CHAPTER-VIII

PROBLEMS OF IMPLEMENTING

SWARNAJAYANTI GRAM

SWAROZGAR YOJANA (SGSY)
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(This chapter contains a discussion on the problems faced by various section of people associated with SGSY, such as beneficiaries, bank officials, government officials, etc.)

8.0 Many problems arise at the operational level in implementing the SGSY scheme. It is a major on going programme for the self employment of rural poor and thereby difficulties occur in realising the basic objectives of the programme. There are special problems that have arisen due to peculiar agro-climatic condition and socio-economic profile of the poor people in respective study areas. A scheme that has been formulated in each district or region has to match with the resource endowment of the district or the region. Such regional or local variations have to be taken into account in the implementation of the programmes as any mechanistic formula of implementation that will prove to be counterproductive. Kamrup district in Assam is one of the most backward districts in terms of several indicators. An investigation has been made to see whether the anticipated benefits of the schemes have reached the indentified households and the problems encountered have been pointed out, faced both by the beneficiaries and implementing authorities in this district.

We are familiar with the topography and socio-economic conditions of the district. We have held discussions at several levels such as the members of the SHGs, government officials both at block and district levels (DRDA) and the officials of the leading institutions-at several points of time to identify the major problems that have arisen in respect to the implementation of the programme. We have made sufficient cross checks before arriving at conclusions and presenting the views of the concerned people.

8.1 PROBLEMS FACED BY BENEFICIARIES:

The basic objective of SGSY is to bring the assisted poor families above the poverty line. The poorer sections of the rural society are mostly illiterate, besides being poor. Their illiteracy and ignorance prevent them from understanding the
intricacies of the rural development programmes. Even if the poor are aware of the programmes, they face a number of problems in realising them and in procuring a scheme which matches with their abilities and experiences, in obtaining government subsidy and bank loans, in procuring and maintaining assets, in marketing products and in repaying term loans. In addition to such genuine problems which they are likely to face, the beneficiary households resort to malpractices such as diversion of loans for other purposes, premature selling of products which are secured with bank for repaying loans etc. Problems also arise for them if the administrative machinery is not a committed one. It resorts to corruption and forced malpractices on beneficiaries.

8.1.1 Awareness of the Programme-Beneficiaries Perception:

Since most of the rural poor are uneducated and have little capacity to understand the intricacy of SGSY programme, as such the benefits available under the programmes have to be informed in details to the people by some other leading people or organization mainly by DRDA authorities and needs to be motivated to participate in the schemes/programmes. Unless outside help is there, they cannot observe all formalities and follow the procedures in availing a scheme, subsidy, bank loans etc. As a matter of fact, there is nothing wrong, if there is an intermediary such as extension worker or a village/political leader or a social worker, who is willing to educate the households about the benefits of the schemes and the procedures to be followed in obtaining bank loan, subsidy, etc. If brokers act as middleman between beneficiaries and the officials of the banks and development blocks, various malpractices such as misappropriation of subsidy, receiving grace money etc. by the middleman arises. To know, through whom, the beneficiaries have come to know about the scheme, we have collected information from the sample beneficiaries in the study area i.e. in Kamrup District.

Nearly 90 per cent of the beneficiaries were dependent on outside sources of information regarding the scheme. The officials of the banks and development departments took part in introducing the schemes is 48.18 per cent. NGOs have been able to catch hold of 20.82 per cent, media is 9.6 per cent and remaining by others. Historically, suppression of information to the poor people by the government officials is the principal reason of exploitation by the middlemen. About 10 per cent of beneficiary households were aware of the scheme because they happen to be members of some leading organizations or institutions and they have come to know
about the programmes by reading newspapers and also through exchange of information with the other members of the organizations/institutions.

8.1.2 Identification of Beneficiaries:

Identification of eligible beneficiaries is the first step in the implementation of the SGSY programme. As per the SGSY guidelines, all members of the group should belong to BPL families, however, if necessary 20 per cent to 30 per cent of the members in a group may be taken from families marginally above from APL families living contiguously with BPL families but practically in most of cases the APL members are more than the standard limit. As per guidelines, Gram Sabhas are to be involved in the process of selection of beneficiaries. Such a process seems to be desirable in the sense that it ensures public scrutiny of the selection made by government official and banks. Through the information from sample beneficiaries, it has been found that bank and block officials identified about 58 per cent. Gram Sabha identified only about 10 per cent beneficiaries, about 8 per cent got identified on self-effort and remaining beneficiaries did not know how they were identified. It means that the SGSY guidelines were not strictly followed. Political interference played a vital role in selection of beneficiaries. This means that Gram Sabha did not play a vital role in selecting the beneficiaries as per guidelines.

The selected list of beneficiaries has to be displayed, as per rules, in respective villages at a common place and also in the block office. Most of the respondents reported that the list was not displayed at a common place in the block office. This gives rise to suspicion in the minds of the people that there was something wrong in selection of beneficiaries.

There were some families (identified swarozgaris) whose annual incomes were more than Rs. 27000 and above poverty line. As for example, some large farmers were selected whose annual income was above poverty line. It means that the officials did not strictly follow the poverty line criteria in selection of beneficiaries. It was found that in their anxiety to achieve the target, officials selected some families well above poverty line.

8.1.3 Obtaining Finance:

The beneficiary households experience a number of difficulties in obtaining subsidy and loan from the bank. The beneficiaries have to visit the bank offices and
development officials before receiving bank loan and as a result they have to lose some man-days employment besides spending money in visits.

8.1.4 Time-gap between identification and starting the key activities:

The key activities could not be immediately started due to the delay in providing financial assistance to the beneficiaries. Maximum numbers of beneficiaries (about 65 per cent) had to wait up to three months and 25 per cent had to wait for more than three months and less than six months. The rest had to wait for more than six months up to one year.

The procedure involved in granting loan should be simplified so that the time-gap is reduced between applying for and sanctioning of the loan.

8.1.5 Levels at which delay occurred in sanctioning of loan:

The delay caused at different levels affect the beneficiaries. It has been found that in respect to 35 per cent beneficiaries, delay had been caused at the bank level and in respect to 25 per cent, delay took place at the official level. About 40 per cent beneficiaries were not aware of the reasons for the delay. As per the rules, loans should be sanctioned within a period of 15 days from the date of application.

8.1.6 Expenditure incurred and man-days lost:

It was found that the swarozgaris’ households had to lose working days and also incur expenditure on account of visiting various officials and banks. It had been estimated that, on an average, each family lost some amount in making visits to banks and officials. The delays and losses have demotivated the beneficiary households in seeking bank loan.

In addition to the travel expenditure, the beneficiary households had reported that they had bribed officials (BDO/Bank/DRDA) through middlemen. About 70 per cent beneficiaries reported that they had paid bribes. We have also gathered information that officials took a part of the subsidy from the beneficiaries on the plea that it is free money and need not be repaid.

8.1.7 Infrastructural Facilities:

On the basis of discussions with the beneficiaries in respect to availability of infrastructural facilities and on the basis of our personal observation also we found
that infrastructural network had not been adequately developed especially in respect to Agriculture and Animal Husbandry sectors. Village politics are the reasons for ineffective functioning of co-operatives etc. and hence, some beneficiaries were compelled to sell their products to private traders at lower prices.

8.1.8 Diversion and Misuse of Loans:

For realising the benefits of the scheme and to secure incremental income, the beneficiary households should spend the revolving funds and bank loans (including the subsidy) for the purpose of their economic activities for which it was granted. But some of the beneficiaries resort to fraudulent practices by using the revolving fund and bank loans in other activities. Diversion of loans for other purposes was resorted to meet the economic exigencies arising out of personal circumstances. Such misutilisation of loans will defeat the very objective and purpose of SGSY.

Information has been gathered that at least 9.7 per cent sample SHGs had misused the revolving fund and bank loans. About 18 per cent households confessed that they had misused the cash part of the loans by diverting it for repaying past debt and for consumption purpose. About 8 per cent SHGs reported that they had used the amount for other purposes. About 12.6 per cent SHGs were found to have disposed of their product and utilised the amount for other purposes. The reasons given by them were many, some were valid and some were fictitious.

8.1.9 Follow up action and Monitoring:

With the starting of the activity, the anticipated benefits will not automatically flow to the SHGs. It is necessary to provide guidance and support to the SHGs on a continuous basis till the time they are able to make a reasonably good use of the loan amount given to them in the sense that these generate employment and income over a period of time. The continuous supervision and follow up action are necessary to achieve the desired objective and this is what is called monitoring. Monitoring of SHGs' key activities before and after the implementation was carried out to find out the economic impact and also to take necessary follow-up remedial measures if any defects were found.

Monitoring in the implementation process requires the block and bank officials collectively to help the illiterate beneficiary households to complete all formalities like filling up and forwarding loan applications to the banks, obtaining
revolving funds and loans and 'no dues' certificates and land holding certificates, etc. To discharge these functions, the officials were to keep close contact with the beneficiaries and monitor the processes.

It has been found that bank officials and Village Development Officers (VDO) at times BDOs also make visits to the beneficiaries. But, all the visits by officials to the beneficiaries were not for follow up/monitoring purpose. When asked about the purpose of visits, about 40 per cent of the beneficiaries reported that it was for the purpose of scrutiny and verification of the background of the beneficiaries, 11 per cent indicated as assessment of work and 7 per cent indicated that it was for certifying the work. About 24 per cent of the beneficiaries reported that the visits were of routine nature and about 10 per cent stated 'other reason'. The remaining households/respondents were unable to state the reasons. This indicates that the follow up action or monitoring had not been done properly.

Monitoring in the post implementation stage is done to see whether the desired impact has been produced. The quantitative progress of each SHGs in terms of incremental income, repayment of loans etc. could be monitored. But, about 30 per cent of the beneficiaries reported that the officials are not properly monitored. About 36 per cent of the beneficiaries reported that, in one year, none of the officials visited them to see their activities. While 54 per cent reported that officials visited them once or twice in a year, other 10 per cent stated that they had visited more than twice among for follow-up action after one year of providing some knowledge. About 88 per cent of the sample households were not satisfied with the number of visits, while the remaining 12 per cent were satisfied. These views of the beneficiaries showed that there was no effective follow-up action by the officials in the study area.

**8.1.10 Repayment of loan:**

As per SGSY guidelines, all loans are treated as medium term loans with minimum repayment period of five years. The loan instalment will be fixed as per the unit cost approved by the NABARD/DLCC. Repayment period should not be more than 50 per cent of the incremental net income from the project. Number of instalments will be fixed in accordance with the principal amount, the interest liability and the repayment period. Prompt repayment by beneficiaries depends on two factors (i) the psychological attitude of the borrower and (ii) the benefits in the form of incremental income.
From the point of view of the financial institutions, repayment is absolutely essential for recycling of funds. When questioned why the repayment was not prompt, the reasons given by the beneficiaries were as follows: death of animals, meagre income, unanticipated family expenditure, inability to sale their products etc. The brokers who acted as middlemen were found to promote a feeling among the beneficiaries that SGSY loans were freely given to poor which need not be repaid. The beneficiaries were actually deceived by the middlemen. The beneficiary households expressed the problems and difficulties that they had encountered in respect to repayments regularly. About 54 per cent of the beneficiaries stated that their repayment capacity was not taken into consideration while fixing the number of instalments and about 25 per cent felt that the repayment period of less than 5 years was very tight.

Moreover, about one-fourth of the group leaders faced problems in returning loans, harassment by Bank officials being the main reason. Also, bribes asked by Bank officials add to the problems of the Swarojgaris. A third problem identified by the Boko dev. blocks Swarojgaris was, their selected activity was not approved by the Bank and instead a pre-selected activity was thrust upon them by the Bank. The income generated from this activity, possibly, did not match what was envisaged by the Swarojgaris if they had taken up their planned activity.

8.1.11 Capacity building:

(i) Technical and managerial skills among the rural people are quite inadequate.

(ii) Building the technical and managerial capacity of the swarojgaris is the prerequisite for providing loan, subsidy and other assistance.

(iii) Training centres, master craftsmen, master weavers and other experts are quite inadequate in the districts as well as in the blocks for providing training on skill upgradation in the selected activities.

(iv) Identification, cataloging and establishing linkages with specialized institutes and organizations are very much essential for organizing training on skill development.

(v) Activity specific modules for skill development and upgradation are required.

(vi) Identification of improved technology and their application in the development of the selected income generating activities are required for adding value to the products.
8.1.11 Some Others:

i) Corruption in banks is delaying the loan process, many of the swarozgaris have indicated that bank officials ask for bribes for sanctioning the loans.

ii) Lack of training has been one of the major concerns in the scheme. There is lack of understanding of SGSY scheme amongst many of the swarozgaris.

iii) There is lack of supervision and monitoring by the district/block officials.

iv) No follow-up is being done to see whether the ongoing SHG/individual swarozgaris are able to run their businesses in an effective and efficient manner.

v) There is also shortage of field officers at block level for proper supervision of the SHGs.

8.1.12 Different problems faced by the SHGs shown in diagram:

Any entrepreneurial activity cannot be completely bereft of problems. It is observed in the study that the swarozgaris have been facing the usual problems, which were awareness of the proceedings under the programme, selection of actual BPL swarozgaris, problems in obtaining loan, delays in starting the key activities, delays in sanctioning loan, expenditure incurred and man-days lost, problems in infrastructural facilities, misuse of loan and repayment of loan etc. The above problems have been summed-up and shown in the following table.

<table>
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<tr>
<th>Response</th>
<th>Rani</th>
<th>Boko</th>
<th>Chayani Barduar</th>
<th>Sualkuchi</th>
<th>Kamalpur</th>
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<tbody>
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<td></td>
<td>Nos</td>
<td>%</td>
<td>Nos</td>
<td>%</td>
<td>Nos</td>
</tr>
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<td>Problem faced by swarozgaris</td>
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<td>60</td>
<td>56.60</td>
<td>49</td>
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<td>Problem not faced by swarozgaris</td>
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<td>33</td>
<td>31</td>
<td>29.25</td>
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<tr>
<td>Not any comments</td>
<td>6</td>
<td>8.95</td>
<td>15</td>
<td>14.15</td>
<td>9</td>
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<td>67</td>
<td>100</td>
<td>106</td>
<td>100</td>
<td>91</td>
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**Source:** Field Survey
Table-8.1 shows that, in the Rani block, out of 67 SHGs, the members of 38 (56.72 Per cent) SHGs have reported that they have been facing various problems associated with the reaping of benefits of the SGSY schemes; the members of 23 (43.33 per cent) SHGs have reported that they are not facing any problems and the members of 6 (8.95 per cent) SHGs have not given any comment regarding their problems. In the Boko dev. block, out of 106 SHGs, the members of 60 (56.60 per cent) SHGs have reported that they have been facing various problems; the members of 31 (29.25 per cent) SHGs have reported that they have not faced any problems and the members of 15 (14.15 per cent) SHGs have not given any comment regarding their problems; in the Chayani Barduar dev. Block, out of 91 SHGs, the members of 49 (53.85 per cent) SHGs have reported to having been facing problems; the members of 33 (36.26 per cent) SHGs have reported that they have not been facing any problems and the members of 9 (9.89 per cent) SHGs have chosen not to divulge anything regarding their problems. In the Sualkuchi dev. Block, out of 92 SHGs, the members of 48 (52.17 per cent) SHGs have reported that they have experienced certain problems associated with the programme, the members of 37 (40.22 per cent) SHGs have reported that they have not faced any problems and the members of 7 (7.61 per cent) SHGs have not give any comment regarding problems. In the Kamalpur dev. Block, out of 107 SHGs, the members of 63 (58.88 per cent) SHGs have reported that they have been facing various types of problems associated with the programme, the members of 35 (32.71 per cent) SHGs have reported that they have had satisfying experience in dealing with programme and the members of 9 (8.41 per cent) SHGs have not given any comment regarding problems.

8.2. PROBLEMS OF FINANCIAL INSTITUTIONS; PROBLEMS OF THE BANK OFFICIALS:

We interviewed bank officials and discussed with them the problems they have faced in the course of the implementation of the schemes under SGSY in the blocks of Kamrup district.

The bank officials including those of lead bank complained that a development plan for the district with the details of schemes is lacking. The estimation of credit needs for the rural poor, were fixed; like revolving fund, credit was unrealistic. Subsidy is only an enabling component and major funding should be provided by banks and multiple doses of credit has to be provided, when required.
Hardly one third of the rural households have access to formal credit delivery institutions. There is low coverage of rural households, specially the poor and women.

Major benefit of institutional finance goes to the better-off as their lending is mostly based on collateral.

Formal financial institutions find it difficult to handle small sized loans or savings due to high cost of transactions.

8.2.1 Problems in Identification of Beneficiaries:

There were some problems faced by bankers in the matter of identifying the good SHGs. It is reported by the bank officials that the Block/DRDA officials were fulfilling physical and financial targets rather than identifying genuine BPL households. Due to political pressure from local leaders, sometimes some APL groups are included in the list of beneficiaries under the category of BPL families' SHGs. Due to wrong identification of the beneficiaries for the schemes, assistance was provided to the non-poor.

The loan applications were being sponsored from different SHGs from different villages without consulting the members about the key activities with the bank officials. The BDO/Officer himself decided the schemes for the beneficiaries and not the beneficiaries themselves (the scheme which will suit the beneficiaries), resulting in several cases of mismatch between skills and proposed schemes.

8.2.2 Problems in granting loans:

The applications submitted by the households were incomplete and were not supported by authenticated documents. This led to a long time gaps between the receipt of applications and granting of loans and rejection of some applications. The branch officers of the Regional Rural Banks were not given authority to sanction loans. All applications of the beneficiaries had to be forwarded to the head office and these resulted in delay in sanctioning loans. List of beneficiaries were supplied by DRDA authorities at the fag end of the year and banks did not find adequate time to process the loan applications in scheduled time.
8.2.3 Selecting key activities:

In most of the Self Help Groups, the selection of activity was finalised through group discussion; there has been very limited role of block officials, social activators and bankers in decision making.

8.2.3 Conducting of Credit Camps:

The bank officials reported that the credit camps were conducted in a haphazard manner. The object of conducting a credit camp is to identify the needy and genuine borrowers and to know the purpose or activity for which they are borrowing and also to find out whether they have the necessary skills and aptitude etc. It was reported by the bank officials that due to the short duration of holding the camps, mass selection of the borrowers had been very difficult and due to the absence of most of the govt. officials at the camps, the object of the credit camps was not fulfilled.

8.2.4 Sanction of Subsidy:

The bank officials expressed their helplessness in prompt sanctioning of subsidy due to the delay caused by the sponsoring government agency, DRDA. The delay in the supplying of assets through purchase committee caused more delay to sanction the subsidies to the beneficiaries.

8.2.5 Training Facilities:

All the bank officials opined that the training facilities provided to the beneficiaries were inadequate. They opined that an effective training and education of beneficiaries would have resulted in the banking habit for the beneficiaries.

8.2.6 Recovery of loans:

The bank officials reported that most of the difficulties they faced were related to recovery of loans from the beneficiaries. They complained that the block officials failed to provide the required assistance for recovering the loans. Bankers wanted that the sponsoring authorities should also share the responsibility of recovery.
8.2.7 Problems of Multiple Activities:

Bank Managers, besides attending to the customers, have duties to perform like mobilising deposits, verifying securities, realizing bank dues, keeping the working of the branches up to date, keeping cordial relation with staff members, attending number of meetings, and sending replies to inspection authorities. It is unrealistic for the managers to attend the customers frequently during the working hours after disposing all the above mentioned duties. Besides shortage of staff, particularly at lower levels, in almost all the banks as reported by the officers caused problems in disposing such works of the beneficiaries most effectively. In such circumstances, it will be too much to except from bank staff.

The bank officials whom we interviewed pointed out the ineffectiveness of the lead bank forums in shorting out problems of the banks relating to the provision of infrastructural facilities. The officials felt that dealing with SGSY beneficiaries was an irksome business for two reasons-

(i) Lack of freedom of choice of borrowers for the economic activities and
(ii) The general fear that the beneficiaries will not make productive use of loans and repay them.

8.2.8 Constraints in formal credit delivery system:

Subsidy is only an enabling component and major funding should be provided by banks and multiple doses of credit has to be provided wherever required.

(i) Hardly one third of the rural households have access to formal credit delivery institutions. There is low coverage of rural households specially the poor and women.

(ii) Major benefits of institutional finance go to the better-offs as their lending is mostly based on collateral.

(iii) Formal financial institutions find it difficult to handle small sized loans or savings due to high cost of transaction.

8.2.9 Various problems faced by the financial institutions shown in diagram:

The financial institutions associated with the SGSY programme were facing various problems relating to identification of beneficiaries, in granting loans and advances, selection of key activities, conducting of credit camps, sanctioning of subsidy, training facilities, recovery of loans and credit delivery system etc. The above problems have been summed-up and shown in the following table.