



SWARNAJAYANTI GRAM SWAROJGAR YOJANA – A DETAILED INFORMATION

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ABSTRACT

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The present study is about detailed information about Swarnajayanti Gram Swarojagar Yojana (SGSY), a national level antipoverty program of government of India with regard to poverty eradication and women's empowerment. The fundamental motive of the schemes is to be reducing poverty in rural India through employment and empowerment. Activity clusters are established based on the aptitude and clout of the people which are nurtured to their maximum potential. Investments are provided by NGOs, banks and financial institutions. Poor families living below the poverty line were organised into Self-help groups established with a mixture of government subsidy and credit from investment banks. The basic aim of these SHGs was to bring these destitute families above the poverty line and concentrate on income generation through combined effort.

INTRODUCTION

Swarnajayanti Gram Swarojgar Yojana (SGSY) was introduced from 1-APR-1999. The SGSY (Swarnajayanti Gram Swarojgar Yojana) aims at providing self employment to villagers through the establishment of self-help groups. Activity clusters are established based on the aptitude and skill of the people which are nurtured to their maximum potential. Funds are provided by NGOs, banks and financial institutions. The SGSY was somewhat intended to provide self-employment to millions of villagers. Poor families living below the poverty line were organised into Self-help groups established with a mixture of government subsidy and credit from investment banks. The main aim of these SHGs was to bring these poor families above the poverty line and concentrate on income generation through combined effort. The scheme recommended the establishment of activity clusters or clusters of villagers grouped together based on their skills and abilities. Each of these activity clusters worked on a specific activity chosen based on the aptitude and skill of the people, availability of resources and market potentiality.

Objective of the Study: In this paper we are going to throw the light on the detailed information about SGSY.

HISTORY OF SGSY

Government of India constituted a committee in 1997 under the Chairmanship of Prof. Hashim to review and rationalize the various Centrally Sponsored Schemes for poverty alleviation and employment generation and suggest suitable measures to revamp various wage employment schemes. The Committee after reviewing all aspects of these schemes recommended integration of all rural wage

employment programmes into a single scheme as Jawahar Gram Samridhi Yojna (JGSY) and further all rural selfemployment programmes brought under a single scheme called Swarnajayanti Gram Swarozgar Yojna (SGSY). The committee believed that rural poor have competence of producing valuable goods and services, if they are given the right support and assistance through government. The recommendations suggested a paradigm shift in selfemployment programmes for the rural poor from the individual beneficiaries approach to a group based approach. It emphasized the identification of activity clusters in specific areas and strong training and marketing linkages.

SGSY is described as a holistic programme of micro enterprise development in rural areas with emphasis on organizing the rural poor into Self Help Groups, capacity building, planning of activity clusters, infrastructure support, technology, credit and marketing linkages. Further, the committee suggested social mobilization of the poor before providing them assistance to take up economic activities. The basic structure of SGSY from the earlier programmes is a group approach for the social mobilization of the poor. To facilitate the process of social mobilization of the poor, the committee recognizes the importance of bringing in NGOs who are better equipped to facilitate the process of social mobilization, as the government agencies are not well equipped for the task. The committee therefore, recommended that the involvement of the NGOs would be very essential in successful implementation of this new self-employment programme during the Tenth Plan. The report also includes a caveat that there should not be over emphasis on quicker results, as otherwise SGSY will also meet the same fate as

that of the earlier programmes. As a result of the recommendations of the Working Group, the Government of India was introduced SGSY in the country in April, 1999. The scheme was also implemented in Jammu and Kashmir alongwith rest of the country covering all the Community Development Blocks of the state.

The scheme Thus SGSY scheme has been introduced as an answer to many problems faced by IRDP with a belief that rural poor have competencies of producing valuable goods and services, if they are given the right support and assistance through government. SGSY brought about a paradigm shift in its approach from the individual beneficiaries approach to a group based approach. It emphasized the identification of activity clusters in specific areas and strong training with marketing linkages. The main objective of the scheme is to 14 bring the assisted poor families above the poverty line in three years from the date of their coverage under the scheme. Under the Scheme, income generating assets are provided to the beneficiaries through a combination of bank credit and government subsidy. The SGSY is a Centrally Sponsored Scheme and is implemented on a costsharing basis between the Central and State Governments on 75:25 basis. The SGSY guidelines also emphasize that the programme should adopt a process oriented approach and support the self help group concept as it helps the poor to build their confidence through community action. It is expected that the process would help in strengthening the socio-economic empowerment of rural poor and improve their collective bargaining power. In order to eradicate the deficiencies of the earlier selfemployment programmes, an inbuilt strategy is to be adopted through integration of various agencies. To happen this in implementation, SGSY visualize a close coordination among the District Rural Development Agency (DRDA), line departments of the state government, banks, NGOs and Panchayat Raj Institutions (PRIs) within a district. In nutshell, SGSY is a major poverty alleviation programme and is expected to be implemented in a holistic way by incorporating the key elements of social mobilization with emphasis on capacity building, integrated support through credit, infrastructure, technology and marketing so as to ensure the poor an appreciable sustained level of income over a period of time, and building the self-confidence of the participants through community action.

BENEFICIARIES

Beneficiaries under the SGSY are known as swarozgaris. These swarozgaris can either be individuals or groups of individuals. However, emphasis is for group approach under which the rural poor are organized into Self Help groups (SHGs). The SHGs for assistance under SGSY are identified by VLWs in consultation with members of the Gram-Sabha. The BDOs, Bankers and Sarpanch (village head) is expected to visit each hamlet of the village to ensure proper selection of BPL households under SGSY.

INDIVIDUAL SWAROZGARIS

The scheme envisages that cluster approach should to be used for the identification of villages to be covered under the scheme. The DRDA, in consultation with the Project Officer, BDOs, Block Planning Officer and other officials of the line departments and Managers of the Banks have to identify villages for the scheme. Once the list of villages is finalized by SGSY Block Level Committee, the Individual swarozgaris are selected by the Gram Sabha. The individual beneficiaries are supposed to take up any economic activity

depending upon their inherent skills, availability of infrastructure and marketing facilities.

CAPACITY BUILDING

Once a group maintains its existence at least for a period of 6 months and demonstrates the potential of a viable group, it enters the 1st stage, where it receives the revolving fund which is arranged through District Rural Development Authority (DRDA). At the end of the six months from the date of receipt of revolving fund, the SHG is put to another grading test (i.e. 2nd stage), especially to know whether the group is capable of taking up an economic activity through higher levels of investment. However, it is essential that the banks should be satisfied with the grading of groups at this stage. Once a SHG successfully passes through the 2nd stage, it becomes eligible to receive the assistance for economic activities in the form of loans or subsidy. The SHGs are entitled to 50 percent subsidy of their loans, subject to a limit of Rs.1.25 lakhs.

SELF HELP GROUPS

The Self Help Group (SHG) is a group of rural poor who volunteer to organize themselves in a group for eradication of poverty of the group members. This is done through an agreement among the members that they will save a part of their earnings regularly and convert their savings into a common pool of fund or funds that they may receive as a group from DRDA through a common management. However, these groups have to go through three stages of evolution, a) group formation, b) capital formation (through revolving fund and skill development), and c) taking up economic activity. It has been envisaged under the programme that for the task of Self Help Group development, support of facilitators like Non-Governmental Organizations (NGOs) and community based organizations may be sought for initiating and sustaining the group development process.

Organizational structure: The Department of Rural Development under the Ministry of Rural Development, has the overall responsibility of policy formation, implementation, monitoring and evaluation of the programme. A Central Level Coordination Committee (CLCC) has been constituted to assist the Rural Development Department for the effective and purposeful results of SGSY. The Secretary, Ministry of Rural Development functions as the Chairman of the Committee, while the Joint Secretary is the Member Secretary. In addition, the Secretary level officials from different institutions from Central and State Governments, Directors, Managers of various banks, NABARD, CAPART, NIRD etc., are the members of the committee. The main function of the CLCC is to review and ensure effective implementation, physical, financial and qualitative performance of the programme.

For the successful implementation of SGSY programme, a State Level SGSY Committee has been constituted which is chaired by Chief Secretary and Secretary, Rural Development Department acts as the Member Secretary and Secretaries of various departments, Directors, Managers of banks, NABARD and representatives of concerned departments of Government of India are the members of the SLCC. The main functions of this committee are to provide leadership and guidance in planning, implementation and monitoring of the programme.

Similarly, in the light of the guide lines of the Scheme, there should be a district level SGSY committee which should

meet every month to review the progress of the SGSY. The District Collector should be its Chairman and Lead Bank Manager, as its Convenor. The other members of the committee include DDM of NABARD, LDO of RBI, District Level Coordinators of implementing banks, Heads of various departments, General Manager DIC, District KVIB Officer, Project Director DRDA and 2-3 NGO representatives.

It was mentioned by all the Project Officer's (DRDA) that District Level SGSY Committees have been formed in all districts and the composition of these committees is almost the same as laid down in the SGSY guidelines. The District Development Commissioner is the Chairman of the committee and Project Officer DRDA acts as the Member Secretary. The Lead bank manager, district coordinators of all the banks and heads of all line departments in the district like Handicrafts, Animal Husbandry, Industries, Agriculture, Horticulture and Social Welfare are the members of these committees.

So far as the structure of the Block Level SGSY committee is concerned, it was informed by the BDOs that the block level SGSY committees have also been constituted in all the blocks as per the SGSY norms. It was informed that Project Officer DRDA is the Chairman of the block level SGSY committee and BDO is its Member Secretary. Managers of the Banks, representatives of the line departments, Block Planning Officer, Panchayat Secretary are the various members of the Block level SGSY Committee. However, none of the BDOs could furnish us a copy of the block level SGSY committee.

FUNDING SGSY

The centre and state funds provide a combination of loans and subsidy for swarojgaris wherein the centre contributes three-quarters of the funds while state governments contribute one-quarter. For the special category states, including the North-eastern states and Jammu and Kashmir, funding is shared by the centre and states in the ratio 90:10. District Rural Development Agencies (DRDAs) receive funds directly from the centre and incur all expenses on training, infrastructure, and subsidy for economic activities to a maximum of ten percent of the total allocation. Of the total assistance, 50% is reserved for Scheduled Castes (SC) and Scheduled Tribes (ST), 40% for women and three percent for disabled persons. SCs, STs and disabled persons are entitled to a subsidy of 50% of project costs or 7,500 per swarojgari and 30% for the other beneficiaries up to a maximum of 10,000 per swarojgari. The subsidy is disbursed along with the loan but is placed as a separate term deposit in the name of the swarojgari and is available subject to the proper utilisation and repayment of the loan. However, to ensure regular repayment and to avoid beneficiaries from focussing primarily on repayment, swarojgaris are not entitled to the subsidy benefits if the loan is fully repaid before the scheduled date.

WORKING NATURE OF SGSY

The scheme falls under the purview of the Ministry of Rural Development and is implemented by District Rural Development Agencies (DRDA) with the active involvement of panchayats, banks and non-governmental organisations. District level committees select ten activities from a wide range of potential activities based on local resources and market for finished products whereas block level committees ensure that groups finalise activities based on skills, through a participatory process. Panchayats select BPL families for

participation in the scheme using the 1999-2000 estimates prepared by the Planning Commission of India and form Self Help Groups (SHGs) with 10-20 individuals.¹ These SHGs receive training as well as income generating assets designed and delivered by DRDAs. Once formed, groups are trained and observed by DRDAs along with banks for six months to develop and strengthen savings and credit activities. They are encouraged to open bank accounts and also to lend from the group's corpus to members within the group. At the end of this period, DRDAs assess if groups are ready to avail credit (Grade I). Viable groups are given 'revolving funds' of 25,000 per group from banks as credit to augment the group corpus, thereby enabling more members to take loans and also increase the per capita loan amount. After another six months, groups are evaluated again to determine if they are viable to undertake economic activities with larger investments (Grade II). Viable groups and individuals are eligible for loan-cum-subsidy assistance for group and individual activities, respectively. However, groups stand guarantee for loans even for individual beneficiaries, since groups can monitor asset management and income generation more closely than banks. SGSY envisages a critical role for banks in planning and preparing projects, activity clusters and infrastructure, apart from disbursement of credit. SGSY dovetails into the SHG Bank Linkage programme initiated by the National Bank for Agriculture and Rural Development (NABARD) in 1992 to provide credit and other financial products to SHGs.

MONITORING THE SGSY

The Central Level Coordination Committee (CLCC) and State Level Coordination Committee (SLCC) are responsible for programme guidelines and monitoring implementation. DRDAs monitor progress at the block level and submit monthly reports to the Department of Rural Development in the Ministry of Rural Development. To ensure proper performance monitoring, Panchayats and panchayat samitis that record less than 80% loan recovery are suspended from the programme. Panchayats must monitor loan use and repayment as well as promote asset creation and income generation of swarojgaris.

Challenges: Divergence between objectives and design. The objectives of SGSY state that it aims to assist people who are most vulnerable. However, a safe borrower is an earning member at the time of group formation, owns land, and whose aggregate family income at the time of group formation is "healthy." The criteria are inconsistent with the scheme, which aims to provide credit-cum-subsidy to the poor in order that they may undertake an income-generating activity. Those who do not have "healthy" income or assets, such as land, would need assistance. Moreover, assuming the poor are asset-less and that income generating assets with training will bring them out of poverty ignores the myriad factors that are crucial to BPL families becoming self-reliant, such as access to basic services like drinking water, healthcare and education.

1. **Lack of support to SHGs:** Supporting agencies, such as DRDAs and NGOs, play a critical role in forming SHGs, preparing proposals and skill development. Yet, these agencies sometimes did not facilitate the process as envisaged, as a result of which, applications by SHGs for loans were rejected by banks due to deficient applications, unviable proposals, and late submissions. SHGs were also constrained by low absorptive capacity and skill

levels. As a result, they engaged in less productive activities for which banks are reluctant to advance credit. In sum, SGSY has not performed its role of “social engineering” which was imperative for the success of the SHG Bank Linkage programme.

2. **Selection bias:** As per the scheme design, gram Panchayats are responsible for forming the groups, which limits people’s ownership and control over the group’s activities. BPL is the main criteria used to select beneficiaries and groups are formed based on activities. Members have common interests and skills, which is contrary to the understanding that heterogeneous groups are able to overcome individual shortcomings and thus able to mitigate risks better. While SHG swarojgaris are formed by the gram panchayat and more beneficiaries can volunteer themselves to groups, individual swarojgaris are selected by the sarpanch or head of the village. Since SGSY is primarily targeted at BPL families, there are several instances where non-BPL families are selected, thus crowding out intended beneficiaries. The guidelines allow for groups to have a maximum of 20 percent, and “in exceptional cases, 30 percent” non-BPL members and only if this is necessary. However, this widens the scope for the poor and the poorest to be excluded.
3. **Gap between sanction and disbursal of loans:** Banks have been slow to process loan applications and to disburse loans after they have been sanctioned. The lack of coordination between

banks and government agencies results in further delays in release of credit. Given that the scheme relies primarily on bank credit, delays hamper timely progress of the entire scheme cycle. Banks are reluctant to disburse credit because the recovery rate for government schemes such as IRDP and DWRCAs was poor. Since the scheme is a credit-cum-subsidy scheme, delay in release of subsidy by DRDAs to banks further delays release of the aid. Financial irregularities, such as banks that charge beneficiaries interest on the subsidy portion and non-payment of interest for subsidy kept in savings accounts, further hinder the operation of the scheme.

CONCLUSION

In India implementation of SGSY was not proper and lacks mechanism to regulate and control the scheme. An authority fails to create awareness of the scheme among BPL families. Lack of planning, strategy, information and interest towards the scheme from all the aspects is the main cause of its failure.

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