
CHAPTER - IV

GENESIS OF SWARNAJAYANTI GRAM SWAROZGAR YOJANA AS A POVERTY ALLEVIATION PROGRAMME

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GENESIS OF SWARNAJAYANTI GRAM SWAROZGAR YOJANA (SGSY) AS A POVERTY ALLEVIATION PROGRAMME.

Poverty alleviation is one of the important objectives of development planning in India. Despite the various efforts made over the past few decades, rural poverty in India continues to be significant. While the anti-poverty programmes have been strengthened in the successive years, the number of rural poor has more or less remained static and still it is estimated to be about 175 million persons. Thus obviously, the situation is found to be quite alarming for which there is an urgent need to improve the livelihood of the people by augmenting their earning capacity. There is need to participate the people in various economic activities by introducing certain plans and policies which can generate income for their development.

During 1950s and 1960s, Indian Planners believed in the 'trickle down' theory. According to this theory, poverty alleviation is a gradual and automatic process as the economy develops. So the emphasis was given on increasing the growth rate of the economy. But unfortunately, trickle down theory failed to reduce poverty, rather poverty increased over the years. Thus, it led the

Planners to adopt phase wise programmes for alleviation of poverty; and accordingly, four broad categories of programmes were introduced during the plan periods These were:

- (a) Resource and income generating programmes for the rural poor.
- (b) Special area development programmes.
- (c) Work programmes for the creation of supplementary employment opportunities, and
- (d) The Minimum Needs Programme to improve the consumption levels of the poor in order to raise their productive efficiency.

Under the first phase of programmes, a number of programmes had been in operations in the country, since 1970s which aimed at improving the economic conditions of the rural poor, so that their income may increase. Special programmes in this phase till the Fifth Five Year Plan were Small Farmers' Development Agency (SFDA), Marginal Farmers and Agricultural Labourers' Development Agency (MFAL) etc. But these programmes did not cover the whole country and their operations were overlapped. They were operating simultaneously in the same area and for the same target group. So, from the Sixth Plan, one single integrated programme for the whole country was introduced which was popularly known as Integrated Rural Development Programme (IRDP) aiming at improving the rural people. IRDP included

creation of productive assets and /or appropriate skills and vocational opportunities backed by services to increase production and productivity.

In the second phase, the special area development programmes like Drought Prone Areas Programme (DPAP), Hill Area Development Programme (HADP) and Desert Development Programme (DDP) were introduced. These special area development programmes aimed at optimum utilisation of land, water and livestock resources, farm forestry, dairy development and development of subsidiary occupations in particular areas to raise the income of the weaker section of the society.

In the third phase, employment generation programmes like National Rural Employment Programme (NREP), Rural Landless Employment Generation Programme (RLEGP), Crash Scheme for Rural Employment Programme (CSREP), Pilot Intensive Rural Employment Programme (PIREP) etc. were launched for creating supplementary employment opportunities during the lean employment periods of the year.

In addition to these programmes, Minimum Needs Programme (MNP) was introduced for improving the consumption levels of the poorer section of the society in order to raise their productive efficiency. This included the

provision for elementary education, health, water supply, roads, electrification, housing to landless labourers, nutrition and improvement of urban slums.

The emphasis was also given in the successive plan periods for better implementation of the poverty alleviation programmes. In the Seventh Five Year Plan (1985-90), stress was given to achieve cost effectiveness and minimisation of leakages by imparting the necessary flexibility in the choice of activities and by integration of various programmes. Accordingly, by merging two on going programmes NREP and RLEGP into a single wage employment programme Jawahar Rozgar Yojana (JRY) was introduced with effect from 1st April, 1989, with active participation of Panchayati Raj Institutions.

In the Eighth Five Year Plan (1992-97), emphasis was laid on employment generation, population control, literacy, education, health, drinking water supply, and provision of food and basic infrastructure to improve the living conditions of the poor.

In the Ninth Five Year Plan (1997-2002), focus was given on accelerated growth, recognised the role of agriculture for its stronger poverty reducing and employment generating effects. To improve the quality of life of the people the Ninth Plan laid emphasis on the enhancement of initial

capabilities of the people through spreading education, information and access to appropriate technology. In addition to that, to provide food grains at substantially lower prices to the poor, more especially in the remote areas, priority was given on Public Distribution System (PDS) through well established PDS in a wider coverage.

Based on the experiences gained in the implementation of various poverty alleviation programmes especially during the last three decades, some changes were made in these programmes by the Government in the recent past. Accordingly, the earlier programmes, such as Integrated Rural Development Programme (IRDP), Development of Women and Children in Rural Areas (DWCRA), Training of Rural Youth for Self-Employment (TRYSEM), Supply of Improved Tool-Kits to Rural Artisan (SITRA), Ganga Kalyan Yojana (GKY) and Million Wells Scheme (MWS) were merged into a new programme under the name of Swarnajayanti Gram Swarozgar Yojana (SGSY) which was launched on 1st April, 1999. The SGSY covers all aspects of self-employment, such as organisation of the poor into self-help groups (SHGs), promotion of facilities like training, credit, technology, infrastructure and marketing etc. to them. This is a credit cum subsidy scheme funded by the Centre and the States in the ratio of 75: 25 basis. Thus, SGSY has been conceived as a holistic programme of self-employment covering all types of self-employment activities within its purview.

4.1 Objectives of SGSY:

SGSY was launched by integrating six on going rural development as well as poverty alleviation programmes with the under mentioned objectives..

- (i) As a poverty alleviation programme, the main objective of Swarnajayanti Gram Swarozgar Yojana (SGSY) is to bring the assisted poor families (Swarozgaris) above the poverty line in three years, by providing them income generating assets through a mix of bank credit and government subsidy. It would mean ensuring that the family has a monthly net income of at least Rs. 2000. Under SGSY, credit is considered as the key element and the subsidy is considered as an enabling element.
- (ii) Another important objective of SGSY is to cover 30 per cent of the rural poor family in each development block within five years, so that the number of rural poor can be reduced in the successive periods.
- (iii) To improve the methods of production, SGSY seeks skill upgradation of the rural people and upgradation of technology of production to enhance the level of production and to produce quality goods by providing necessary technology support.
- (iv) To cover all aspects of self employment which can generate more employment and more income.

- (v) To empower rural women through formation of self-help groups (SHGs).
- (vi) Avail the benefit of micro finance service in rural areas. To take the opportunity of micro finance service by the poorer section of the society , SGSY lays emphasis on capitalizing the advantages of group lending activity.
- (vii) One important objective of SGSY is promotion of micro enterprises in rural areas and creation of more self-employment avenues and thereby generating more income.
- (viii) To develop the rural areas on cluster basis.
- (ix) To provide marketing linkage for the products of SHGs to earn more income by the groups.

4.2 Sailable features of SGSY:

The main features of SGSY are :

- (i) Swarnajayanti Gram Swarozgar Yojana is a holistic programme of self-employment covering all aspects of income generating activities.
- (ii) SGSY was launched with a view to establish a large number of micro enterprises in the rural areas, building upon the potential of the poor. It is rooted in the belief that rural poor in India have

competencies and given the right support, can be successful producers of valuable goods and services.

- (iii) The assisted families (henceforth known as Swarozgaris) may be individuals or groups (Self-Help Groups).
- (iv) As a holistic programme of micro enterprise, SGSY covers all aspects of self-employment viz. organisation of the rural poor into self help group and their capacity building. Helps in, infrastructure development, technology improvement, credit and marketing facilities.
- (v) For implementation of SGSY, 4-5 key economic activities have been indentified for each development block based on resources, occupational skills of the people, aptitude of the people and availability of markets.
- (vi) SGSY is implemented by District Rural Development Agency (DRDA) in collaboration with Panchayati Raj Institutions, and other line departments and Non Government Organisations (NGOs).
- (vii) SGSY seeks to promote multiple credit rather than a one time credit injection.
- (viii) Efforts will be made to involve more women so that at least half of the SHGs are exclusively formed by women folk.

- (x) Active involvement of financial institutions and other Government Departments are key factors for the success of the programme.
- (xi) Strengthen the rural economy through improving the economic conditions of the poorer section of the society is the ultimate objective of implementation of SGSY.

4.3 Selection of Key Economic Activities:

As the success of SGSY is dependents on the choice of key activities, so the choice of key activities should not be an arbitrary or an ad-hoc decision. It should be a carefully thought out process. The choice of activity is based on the local resources, the aptitude as well as the skill of the people. In addition to these, there should be a ready market for products of the swarozgaris.

Based on these factors, the Block SGSY Committee may identify about 8-10 activities and may rank them in the order of preference. This list should then be placed before the general body of the Panchayat Samiti (Block Panchayat) for its recommendations. The list of the selected key activities alongwith the recommendations of the Panchayat Samiti, should then be forwarded by the BDO to the District SGSY Committee for consideration. Before sending the list to the District SGSY Committee, the Block Committee

should prepare a brief project report on the basis of the approved guidelines. Thus, after receiving the proposals from the blocks, finally, the District SGSY Committee selects only 4-5 key activities for each development block which can lead the economic development through generation of additional employment and income.

4.4 Target Group :

Families below the poverty line (BPL) in rural areas constitutes the target group of SGSY. Swarnajayanti Gram Swarozgar Yojana particularly focus on the vulnerable groups among the rural poor by way of reserving 50 per cent benefit for SCs/STs, 40 per cent for women and three per cent for disabled persons. In identification of BPL families, the Gram Sabha will finalise the list of families below the poverty line. Moreover, the target is also fixed to cover 30 per cent of the rural poor families in each block under SGSY in every five years through the proper implementation of the programme.

4.5 Funding Pattern:

SGSY is a centrally sponsored programme and the expenditure is shared between the Centre and the States in the ratio of 75:25 basis. Based

on the incidence of poverty, the Central assistance is allocated to the States and Union Territories to the proportion of rural SC/ST population. However, additional parameters like absorption capacity and special requirements are also taken into consideration during the course of the year.

Assistance under the SGSY to individual swarozgaris or Self Help Groups is given in the form of subsidy by the government and credit by the banks. Credit is the critical component of SGSY, while subsidy is a minor and enabling element. Thus, SGSY envisages greater involvement of the banks. They are to be closely involved in the planning and preparation of project reports, identification of activity clusters, infrastructure planning as well as capacity building and choice of activity.

Subsidy under the SGSY, to individuals is uniform at 30 per cent of the Project cost subject to a maximum of Rs. 7,500. In respect of SCs/STs, the subsidy is 50 per cent of the project cost subject to a maximum of Rs. 10,000. For groups of swarozgaris, the subsidy is 50 per cent of the cost of the scheme, subject to a ceiling of Rs. 1.25 lakh. There is no limitation of subsidy for irrigation project like other projects under SGSY. However, the subsidy under SGSY is not released with the first installment of the bank loan; it is released with the last installment of the bank loan based on the satisfactory

utilization of earlier loan installments. Interest is charged by the bank on the loan amount only; no interest is charged on the subsidy amount.

4.6 Training of Swarozgaris:

The SGSY seeks to lay emphasis on skill development through well-designed training courses. Those, who have been sanctioned loans, are to be assessed and given necessary training. The duration of training and the training courses are prepared to meet the needs of the identified activities. DRDA is allowed to keep separately a part (maximum 10 per cent) of the total SGSY allocation for conducting training programmes. This is called as 'SGSY Training Fund'.

The training programmes are of two types- 'Basic Orientation Training' and 'Skill Development Training'. The Basic Orientation Training includes topics on concept of self help group, group dynamics, conflict resolution, conduct of group meetings, maintenance of records, awareness about social and family welfare programmes etc. On the other hand, Skill Development Training includes skill up gradation through exposure to latest tools and technology, value addition and diversification of products, entrepreneurship development, marketing skills, packaging and labelling etc.

4.7 Infrastructure Development:

Under SGSY, effort is also made to review the existing infrastructure for the cluster of activities and identification of leakages in the implementation of the programme. In order to meet the expenditure on critical infrastructure and identified gaps, SGSY allots fund up to 20 per cent (25 per cent in the case of North Eastern States) of the total SGSY allocation for each district. This amount is maintained by DRDAs as 'SGSY- Infrastructure Fund'.

4.8 Marketing and Technology Support:

The SGSY attempts to ensure upgradation of technology in the identified keyactivities. The technology intervention seeks to add value to the local resources, including processing of the locally available materials from natural and other resources for increasing the level of output as well as for maintaining a better quality of product.

It also provides marketing support for the goods produced by the swarozgaris through organisation and participation in exhibitions melas at Block/ District/ State/ National/ International levels to sell the goods produced by the swarozgaris. In this case, DRDA in collaboration with other Government departments like KVIC/KVIB, Handicraft Board, Department of

Handloom and Textiles DIC, Veterinary and Fishery etc., can play a positive role in providing marketing support for the goods produced by the swarozgaris.

4.9 Implementing Agency:

SGSY is being implemented by the District Rural Development Agency (DRDA), with the active involvement of Panchayati Raj Institutions (PRIs), Banks, other Government departments and the Non-Government Organisations (NGOs).

4.10 Grading of Self-Help Groups (SHGs):

The time for formation of an SHG depends on the literacy, awareness levels, socio-economic background of the people being organised, as well as the capacity of the facilitator involved in the process of social mobilisation and group formation. After formation of the SHG, an exercise is done by DRDA for grading the SHGs. The objective of this exercise is to identify the weaknesses, if any, and help the group to overcome the same through training and capacity building inputs, so that the group becomes highly efficient.

The DRDA should play an effective role in grading exercise. The capacity of DRDA personnel will have to be enhanced to undertake this

exercise professionally. Grading of the SHGs can be done by the same agency that is involved in the promotion and the development of the SHGs or an independent agency who has been assigned to undertake the grading exercise. But in this case, the financial institutions should have full confidence on the work and sincerity of the independent agency. In other words, clarity on the objectives and features of the SHGs should become the starting point for any grading exercise.

In the grading exercise the parameters like, performance of the SHGs, activities undertaken by the SHGs, status of the SHGs and the remarks given by banks and other agencies are taken into consideration. Right from the beginning, it is necessary that the SHGs should be treated carefully. The grading exercise must, therefore, be carried out at different stages.

To start with the objective of the SHG in the first six months is to evolve as a viable group. Accordingly, the grading at the end of six months should be with reference to the objectives laid in the first stage of the evolution of the SHGs.

SHGs that are in existence for about six months and have demonstrated the potential of a viable group enters the third stage, wherein it receives the revolving fund from DRDA and banks as a cash credit limit. At

the end of six months, from the date of receipt of the revolving fund, the SHG will be subjected to another grading test to see whether it has been functioning effectively or not and whether it is capable of taking up an economic activity of higher levels of investment or not. However, for minor irrigation scheme, relaxation of time for the second grading could be allowed if the group is found credit worthy and the project is found to be viable. The Block Level SGSY Committee may take the decision with regard to relaxation.

On the other hand, if the SHG has been in existence prior to SGSY initiation (under other programmes) and completed one year from its date of formation, it may be brought under SGSY. The group may be subjected to second grading directly to assess its eligibility for taking up economic activity without first grading. But in this case, it is necessary that the Bank should be satisfied about the grading of the SHG at this stage. Therefore, the choice of the agency carrying out the grading as well as criteria should be to the satisfaction of the financing bank.

4.11 Co-ordination Mechanism :

A close co-ordination between different agencies, responsible for implementation of SGSY, is necessary for success of the programme as it is treated as a joint programme with all agencies with their respective roles. In

order to ensure better co-ordination the following committees are constituted under SGSY for its effective implementation.

(A) Block Level SGSY Committee :

Every development block has a Block level SGSY Committee to supervise its SGSY activities which is constituted as follows :-

1. Project Director, DRDA - Chairman.
2. Project Officer (Self-employment) - Member.
3. Branch Manager of all implementing bank branches in Block -Members.
4. Block level/Sub-Divisional level Officers of the concerned line departments -Member.
5. NGO representative (one) -Member.
6. Block Development Officer -Convenor.

(B) District SGSY Committee :

At the district level, there shall be a District SGSY Committee under the Chairman of the District Collector/Chief Executive. This Committee meets every month to review the progress of SGSY and suggest corrective measures wherever necessary. The District SGSY Committee is constituted as under :-

1. District Collector/Chief Executive Officer ----- Chairman.
2. District Development Manager (DDM) of NABARD ---- Member.

3. Lead District Officer (LDO) of RBI ----- Member.
4. District level Coz-ordinations of the implementing banks --_ Member.
5. Concerned Heads of district level line departments ---- Member.
6. General Manager, DIC --- Member.
7. District Khadi and Village Industries Board (KVIB) Officer --- Member.
8. Project Director, District Rural Development Agency (DRDA)-- Member.
9. 2-3 NGO representatives --- Member.
10. Lead Bank Manager --- Convener.

(C) State Level SGSY Committee :

The Department of Rural Development or any other department to which the subject of rural development has been entrusted with responsible for planning, implementation, monitoring and evaluation of the programme at the state level. The State SGSY Committee oversees the function and performance under SGSY. The State SGSY Committee is formed as under :

1. Chief Secretary/Development Commissioner – Chairman.
2. Secretary, Development Officer (D.O) Institutional Finance --- Member.
3. Secretary, Development Officer (D.O) Planning ---Member.
4. Secretary, In-charge of Women's Development --- Member.
5. Concerned Heads of the Various Departments as and when required - Member.
6. Secretary, In-Charge of welfare of SC/STs --- Member.

7. Representative of NABARD
(Local Head of Regional Office) --- Member.
8. Representative of RBI --- Member.
9. Representatives of concerned implementing banks at
State Head Quarters --- Member.
10. A representative of the Government of India (GOI), not below the rank
of Deputy Secretary --- Member.
11. Director, State Institute of Rural Development (SIRD) --- Member.
12. Convener, State Level Bank Committee (SLBC) --- Member.
13. Secretary, In-Charge of Rural Development --- Member.

4.12 SGSY Cell in Bank:

For the purpose of effective monitoring of the implementation of SGSY, the banks may set-up SGSY cells in their controlling offices such as Zonal/ Regional Offices. These cells should make periodical review of the flow of credit to SGSY Swarozgaris, ensure the implementation of the guidelines issued by the RBI and the Government of India, collect data from the branches and make available consolidated data to the Head Office of the Bank.

4.13 Monitoring:

In order to ensure better implementations of the SGSY programme, physical monitoring through field inspections is done at various levels. Officers dealing with SGSY at the state headquarters shall visit the districts regularly and ascertain through field visits that the programme is being implemented satisfactorily and is in accordance with the prescribed procedures and guidelines. Likewise, Officers at the district, sub-division and block levels must closely monitor all aspects of the programme through physical verification of the assets.

Under SGSY, it is expected that the assisted family would come out of poverty line within three years. It is therefore necessary that during this period the swarozgaris should be closely monitored. It is also expected that in a block, about 300-600 people would be assisted in one year under SGSY. In other words, about 900-1800 families need to be nurtured at any point of time. Since, the SGSY focuses on the group approach, the number of groups would not be far too many.

As a credit cum subsidy programme, SGSY seeks to develop close linkage with credit mechanism in such a manner as would promote multiple credit rather than a one time credit injection. Multiple doses of credit means

assisting a swarozgaris over a period of time with a second and subsequent dose (s) enabling him/ her to access higher amount of credit. The swarozgaris should have the confidence that so long as he/she proves her credit worthiness by way of proper utilisation of the asset and prompt repayment, the bank will stand by him/her and will provide additional credit whether or not this is backed by subsidy. The swarozgaris will be allowed to stabilise and improve their credit absorption capacity and to increase their credit intake over the years either for the same activity or a new activity. The second or subsequent dose can be given even during the currency of first/earlier loan if the bank is satisfied about the financial discipline of the first/earlier dose. Subsidy entitlement for all doses taken together will not exceed the limit prescribed for that category.