are also to be formed. At the level of the Block, at least half of the groups should be exclusively women groups. It can be highlighted in this respect that, it is observed that more than 95% of SHGs were exclusively women group. Group activities are given preference and progressively, majority of the funding should be for Self-Help Groups.
- The Swarnjayanti Gram Swarozgar Yojana aims at establishing a large number of micro enterprises in the rural areas, building upon the potential

- of the rural poor. SGSY will seek to cover the rural artisans in a significant manner, enabling them to utilise the inherent skill to overcome poverty.
- The SGSY adopts a Project approach for each Key Activity. Project Reports are to be prepared in respect of each of the identified Key Activities. The Banks and other financial institutions have to be closely associated and involved in preparing these Project Reports, so as to avoid delays in sanctioning of loans and to ensure adequacy of financing.
 - A gradation exercise would be undertaken in order to assess the potential of the group at each stage, to undertake the activity of Micro enterprise and qualify the group to get multiple doses of credit. Banks, DRDC as well as the agency working for the promotion and development of SHG, would be involved in this grading exercise.
 - SGSY will seek to ensure that the infrastructure needs for the identified activities are met in full so as to enable the poor to drive the maximum advantage from their investments. The state will strive to provide necessary investments as part of their plan when efforts of the respective departments. Critical gaps in investments have to be made up under the SGSY, subject to a ceiling of 20% (25% in the case of North Eastern States) of the total allocation made under the SGSY for each District. This amount is maintained by the DRDCs as 'SGSY - Infrastructure Fund'.
 - Closer attention to technology and marketing needs of the Swarozgaris would be the hallmark of SGSY. Technology intervention will seek to add value to the local resources, including processing of the locally available material from natural and other resources for local and non-local market. SGSY will provide for promotion of marketing of the goods produced by the SGSY Swarozgaris. This would involve market intelligence, development of markets, consultancy services as well as institutional arrangements for marketing of the goods including exports.
 - The SGSY is implemented by the DRDCs through the (Block) Panchayat Samitis. The process of planning, implementation and monitoring integrate the Banks and other financial institutions, the Panchayati Raj Institutions (PRIs), Non-Government Organisations (NGOs), as well as Technical

Institutions in the District. Care is necessary to involve them right from the conceptualisation stage so that they work as a team for the success of the programme.

- The Gram Sabha will authenticate the list of families below the poverty line identified in the BPL census. Identification of individual Swarozgaris will be made through a participatory process.

3.3 Monitoring of SGSY

For the success of Swarnjayanti Gram Swarozgar Yojana a close involvement of different agencies is very much essential. The District Rural Development Agencies (DRDAs) through the Panchayat Samithis and, with the active involvement of other Panchayat Raj institutions, the banks, the line departments and the NGOs SGSY is implemented

A comprehensive system of monitoring has been adopted under the SGSY. The programme is monitored from the Central level down to the grass-roots level. At the Central level, the Central Level Co-ordination Committee (CLCC) monitors and reviews the implementation of the Programme and lays down Policy Guidelines for all aspects related to credit linkages for the SGSY. The Performance Review Committee of the Department of Rural Development also reviews the implementation of the SGSY. At the State level, a State Level Coordination Committee (SLCC) monitors the Programme. In addition, the progress under the SGSY is monitored periodically through reports and returns submitted by DRDCs/States. Detailed monitoring formats for reporting progress of the Programme have been circulated to all the DRDCs. Implementation of the programme is monitored and reviewed through the Project Directors' Workshops and periodic Meetings with the State Secretaries. At the Block/DRDA level, monitoring is done through field visits and physical verification of assets. Efforts are underway to bring all the DRDCs of the country within online networks for smooth flow of information from the Districts to the Centre and the States/UTs.

NGOs have become an indispensable arm of the government in implementing the SGSY. Therefore, a number of NGOs with experience in the formation of self-help groups have been approached too assist the implementation of the scheme.

Government based funding support to NGOs is increasing, as the government is discarding its restrictive character, increasingly realising its limitations as an implementing agency.

The role of NGOs would be crucial in the implementation of the scheme. As an 'external facilitator working closely with the communities at grass root level' it has been assigned the task of the group formation and capacity building of the group, which is not a spontaneous process. It is hoped that NGOs would ensure a degree of the participation and transparency in the loan disbursement. With wider outreach and useful delivery mechanisms, they can participate in generating an awareness and affirmation of viable groups.

SGSY envisages the close association of bankers at all stages of the programme implementation, right from the imparting training to the swarozgaries, identification of key activities, clusters, self-help groups, identification of individuals swarozgaris as well as planning for all the elements of the key activities. An elaborate mechanism has been put in place to ensure post-credit monitoring as well as for loan recovery.

The Line departments play pivotal role in the entire exercise, for they are responsible for implementation and monitoring of respective sectoral activities. SGSY needs a very close collaboration between the implementing agencies and the line departments. This collaboration starts with the identification of key activities and preparation of project reports.

The line departments are responsible for planning and creation of the infrastructure required to make the key activity successful. In addition, once the bank has sanctioned the loan, the line departments must ensure that all facilities including technical guidance are provided to the Swarozgaris.

The programme consequently involved a complex network involving the Central Ministry, State Governments and their line departments, local bodies, district agencies and the banks. Often, agencies had overlapping roles at various stages of implementation.

3.4 Provision And Utilization Of Resources

Funds under the programme were to be shared between the Centre and the States in the ratio of 75:25. The Central allocation earmarked for the States was

related to the incidence of poverty in the States besides additional parameters like their absorption capacity (based on past trends in utilisation of SGSY funds) and their special requirements. Funds were to be released directly to the DRDAs in two instalments (except in the case of snow-bound districts where the working period was restricted to a few months and the entire Central share could be released in one instalment) and was to be followed immediately with the releases by the States. The Ministry was also to set aside 15 *per cent* of the funds under SGSY for Special Projects.

The funds available with the implementing agencies (DRDAs), therefore, had four components:

- i) Central Share
- ii) State Share
- iii) Miscellaneous receipts in the shape of accrued interest on amounts deposited with banks
- iv) Unspent balances under erstwhile programmes.

The available funds were to be utilized for subsidy on economic activities (60 per cent of SGSY allocation; 55 per cent in the case of North Eastern States), expenditure on infrastructure (20 per cent of the allocation; 25 per cent in the case of North Eastern States), training (10 per cent) and creation of a revolving fund (10 per cent).

3.5 Clusters And Federations - Integrating SHGs Under SGSY

3.5.1 Clusters of SHGs

After a long journey, the SHG movement under SGSY has spread its cobweb into each GP in all the blocks in India. By virtue of the provision of SGSY, all the groups can engage in small-scale microenterprises. It has been observed that capital base of a single group being small, the beneficiaries could not substantiate a large-scale financial need for up scaling their microenterprises. In addition to this, there are many constraints of single SHG related to marketing of output, procurement of materials, training, infrastructure facilities, etc. The endeavours of single group or combination of two or three groups are not sufficient for even middle scale activities. Therefore all the groups in the same locality can be linked to establish a common network system to get the benefits of scales of production and other synergy benefits. It is very much

essential for the nourishment of groups rather than formation of large volume of SHGs.

It has been witnessed that many groups in different area have already started to operate jointly with other SHGs in the neighbourhood. This integration of groups, either vertically or horizontally has given rise to cluster and in larger forms, federation.

The cluster of SHG, is an organisation of SHGs in which all the members can solve their problems through their common effective network and actively participate to enhance their earning capacity, social development, etc. This is a particular organisation, which can augment the strength of SHG movement.

The SGSY Guidelines have identified the need for forming clusters and federations.

Guidelines of SGSY, issued by the Ministry of Rural Development-GOI, envisaged that the scheme lays emphasis on activity clusters. Four to five key activities are identified for each block based on the resources, occupational skills of the people and availability of markets. The selection of economic activities is done with the approval of the Panchayat Samitis at the block level and the District Rural Development Agency (DRDA) / Zila Parishad at the district level.

A block having more than 100 SHGs and the GPs of this block having 20/30 groups are identified and selected for the formation of cluster. This number may change according to the situation and demographic character.

The size of cluster should not be too small or too large. Both of them have drawbacks, which may hinder to achieve the goal.

The existing group at the GP level forms required number of cluster. In case of large number of groups at the GP, cluster is being formed at the Gram Samsad level. It helps to formulate and initiate the plan for each Gram Samsad. On the other hand, more than one cluster is formed in a GP due to its large number of existing group.

3.5.1.1 Objective of Clusters

The main objective of this new approach to SHG movement is the empowerment of rural poor women. It means that, increase of individual and group awareness and affordability. The guidelines of SGSY, issued by the Ministry of Rural

Development highlighted that SGSY lays stress on cluster approach. What this means is that instead of funding diverse activities, each block should concentrate on a few select activities (key activities) and attend to all aspects of these activities, so that the Swarozgaris can draw sustainable incomes from their investments. These key activities should preferably be taken up in clusters so that the backward and forward linkages can be effectively established. This would facilitate not only monitoring but also more importantly provision of various services required by the swarozgaris.

Specific aim of cluster formation is summarised below:

1. Effective communication network of cluster helps to share resources and information among the member SHGs. It can solve the intra-group and inter-group problem.
2. All the member SHGs can be able to know the essential information about the various financial benefits and non-financial services from the Central and State Government.
3. Enhancement of the earning capacity of the member for the employment of their full potentiality.
4. Formation of new groups with the help of this organisation as all the members become experienced in this field.
5. It helps the member SHG to establish link with other organisation as per their requirements.
6. Awareness generation of the cluster member related to different types of social evils, environment protection, health care and family planning etc.
7. Establishment of co-operative environment with the neighbourhood groups in the same locality.

3.5.1.2 Role of Clusters

1. Basic information is collected from the SHG member about their personal life as well as their group.
2. Supervisory work of cluster:

Cluster is a formal organisation, which is organised to monitor and supervise the role and activities of SHG members in the same locality. So it always keep close eye on the activities of the SHG member.

- a. Whether the group members are able to perform their social responsibilities related to family planning, child education and health care.
 - b. Whether the groups are use to save and deposit to bank on a regular basis.
 - c. Whether the member groups are able to utilise their voluntary savings properly.
 - d. Whether the group members are use to repay their loan from their groups.
 - e. Whether the group members are able to exploit the opportunities.
 - f. Whether the group members are able to identify the financial and social needs.
3. Establishment of linkage among the SHGs and other SHPIs.
 4. Acquire the knowledge and perception about the social and natural resources in the locality.
 5. Motivate the group to start micro enterprises with the help of available local resources. Cluster can arrange require technical support for their groups.
 6. Awareness generation of the SHG member about different types of public services, cluster takes proper step so that the group member can avail the benefit of these services.
 7. It makes arrangement for the training of members.
 8. It finds the solution of inter group problems which the concern group did not able to do.
 9. It motivates all the members to attend and deliver the speech at the Gram Samsad meeting.

10. Strengthen the weaker SHGs in the cluster.
11. It assesses the performance of the member SHGs within a cluster.
12. It also takes initiative to form new group in the locality.
13. Sometimes it manages the additional fund requirements of the member SHGs in a cluster.

3.5.1.3 Structure of Clusters

Cluster is a separate formal organisation. So it must have a synthesis. Its organisation structure is given below:

1. General assembly:

Every individual member of cluster member SHGs is a general member of a cluster. A high level committee is constituted with the general member of the cluster.

2. Executive Committee:

A responsible board of 7-11 selected members manages the cluster.

3. Formation of Executive Committee:

The executive committee is formed through the following steps:

- a. All members of the cluster member SHGs select two representatives.
- b. Out of these one member may be group leader or cashier and other is a general member of the group.
- c. These representatives select the seven members for the formation of the executive committee.
- d. Women and child development convenor of Gram Panchayat is acted as a nominated member in the executive committee of the cluster.
- e. The executive committee select the office bearer for their cluster. It consists of three members, President, Secretary and Cashier.

- f. The tenure of committee is two years. According to the decision of general assembly, the composition of executive committee is changed. As per the provision of this approach, the executive committee can be changed and reformulated within one year.

3.5.1.4 Financial Management of a Cluster

The cluster generates fund from the entrance fees and monthly subscription of its general members. Additional fund raised by the cluster to augment the resource base from the different non-traditional activities. The concern cluster takes decision in this regard. The executive committee is responsible to open a bank account with the nearest bank branch and deposit the collected amount there. Two members out of three-office bearer are responsible to operate this bank account. Executive committee takes decision on the heads of expenses. It helps the committee to prepare the income-expenditure statement for the cluster. It is very much necessary to show the statement once in a year. Every cluster can maintain an emergency fund in order to meet the emergent credit needs of the member.

3.5.2 Federation of SHGs

A federation is an association of large number of SHGs, small informal organizations. SHGs federate to realize economies of scale or to gain strength as an interest group. Federation of SHGs helps to reap the benefits of a larger organization, without losing the advantages of small groups.

The pioneering effort has been made by two large NGOs e.g., Professional Assistance for Development Action (PRADAN) and Mysore Resettlement and Development Agency (MYRADA) to establish the concept of SHGs and they were also the earliest agencies to promote SHG federations. However, the model of federation promoted by the two differed significantly. PRADAN promoted Sri Padmavathy Abyudaya Sangam (SPMS), in 1992. Development of Humane Action (DHAN) Foundation, a spin off organization of PRADAN that took over PRADAN's programs in South India, has since refined the SPMS model, and promoted 20 more federations. It is currently promoting an additional 30 federations. Each of the federation has more than 200 SHGs as members, and is a formally registered organization. These federations involve in financial intermediation. Federations

promoted by MYRADA are unregistered associations of 15-25 SHGs each. The MYRADA federations primarily focus on building solidarity, addressing delinquency and dealing with social issues. This federation empowers the women in its member SHGs to agitate against illegal liquor sale in the village, identifies children for sponsorship support from MYRADA, and has collected funds for a maternity ward for the local hospital

3.5.2.1 Purpose of federation

The primary objective of federating SHGs is to ensure their sustainability. Though the SHG model of microfinance has been significantly successful in terms of its outreach, resource generation, and use of funds, SHGs are unlikely to be sustainable if they are not federated. In the absence of federations, both formation and most of the maintenance costs of SHGs have to be permanently borne by themselves, rendering the system inherently unsustainable. SHG federations not only ensure that SHGs bear all their maintenance costs but also absorb part of the costs of promoting new SHGs.

Sustainability though, is not just an issue of cost coverage. Federations help SHG members to see SHGs as part of a larger organization. They provide a sense of solidarity among members of different SHGs in an area, and helps build membership stake in the SHGs. Creating a sense of ownership is important since SHGs are not self-promoted organizations, and the small size of SHGs makes it difficult for their members to visualize them as sustainable organizations. Nair (2001) found “SHGs federations help SHGs internalize their costs, and thereby make them financially viable. In contributing to their sustainability, SHG federations provide SHGs with an organizational identity, generate economies of scale, and provide value added services. SHG federations also reduce the transaction costs of lenders and other service providers, enhance local human capital, and reduce the cost of promoting SHGs. Some limitations to promoting more SHG federations are insufficient clarity regarding the role of SHGs among stakeholders, insufficient capacity of the promoter agencies and an unclear legal framework”.

This section discusses specific factors that enable SHG federations to contribute to SHG sustainability.

a) Economies of scale: - Federations facilitate sustainable provision of

essential services such as accounting, auditing, conflict resolution and performance monitoring to the SHGs. They build SHG capacity by facilitating planning and review processes, and by organizing regular training and mutual learning events. In the absence of federations, these services are provided by the promoter agencies, an inherently unsustainable mechanism.

b) Reduction of transaction costs: - Federation reduce the transaction cost of financial institutions that do business with the SHGs and that of the SHGs themselves. They reduce the cost of financial institutions by acting as intermediary organizations or by providing social collateral that substitutes for costly loan appraisals and supervisions. They reduce costs of SHGs by providing an institutional mechanism for sharing the costs of many essential services.

c) Reduce default rates: -Federation reduce the default rates at all levels – from SHG members to SHGs, and from SHGs to banks. They do so by monitoring and through positive and disciplinary effort that encourages prompt repayment of loans. In the long run, the reduced transaction costs and improved repayment rates should lead to reduced interest rates for the SHGs.

d) Provide value-added services:- Federations provide value-added services. The value added financial services include special loan products such as housing loans and microinsurance products for members and livestock. Non-financial services include primary education, healthcare, livestock care, and technical assistance for house construction.

e) Reduce the cost of forming new SHGs: - Federations reduce the cost of forming new SHGs because of their information advantage, low staff costs, and volunteering by SHG members and office-holders. This enhances the replicability and sustainability of the model.

f) Empowerment of the poor women: - Federating enhances empowerment of the poor. Federations develop local human capital as SHG leaders take up leadership positions in the federations, and when they recruit local youth as staff. Furthermore, federations enhance empowerment of the poor by providing the poor a collective voice and negotiating power that is much larger than that provided by SHGs.

In order to attain these above objectives, SGSY is much in favour of federates the SHGs. The representative of the cluster members' SHGs are the primery

stakeholders of the governance of federation.

Governance in SHGs is primarily the responsibility of all members since all members decide jointly on most issues like as, loans to members, applying for bank loans, membership in federation, expenses, etc. The SHG officeholders facilitate group meetings (during which savings and loan are made), represent the SHG at the general body meetings of the federation and on transactions with banks, communicate information from the federation to the SHGs, and resolve conflicts among members, collect thrift funds from the SHGs/ federation to pooled resource. The federations have an executive committee of 12 members with President, Secretary, and Treasurer elected from among them. This executive committee of a federation constituted by the elected members of clusters.

In the federations, governance is shared between the general body and governing body. As for example, in SPMS, KVK and SVAWTC, the general body meets once a year, but in SMMS it meets every month. The governing body meets at least once a month in all the federations. In federation of SHGs, the governing body members can remain in the board for a maximum of three years on being elected; they can however be re-elected again. The position of the President, Secretary and Treasurer has to compulsorily change every year or can remain few years, that depends upon the circumstances. This design feature is adopted to provide opportunity for more people to hold leadership positions and prevent problems of entrenched leadership. However, the short period is inadequate for the leaders to learn their roles and start performing functions.

3.6 Conclusion

This chapter has reviewed in brief basic features of the SGSY with the objective that it will lead to a better and comprehensive of the survey findings. Discussions on cluster and federations have highlighted their purposes and structural dimensions. These discussions have been extended in the next chapter where the operations of clusters and federations in Jalpaiguri have been discussed.



SHG members as beauticians - Keeping pace with modern times.



Floriculture provides better business avenues for SHG women