Chapter - I

INTRODUCTION
Chapter - I

INTRODUCTION

Don't ask me what poverty is, because you have met it outside my house. Look at the house and count the number of holes. Look at my utensils and the clothes I wear. Look at everything and analyze what you see. What you see is poverty.

— A voice of a poor man

1.1. INTRODUCTION

Poverty is a universal fact and it has existed in every society at all times. It is a humiliating reality before civil society and world's greatest challenge in the 21st century. The majority of people of the world have been in poverty; this is recorded history, it is reality, not a myth. Poverty can be viewed in absolute and relative terms. Absolute poverty refers to subsistence below minimum socially acceptable living conditions, usually established based on nutritional requirements and other essential goods. Relative poverty compares the lowest segments of population with upper segments, usually measured in income quintiles or deciles. Absolute and relative poverty trends may move in opposite directions. Amartya Sen points out that poverty can be an absolute notion in the space of capabilities, though relative in that of commodities or characteristics. For example, households incapable of obtaining sufficient food for survival are considered absolutely poor. However, the costs and composition of that food basket may vary considerably between households across different groups, regions and countries.

Globally, 1.2 billion people are in 'extreme consumption poverty'. Out of this, more than two thirds are in Asia, and South-Asia alone accounts for nearly half of them. Three quarters of them work and live in rural areas, and significantly more than half are expected to do so in 2025 (IFAD, 2001).
Poverty is an age-old problem, existed among in India from the early times, but the world over. The paradoxical situation in India is that while the country is considered as a rich country endowed with natural resources, Indians are poor, an instance of poverty amidst potential plenty wealth. In this context, it is apt to quote what Mahatma Gandhi said, that India lives in villages and more than 70 percent of people live in rural areas in our country. It is very sad to mention that even after 65 years of economic planning, India continues to exhibit the basic characteristics of an under-developed country.

The major problem of such a country is mass poverty as indicated by low level of per capita income, and it is the cause and consequence of under development. The per capita income of India is far less than that of the other developed nations, according to the World Development Report 2000-01. The per capita income of India during the year 2000-01 was $ 540 only, whereas as it was recorded in China $ 780, United Kingdom $ 22,640 and Japan $ 32,230.

Poverty is a state of inability to attain a minimal standard of living. In human terms, poverty means little to eat and little to wear and in economic terms, the
inability to attain a minimal standard of living. Poverty is generally manifested in terms of low income, inadequate housing, poor health, limited or no education, high infant mortality, low life and work expectancy, and in most cases a general sense of despondency and despair. The Indian economy is growing rapidly over the last few years but the growth has not helped some sections of the population to come out of their poverty, despite several schemes by the Indian government on poverty alleviation. The growth has been uneven when a comparative study made of different social groups, economic groups, and rural and urban areas. It is estimated that a majority of the poor population of the country live in rural areas, who are usually illiterate or semi-literate and a majority of them are women. However, the poor are economically active, and contribute to the national economy and engage in buying and selling of commodities. The slow growth in agriculture is one of the reasons for the rising number of the poor in rural areas. It is also estimated that most of the poor are daily labour, self-employed and landless labourers.

Now, an attempt is made to discuss the different poverty alleviation programmes and their results in India.

1.2. POVERTY ALLEVIATION IN INDIA – PROGRAMMES AND STRATEGIES

In India, the major concerns of the Five Year Plans have been rural development and poverty alleviation through generation of gainful employment. However, during the plan period, rural development strategy has shifted from the growth-oriented to the welfare-oriented and further to empowerment-oriented objective. Since, the beginning of the planning era, Indian Government has introduced a large number of schemes to eradicate poverty and unemployment. The initial efforts towards various poverty alleviation schemes could be traced back to
Community Development Programmes, National Extension Services and Panchayat Raj Institutions of the fifties followed by the Intensive Agriculture District Programme (IADP) and the Intensive Area Development Programme of the sixties. Later, Small Farmer Development Agency (SFDA), Marginal Farmers' and Agricultural Labourers (MFAL) programme, Drought Prone Area Programme (DPAP), Cattle and Live Stock Development Programme, and Food for Work Programme of seventies constitute a more direct attack on the problem of poverty. The Minimum Needs Programme was another important step supplementing and supporting the above beneficiary and area specific activities of helping the rural poor.

A major change in the strategy adopted by the government for tackling the twin problem of poverty and unemployment would appear to be the starting of the Integrated Rural Development Programme (IRDP), National Rural Employment Programme (NREP), and Development of Women and Children in Rural Area (DWCRA) which were introduced in eighties; also JRY, PMRY, EAS (Employment Assurance Scheme) and SEEUY (Self Employment to Educated Unemployed Youth) almost all the schemes were introduced between 1980-90.

While there has been a steady decline in rural poverty over the last two decades, still there were 244 million rural poor in the country in 1993-94, in 2001-2002 it is estimated that about 350-400 million were below the poverty line. Acceleration of economic growth with a focus on sectors, which are employment-intensive, facilitates the removal of poverty in the long-run. However, this strategy needs to be complemented with a focus laid on provision of basic services for improving the quality of life of the people and direct state intervention in the form of targeted anti-poverty programmes. While growth will continue to be the prime mover,
anti-poverty programmes supplement the growth effort and protect the poor from destitution, sharp fluctuations in employment, incomes and social insecurity.

The specifically designed anti-poverty programmes for generation of both self-employment and wage-earning in rural areas have been redesigned and restructured in 1999-2000 in order to enhance their efficacy/impact on the poor and improve their sustainability. These schemes along with area development programmes, rural housing, land reforms and institutional mechanizing of delivery are briefly discussed in the following paragraphs.

1.2.1. Swarnajayanti Gram Swarozgar Yojana (SGSY)

SGSY was launched on April 1, 1999. It replaces the earlier self-employment and allied programmes (IRDP, TRYSEM, DWCRA, SITRA, GKY, etc.). The objective of the Swarnajayanti Gram Swarozgar Yojana (SGSY) programme is to bring the assisted poor families (Swarozgaries) above the poverty line by ensuring appreciable sustained level of income over a period of time. This objective is to be achieved by inter alia organizing the rural poor into Self Help Groups through the process of social mobilization, their training, capacity building and provision of income generating assets. The SHG approach helps the poor to build their self-confidence through community action. An interaction in group meetings and collective decision making enables them in identification and prioritization of their needs and resources. This process would ultimately lead to the strengthening and socio-economic empowerment of the rural poor as well as helping to improve their collective bargaining power.

The poverty line varies from State to State. The single self-employment programme of Swarnajayanti Gram Swarozgar Yojana launched with effect from 1.4.1999, has been conceived keeping in view the strengths and weaknesses of the
earlier schemes of Integrated Rural Development Programme (IRDP) and allied programmes along with Million Wells Scheme (MWS). The objective of the programme is to bring-up the assisted families above the poverty line by providing them income-generating assets through a mix of bank credit and government subsidy. The SGSY lays emphasis on focused approach to poverty alleviation, capitalizing advantages of group lending and overcoming the problems associated with multiplicity of programmes. The SGSY will seek to ensure that the infrastructure needs for the identified activities are met in full, so as to enable the Swarozgaris to derive the maximum advantage from their investments. The planning for infrastructure will be made in close concert with the banks. As indicated earlier, the project report for each key activity should clearly identify the existing infrastructure and the additional infrastructure that needs to be created. It should be noted that the creation of additional infrastructure should be meaningful and should only be in the nature of providing the missing critical links. The proposals for infrastructure development should be drawn up by DRDA in consultation with bankers and form part of the Annual Plan of the block and district.

Thus, the SGSY is conceived as a holistic approach of micro enterprises covering all aspects of self-employment, viz. organization of the rural poor into Self Help Groups (SHGs) and their capacity building, planning of activity clusters, infrastructure build-up, technology, credit and marketing. Under the SGSY, the focus is on vulnerable sections among the rural poor with SC/STs accounting for 50 per cent, women 40 per cent and the disabled 3 per cent of the beneficiaries. The SGSY is implemented by the DRDA through the Panchayat Samitis. However, the process of planning, implementation and monitoring involves coordination with banks and financial institutions, the NGOs as well as technical institutions in the district.
The Central and State Governments funds were shared in the ratio of 75:25 for the implementation of SGSY during the year 1999-2000. Many state Governments have reported that formation of SHGs took considerable time and has been one of the prime reasons for less than expected performance under the SHGs which would gather momentum in the coming years and significantly contribute to the success of micro enterprises as vehicles for the economic empowerment of below-poverty line families. In the year 2009–10, subsidiary and credit disbursed to SHGs and individual Swarozgaris are Rs. 176.36 crore and Rs.257.79 respectively. 

10
## Table 1.1

Subsidy and Credit Disbursed to Self-Help Groups and Individual Swarozgaris under Swarnjayanti Gram Swarozgar Yojana during the year 2009-2010
(Rs. in Lakh)

<table>
<thead>
<tr>
<th>S. No</th>
<th>State/UT</th>
<th>Subsidy Disbursed to</th>
<th>Credit Disbursed to</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>SHGs</td>
<td>Individual Swarozgaris</td>
</tr>
<tr>
<td>1.</td>
<td>ANDHRA PRADESH</td>
<td>8321.97</td>
<td>1051.425</td>
</tr>
<tr>
<td>2.</td>
<td>ARUNACHAL PRADESH</td>
<td>50.32</td>
<td>93.6</td>
</tr>
<tr>
<td>3.</td>
<td>ASSAM</td>
<td>13321.666</td>
<td>5711.565</td>
</tr>
<tr>
<td>4.</td>
<td>BIHAR</td>
<td>15226.51</td>
<td>4448.121</td>
</tr>
<tr>
<td>5.</td>
<td>GOA</td>
<td>50.32</td>
<td>5.02</td>
</tr>
<tr>
<td>6.</td>
<td>GUJARAT</td>
<td>2370.88</td>
<td>1981.02</td>
</tr>
<tr>
<td>7.</td>
<td>HARYANA</td>
<td>3124.538</td>
<td>241.69</td>
</tr>
<tr>
<td>8.</td>
<td>HIMACHAL PRADESH</td>
<td>769.432</td>
<td>192.466</td>
</tr>
<tr>
<td>9.</td>
<td>JAMMU AND KASHMIR</td>
<td>133.391</td>
<td>273.597</td>
</tr>
<tr>
<td>10.</td>
<td>KARNATAKA</td>
<td>7231.303</td>
<td>173.11</td>
</tr>
<tr>
<td>11.</td>
<td>KERALA</td>
<td>2896.67</td>
<td>717.63</td>
</tr>
<tr>
<td>12.</td>
<td>MADHYA PRADESH</td>
<td>7796.341</td>
<td>7576.259</td>
</tr>
<tr>
<td>13.</td>
<td>MAHARASHTRA</td>
<td>18793.63</td>
<td>3449.54</td>
</tr>
<tr>
<td>14.</td>
<td>MANIPUR</td>
<td>379.125</td>
<td>196.71</td>
</tr>
<tr>
<td>15.</td>
<td>MEGHALAYA</td>
<td>265.891</td>
<td>7.6</td>
</tr>
<tr>
<td>16.</td>
<td>Mizoram</td>
<td>193.91</td>
<td>32.32</td>
</tr>
<tr>
<td>17.</td>
<td>NAGALAND</td>
<td>169.47</td>
<td>112.54</td>
</tr>
<tr>
<td>18.</td>
<td>ORISSA</td>
<td>9864.39</td>
<td>1796.05</td>
</tr>
<tr>
<td>19.</td>
<td>PUNJAB</td>
<td>611.89</td>
<td>846.865</td>
</tr>
<tr>
<td>20.</td>
<td>RAJASTHAN</td>
<td>5010.97</td>
<td>1849.915</td>
</tr>
<tr>
<td>21.</td>
<td>SIKKIM</td>
<td>110.83</td>
<td>22.17</td>
</tr>
<tr>
<td>22.</td>
<td>TAMIL NADU</td>
<td>6382.535</td>
<td>882.201</td>
</tr>
<tr>
<td>23.</td>
<td>TRIPURA</td>
<td>17443084.793</td>
<td>0</td>
</tr>
<tr>
<td>24.</td>
<td>UTTAR PRADESH</td>
<td>24771.325</td>
<td>13772.408</td>
</tr>
<tr>
<td>25.</td>
<td>WEST BENGAL</td>
<td>8359.0392</td>
<td>8</td>
</tr>
<tr>
<td>26.</td>
<td>ANDAMAN AND NICOBAR</td>
<td>11.5</td>
<td>7.04</td>
</tr>
<tr>
<td>27.</td>
<td>LAKSHADweep</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>28.</td>
<td>PUDUCHERRY</td>
<td>183.36</td>
<td>0</td>
</tr>
<tr>
<td>29.</td>
<td>UTTARAKHAND</td>
<td>1447.675</td>
<td>354.51</td>
</tr>
<tr>
<td>30.</td>
<td>CHATTISGARH</td>
<td>4054.941</td>
<td>1735.177</td>
</tr>
<tr>
<td>31.</td>
<td>JHARKHAND</td>
<td>6811.424</td>
<td>1807.816</td>
</tr>
</tbody>
</table>

| National Total | 17587945.87 | 4835.67 | 17635652.53 | 25681815.16 | 97037.49 | 25778852.65 |

Source: NABARD Annual report 2010-11
1.2.2. Jawahar Gram Samridhi Yojana (JGSY)

The Jawahar Rozgar Yojana (JRY) has been recast as the Jawahar Gram Samridhi Yojana (JGSY) with effect from 1.4.1999 to impart a thrust in creation of rural infrastructure. While the JRY resulted in creation of durable assets, the overriding priority of the programme was the creation of wage employment. It was felt that a stage has come when rural infrastructure needed to be taken-up in planned manner and given priority. The gram panchayats can effectively determine their infrastructural needs and the responsibility of implementing the programme has been entrusted to the gram panchayats. The funds are directly released to the gram panchayats by the DRDAs/Zilla Parishats. The JGSY is also implemented as a central and state governments scheme with funding in the ratio of 75:25.

The primary objective of JGSY is the creation of demand driven community village infrastructure including durable assets at the village level and assets to enable the rural poor to increase the generated income to supplement for the unemployed poor in the rural areas. The wage employment under the programme is given to below-poverty line families. Under this programme, village panchayats have the sole authority for the preparation of the annual action plan and its implementation, which needs to be accepted by the gram sabha. At the district level, the DRDAs/Zilla Parishats and at the intermediate level, the Panchayat Samities have the overall responsibility for guidance, coordination, supervision, periodical reporting and monitoring the implementation.

During the year 1999-2000, 5.84 lakh work was completed as against a target of 8.57 lakh work, with an expenditure of Rs.1841.80 crore as against a total allocation of Rs.2209.24 crore for this year. A central outlay of Rs.1650.00 crore has been earmarked for JGSY for the year 2000-01.
1.2.3. Employment Assurance Scheme (EAS)

The Employment Assurance Scheme (EAS) was launched on 2\textsuperscript{nd} October, 1993 in 1,772 identified backward blocks of 257 districts situated in drought prone, desert, tribal and hill areas in India, where the Revamped Public Distribution System (RPDS) was in operation. The programme was subsequently extended to more blocks and thereafter it was universalized and it is presently being implemented in all the 5,448 rural blocks of the country. The EAS was restructured with effect from the year 1999-2000 to make it a single wage employment programme.

The primary objective of the EAS is to create an additional wage employment opportunity during the period of acute shortage of wage employment through manual work for the rural poor living below the poverty line. The secondary objective is the creation of durable community, social and economic assets for sustained employment and development. The EAS is open to all the needy rural poor living below the poverty line and under this scheme, a maximum of two adults per family are provided employment. While providing employment, preference is given to SC/STs and parents of child labour withdrawn from hazardous occupations, who are below the poverty line.

The programme is implemented through the Zilla Parishats. For this purpose, a list of works is finalized by the Zilla Parishats in consultation with the members of parliament, whereas, in case of areas where ZPs are not in existence, a committee consisting of MLAs, MPs and other public representatives is constituted for selecting the works. Further, it is also informed about the details of works taken up under the scheme to the respective gram sabhas during the year 1999-2000, a total amount of Rs.2,431.46 crore was allotted under the EAS and an expenditure of Rs.1,998.26 crore was incurred during the same period. On the other hand, as against the target of
4,019.63 lakh man days, 2,566.39 lakh man days were generated during the year 1999-2000. The Central Government provided an amount of Rs. 1,300.00 crore for EAS for the year 2000-01.

1.2.4. National Social Assistance Programme (NSAP)

The Directive Principles of State Policy in the Constitution of India enjoined upon the State to undertake within its means a number of welfare measures. These are intended to secure adequate means of livelihood of the citizen, raise the standard of living, improve public health, provide free and compulsory education for children, etc. In particular, Article 41 of the Constitution of India directs the State to provide public assistance to its citizens in case of unemployment, old age, sickness and disablement and in other cases of undeserved want within the limit of its economic capacity and development. It is in accordance with these noble principles that the Government of India on 15th August 1995 included the National Social Assistance Programme in the Central Budget for 1995-96.

The Prime Minister in his broadcast to the Nation on 28th July 1995 announced that the programme will come into effect from 15th August 1995. The National Social Assistance Programme (NSAP) then comprised National Old Age Pension Scheme (NOAPS), National Family Benefit Scheme (NFBS) and National Maternity Benefit Scheme (NMBS). These programmes were meant for providing social assistance benefit to the aged, the BPL households in the case of death of the primary breadwinner and for maternity. These programmes were aimed to ensure minimum national standards in addition to the benefits that the States were then providing or would provide in future.

The NSAP was launched with effect from 15th August 1995 as a 100 per cent centrally sponsored scheme with the aim to provide social assistance benefit to poor
households in case of old age, death of primary breadwinner and maternity. This programme represents a significant step towards the fulfillment of the Directive Principles in Articles 41 and 42 of the Indian Constitution. The programme supplements the efforts of the state government with the objective of ensuring minimum national levels of well-being and the central assistance is an addition to the benefit that the States are already providing on social protection schemes or may provide in future. The provision of central assistance seeks to ensure that social protection to beneficiaries is uniformly available.

The various schemes and their features are discussed in the following paragraphs.

i) National Old Age Pension Scheme (NOAPS):

An old age pension of Rs.75 per month is provided to persons aged 65 years and above who is a destitute in the sense of having little or no regular means of subsistence from his/her own sources of income or through support from family members or other sources. In order to determine destitution, the criteria if any, currently in force in the States/UTs may also be followed.

ii) National Family Benefit Scheme (NFBS):

Under this scheme, a sum of Rs.10,000 is provided in the case of death of the primary breadwinner due to natural or accidental causes. This benefit is paid to such surviving member of the household of deceased, who after local enquiry is determined to be the head of the household. The primary breadwinner is defined as a member whose earnings contribute substantially to the household income and who is more than 18 years and less than 65 years of age. The bereaved household should qualify under the below-poverty line according to the criteria prescribed by the Government of India.
iii) National Maternity Benefit Scheme (NMBS):

A lump-sum cash assistance of Rs.500 is provided to pregnant women of householder below the poverty line up to the first two live births provided, they are of 19 years and above of age, under this scheme. The maternity benefit is to be disbursed in one installment, 12-8 weeks prior to the delivery. In case of any delay, it can be disbursed to the beneficiary even after the birth of the child.

The State/Union Territory Governments implement the NSAP with the assistance from the panchayat and municipal functionaries. In this case, each State/UT government has a nodal department identified for implementing the scheme. In the districts, there are district level committees for the implementation of the NSAP. The state government communicates targets for the three components of NSAP to panchayats/municipalities, so the gram panchayat/-neighbourhood/mohalla committees in line with these targets, can suitably make the identification of beneficiaries.

The NSAP also provides opportunities for linking social assistance packages, anti-poverty programmes and schemes for provision of basic needs. For example, the old age pension can be linked to medical care and other benefits for the old and the poor. The family benefit beneficiaries can be assisted under the SGSY, while maternity assistance could be linked with maternal and child care programmes.

iv) Annapurna:

In the year 1999-2000, the Government has launched a new scheme, i.e., ‘Annapurna’ to provide food security to those indigent senior citizens who are not covered under the Targeted Public Distribution System (TPDS) and who have no income of their own and none to take care of them in the village\textsuperscript{13}. The Annapurna scheme will provide 10 Kgs. of food grains per month free of cost to all such persons,
who are eligible for old age pension but are presently not receiving it and whose children are not residing in the same village. The gram panchayats would be required to identify, prepare and display a list of such persons after giving wide publicity.

Table - 1.2

Physical Progress of NOAPS, NFBS and Annapurna

<table>
<thead>
<tr>
<th>Year</th>
<th>NOAPS</th>
<th>NFBS</th>
<th>Annapurna</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002-03</td>
<td>7471509</td>
<td>85209</td>
<td>796682</td>
</tr>
<tr>
<td>2003-04</td>
<td>6534000</td>
<td>209456</td>
<td>958669</td>
</tr>
<tr>
<td>2004-05</td>
<td>8079386</td>
<td>261981</td>
<td>850768</td>
</tr>
<tr>
<td>2005-06</td>
<td>8002561</td>
<td>272828</td>
<td>857079</td>
</tr>
<tr>
<td>2006-07#</td>
<td>8645371</td>
<td>171232</td>
<td>750319</td>
</tr>
</tbody>
</table>

Source: # No. of beneficiaries reported is not complete from some of the States.

v) Jawahar Rozgar Yojana (JRY)

The Prime Minister, late Rajiv Gandhi, announced the launching of a massive rural job scheme called ‘Jawahar Rozgar Yojana’ (JRY) on April 28, 1989. The primary objective of this programme is generation of additional gainful employment for the unemployed and under-employed persons, both men and women, in the rural areas. The secondary objectives are: to provide sustained employment to strengthen the rural economic infrastructure, creation of community and social assets, to improve the assets in favor of rural poor particularly STs and SCs for their direct and continuing benefits and improvement in the overall quality of life in the rural areas. The main feature of the programme is creation of durable productive community assets which are required for infrastructure of poverty alleviation programmes, like DDP, DPAP, DWCRA, IRDP, etc.
The scheme was implemented as a centrally sponsored scheme on cost sharing basis between the Centre and State Governments in the ratio of 80:20. In case of union territories, the Central Government was to provide entire resources under the scheme. The implementation of the JRY was done through three different streams. First stream of the JRY was implemented in most of the village panchayats, the second in 120 backward districts and the third for taking-up special land innovative projects.

1.3. SELF EMPLOYMENT PROGRAMS

The major programmes under self-employment category are discussed in the following paragraphs:

1.3.1. Training of Rural Youth for Self-Employment (TRYSEM)

TRYSEM was launched in 1979 as a centrally sponsored scheme to aim at providing basic technical and entrepreneurial skills to the rural youth in the age group of 18–35 years from the families below poverty line. The programme enables them to take up self-employment in the broad fields of agriculture and allied sectors, industrial services and business activities. TRYSEM beneficiaries are selected from the list of beneficiaries prepared by the gram panchayat, after approval of the same by the gram sabha.

Under this scheme, a minimum of 50 per cent of youth should belong to SC/ST, 40 percent should be women and 3 percent of the trainees should be physically handicap. The duration of training is normally 6 months and each trainee gets a stipend varying from Rs.200 to 500 and a lump-sum amount of Rs.800 for purchasing necessary toolkits. The share of the centre and state is on the basis of 50:50. In the year 1999, the programme has been merged into SGSY.
1.3.2. Integrated Rural Development Programme (IRDP)

IRDP was launched in 1980 with an aim of providing income generating assets and self-employment opportunities for the rural poor. Assistance under this programme is given in the form of subsidy by the government and term credit by banks to those families who live below poverty line (BPL). The beneficiary group consists of families of small and marginal farmers, agricultural labourers, rural artisan, etc. District Rural Development Agency is the implementing agency for this programme. At the grassroots level, it is implemented by the Block Office with the assistance of the village level functionaries. In order to identify poor families, a BPL Census is conducted at the beginning of each plan period by the States. The gram sabha is involved in the identification and selection of beneficiaries under the programme form the initial stage itself. This programme has been merged into SGSY in the year 1999.

1.4. WORKING OF DRDA

The DRDA had traditionally been the principal organ at the district level to oversee the implementation of different anti-poverty programmes. Since its inception in the year 1980, the administrative costs of the DRDAs were met by way of setting a share of the allocation for each programme. However, over the years, new poverty alleviation programmes were introduced, but there was no uniformity amongst the programmes with reference to administrative costs and it was found that the provisions available for DRDAs were not sufficient even to meet the minimum costs.

Each district will have its own District Rural Development Agency. Ordinarily it would be a society registered under a Societies Registration Act. In respect of such states where DRDA does not have a separate identity, a separate cell should be created in Zilla Parishad which maintains a separate identity and separate
accounting system, so that the accounts are capable of being audited separately. This Cell should be directly under the charge of CEO or alternatively an officer, who possess the qualifications to be a Project Director. The accounts of DRDAs should under no circumstances be merged or amalgamated with those of the Zilla Parishads15.

In order to be effective, the DRDA must have an appropriate staffing structure as well as suitable personnel policy. Keeping in view the rule and functions of the DRDA, the staffing structure of DRDA must include positions for planning for poverty alleviation, project formulation, social organization and capacity building, gender concerns, engineering supervision and quality control, project monitoring, accountancy and audit functions along with a evaluation and impact studies. An indicative staffing structure is given in annexure and is also discussed in detailed below. The state government may modify the structure suitably, but without altering the basic design, to take care of the needs of individual districts, keeping in view their size as well as specificity. However, this will also be subject to the overall ceiling of administrative costs admissible to the DRDAs in the State. By and large, the staff appointed should be dedicated to DRDA-related works and should not be frequently transferred. The Staffing structure of the DRDA is as follows:

1.4.1. Project Director

Each DRDA should be headed by a Project Director, who should hold a rank of an Additional District Magistrate. The Project Director should preferably be a senior scale officer of All India Services or a senior officer of the State Service, eligible for appointment to the All India Services. He would be in overall charge of the activities of the DRDA and responsible for interaction with the District/State administration as well as with the Government of India. The Project Director should
be exclusively for DRDA work. In some States, such as Maharashtra, the CEO of Zilla Parishad is the chairman of the Zilla Parishad. Government of India has suggested to all the State Governments that the chairman Zilla Parishad should be the chairman of the governing body of the DRDA. In the light of this, in such states, the CEO of Zilla Parishad could also be designated as the Project Director of the DRDA.

Each DRDA should have the following wings:

A. Self Employment wing
B. Women’s wing
C. Wage and Employment wing
D. Engineering wing
E. Accounting wing
F. Monitoring and Evaluation wing
G. General Administration wing

On the basis of the recommendations of the Inter-Ministerial Committee constituted to review the support for administrative costs permitted under various programmes and keeping in view the need for an effective agency at the district level to co-ordinate the anti-poverty efforts, a new Centrally Sponsored Scheme (CSS) for strengthening of the DRDA administration was launched with effect from April 1, 1999 with funding on a 75:25 basis between the Center and State Governments. Under this programme, the administrative costs per district applicable from 1999-2000 has been fixed as given below.

<table>
<thead>
<tr>
<th>District category</th>
<th>No. of blocks</th>
<th>Amount Rs. (in lakh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>0 – 6</td>
<td>46.00</td>
</tr>
<tr>
<td>B</td>
<td>6 – 10</td>
<td>57.00</td>
</tr>
<tr>
<td>C</td>
<td>11 – 15</td>
<td>65.00</td>
</tr>
<tr>
<td>D</td>
<td>above 15</td>
<td>67.00</td>
</tr>
</tbody>
</table>
Under this programme, the DRDAs have been conceived to emerge as a specialized agency for managing the anti-poverty programmes of the Ministry of Rural Development, aiming towards poverty eradication in the district. It has been envisaged that each district should have its own DRDA and in States where DRDAs do not have a separate identity, a separate cell would be created in the Zilla Parishats for maintain accounts. However, it has been stipulated that the chairman of the Zilla Parishats would be the chairman of the DRDA. During the year 2000-01, an outlay of Rs.220.00 crore has been allocated for strengthening of the DRDA administration.

1.5. DEVELOPMENT OF WOMEN AND CHILDREN IN RURAL AREA (DWCRA)

The DWCRA was launched in the year 1982-83 on a pilot basis in 50 districts in India and later it has been extended to all the districts of the country. It aims to strengthen the gender component of the IRDP with the provision of opportunities for self-employment and access to basic social services. The main strategy of the DWCRA was to encourage collective action in the form of group activities, which are being lived to work better and more sustainable than the individual effort. It encourages the habit of thrift and facilitates poor women to have access to skill upgradation, credit and other support services. The Child - Care Activities (CCA) were introduced in the DWCRA programme in the year 1995-96 with an objective of providing child-care services for the children of DWCRA women. During the IX plan period, it was proposed to integrate the DWCRA scheme with the IRDP. Over a period of 15 years, about 24.5 lakh DWCRA groups were formed across states in the country upto January 1999, and so far the total of number of women benefited under this scheme is 38 lakh. To overcome the deficiencies in the DWCRA, which is a fully government sponsored programme, it was thought of promoting groups at the social level to promote the habit of thrift at the first instance and credit at later stage.
main advantage of the approach is the sustenance of the group on internal resources, i.e., savings in the initial stages and after attaining a certain amount of savings, they are eligible to obtain credit through banks. This leads to gradual replacement of DWCRA groups with Self Help Groups.

1.6. RURAL HOUSING – INDIRA AWAAS YOJANA (IAY)

During the IX plan, a special action plan for social infrastructure has identified and ‘housing’ was treated as one of the priority areas. It aims at providing housing facilitations for all and for construction purpose 20 lakh additional dwelling units, of which 13 lakh are to be contracted in rural areas. The composite housing strategies during the IX plan are multi-pronged strategies, which have been operationalized with effect from the year 1999-2000. The IAY will continue to be the major scheme for construction of houses to be given to the poor free of cost. From the year 1999-2000, the criteria for allocation of funds to the state/UTs under the IAY has been changed to 50% poverty share and 50% housing shortage in the State. Similarly, the criterion for allocation of funds to a district in a State has been changed to the SC/ST population and housing shortage with equal weightage to each of them. A credit-cum-subsidy scheme for rural housing has been launched on 1.4.1999, which would target a rural family having an annual income upto Rs.10,000 and loan amount to Rs.40,000. Commercial banks, housing finance institutions, etc will disburse the loan portion. The equity support by the Ministry of Rural Development (MORD) to the Housing and Urban Development Corporation (HUDCO) has been increased to improve the outreach of housing finance in rural areas.

1.7. SAMAGRA AWAAS YOJANA

The Samagra Awaas Yojana, a comprehensive housing scheme was launched in the year 1999-2000 on a pilot project basis in one block in each of 25 districts of 24
States and in one union territory in the country with a view to ensure integrated provision of shelter, sanitation and drinking water. For this, an amount of Rs. 138.39 crore has been spent and 7.98 lakh dwelling units have been built under the IAY.

1.8. AREA DEVELOPMENT PROGRAMS

The Drought Prone Area Programme (DPAP), Desert Development Programme (DDP) and Integrated Wastelands Development Programme (IWDP) are being implemented with effect from 1.4.1995 on a watershed basis, as per the recommendations of the technical committees on DPAP and DDP. The common guidelines for Watershed Development Programme provide for a uniform strategy in the implementation of all area development programmes.

1.8.1. Drought Prone Area Programme (DPAP):

During the Fourth Plan period after the mid-term appraisal, the rural works programme was redesigned as DPAP. The DPAP aims to minimize the adverse effects of drought on production of crops and livestock and productivity of land, water and human resources ultimately leading to the drought proofing of the affected areas. It also aims at promoting overall economic development and improving the socio-economic conditions of the resource poor and disadvantaged sections inhabiting the programme areas.

Since the adoption of watershed approach, the Physical Performance of the DPAP till 2005-2006, 24,363 projects have been sanctioned to treat 121.82 lakh hectares of drought prone area. The year-wise details of projects sanctioned from 1995-96 to 2005-06 are found in Annexure-2. Out of 6,089 projects sanctioned, 4,325 projects have been completed.
The Union Government sanctioned new projects every year block-wise taking into consideration primarily the DPAP coverage, performance of the on-going projects, capacity to absorb new projects and annual budget outlay, etc. During the year 2005-06, 3,000 new watershed projects have been sanctioned under DPAP to treat an area of 15 lakh hectares at a total cost of Rs. 900.00 crore over a period of five years. The Central share is Rs. 675 crore out of which the amount of first installment i.e., Rs. 101.25 crore has been released. These projects are being implemented in accordance with the provisions contained in the guidelines for Haryana. The total amount committed for these 24,363 projects is Rs. 6469.20 crore of which Rs. 4772.46 crore is the central share. The year-wise details of funds released to the states under this programme since 1995-96 to 2005-2006 are given in Annexure-3. The Budget outlay for 2006-07 is Rs.360 crore against which Rs.11.84 crore has been utilized upto 17.5.2006. A review indicating the progress made in the implementation of 24,363 DPAP Projects sanctioned from 1995-96 till 2005-06, in terms of amount that should have been claimed by the programme, and the amount actually claimed, indicates the financial performance of this programme which is about 73.81 per cent.

1.8.2. Desert Development Programme (DDP):

In the year 1977-78 based on the recommendations of the National Commission on Agriculture, the DDP was launched with an objective of integrated development of desert areas in order to provide more employment opportunities and better incomes to the people of desert areas. Under the DDP, Rs.49.22 crore has been spent during the year 1999-2000. In the annual plan of 2000-01, the central outlay of Rs.135.00 crore has been provided for the DDF as against Rs.85.00 crore in the year 1999-2000. From the year 1999-2000, the funding patterns under these
programmes have been changed to 75:25 cost sharing basis between the center and the state governments. Upto 1994-95, the Desert Development Programme was under implementation in 131 blocks of 21 districts in 5 States.

The Hanumantha Rao Committee recommended the following for the effective implementation of the programme:

- Inclusion of 32 new blocks; and
- Transfer of 64 blocks from DPAP to DDP.

Inclusion of new blocks and transfer of blocks from DPAP to DDP was agreed and thus from 1995-96 total blocks covered under DDP came to 227 in 40 districts of 7 States. Subsequently, with the re-organization of Districts and Blocks, the programme is covered in 235 blocks of 40 districts in 7 States and thus the physical area covered under this programme is about 4.57 lakh sq. kms17.

1.8.3. Integrated Wasteland Development Programme (IWDP):

The IWDP has been under implementation since 1989-90 with the aim of wastelands being developed with the active participation of stakeholders, i.e. user groups and PRIs. The basic objective of the scheme is to take up integrated wastelands development, based on village/micro watershed plans. The project is sanctioned in favor of DRDAs/ZPs for a period of five years. The project is implemented through the Project Implementing Agencies (PIAs). At present, the IWDP is implemented all over the country. The WIDP is a 100 per cent central government scheme, which helps in generation of employment in rural areas besides enhancing people’s participation in the wasteland development programme at all stages. The major activities taken-up under this scheme are: i) soil and moisture
conservation measures, like terracing, bounding, etc. ii) planting and sowing of multi-purpose trees, iii) developing natural regeneration, promotion of agro-forestry and horticulture, encouraging people participation, etc.

About 247 IWDP projects in 25 States with an outlay of Rs.778.12 crore was sanctioned to treat the total project area of 15.98 lakh hectares during the year 1998-99. Consequently, this project covered only 11 lakh hectares during the year 1999-2000; Rs.40.72 crore spent to cover another 8 lakh hectares. Under this programme, during the year 2000-01, the central outlay has been enhanced to Rs.480.00 crore, as against Rs.82.00 crore in the year 1999-2000.

The total amount committed for these 13476 projects sanctioned from 1995-96 to 2005-06 is Rs. 3,817.68 crore, of which Rs. 2,952.67 crore is central share. From 1995-96 to 2005-2006, an amount of Rs. 1,568.79 crore has been released. The year-wise details of funds released to the programme since 1995-96 are given in Annexure-3. The budget outlay for the year 2006-07 under DDP is Rs.270 crore against which Rs. 7.67 crore has been released upto 19.5.2006. A review of the progress made in the implementation of 13,476 DDP projects sanctioned from 1995-96 till 2005-06, in terms of amount that should have been claimed and actually paid (as on 31.01.2006) indicates that the financial performance of this programme is about Rs.72.34 crore.

1.9. MICROFINANCE IN INDIA

Microfinance sector has covered a long distance from micro savings to micro credit and then to micro enterprises and now entered the field of micro insurance, micro remittance, micro pension and micro livelihood. This gradual and evolutionary growth process has given a great boost to the rural poor in India to obtain reasonable economic, social and cultural empowerment, leading role in the microfinance programme for nearly two decades now. They have joined hands proactively with
informal delivery channels to give microfinance sector the necessary momentum. During the previous year too, microfinance has registered an impressive expansion at the grass root level.

The concept of micro finance was floated with an objective of providing very small loans (micro credit) to poor families to engage them in productive activities or grow their tiny businesses. During the year 1980, the micro finance scheme concentrated on providing loans to poor women to invest in tiny businesses, enabling them to generate and accumulate assets and raise household income and welfare. The NABARD, which has been set up as a national level task force on supportive policy and regulatory framework for micro finance defined as provision of thrift credit and other financial services to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and to improve living standards. The success of micro credit programs led to bold-experiments with product design, delivery methods and institutional structures, performed mainly by practitioners in developing countries.

1.10. MICROFINANCE (SHGs) – POVERTY ERADICATION

The various studies and surveys revealed that the micro finance could help the poor to increase income, build viable businesses and reduce their vulnerability to external shocks. It can also be a powerful instrument for self-empowerment by enabling the poor, especially women, to become economic agents of change. Poverty is multi-dimensional; by providing access to financial services, the micro finance plays an important role to fight against many aspects of poverty. For instance, income generation from business helps not only the business activities, but also in contributing to household income which in turn shows benefits on food security, children’s education, etc. Moreover, for women who in many contexts are private
from public space, transacting with formal institutions can also build confidence and empowerment. The recent research studies have revealed the extent to which individuals around the poverty line are vulnerable to shocks such as illness of a wage earner, weather, theft or other such events. These shocks produce a huge claim on the limited financial resources of the family unit and absence of effective financial services, and can drive a family so much deeper into poverty that it can take years to recover.

1.11. MICROFINANCE AND WOMEN EMPOWERMENT

In the words of Pandit Jawaharlal Nehru in order to awaken the people, it is the women who should be awaked; once she is on the move, the family moves and the nation moves. In this context, Karl expressed the view that increased participation of women in decision-making at all levels will help to adjust the goals pursued through development. Murgan and Dharmalingam add empowerment of women through self-help groups would lead to benefits not only to the individual women and women groups but also for the family and community as a whole through collective action for development. According to Gurumoorthy empowering women contributes to social development. About 95 percent of the clients of microfinance are women in the society.

Generally, banks don't give money to women, because they do not have any assets in their name to offer as security and most of the time their husbands are defaulters of the banks. They don't know how to sign and find the bank procedures too confusing. Hence, participation of women in SHGs makes a significant impact on their empowerment, both in social and economic aspects. Further, this scheme also helps to bring about awareness among rural women about savings, education, health, environment, cleanliness, family welfare, social welfare, etc.
1.12. ORIGIN OF SELF HELP GROUP MOVEMENT

The concept of SHG serves the principle “by the poor of the poor and for the poor”. It took off from the GRAMIN BANK of Bangladesh, founded by the famous economist, Professor Muhammad Yunus of Chittagong University in the year 1975. This was exclusively established for the poor. Self Help Group is a small economically homogeneous and affinity group of rural poor, which is voluntarily ready to contribute to a common fund to be lent to its members as per group decision, which works for group’s solidarity, self-group awareness, and social and economical empowerment in the way of democratic functioning.

The Self Help Group movement became a silent revolution within a short span in the rural credit delivery system in many parts of the world. It has been documented that nearly 53 developing countries including India, have taken up this on a large scale. In 1997, world Micro Credit summit at Washington convened the developed and the developing countries to tackle the serious problem of poverty by using micro credit as a tool to empower the poorest sections. A global movement has been launched to reach 100 million of the world’s poorest families by the year 2005.

1.12.1. Meaning of Self Help

Self Help is one of the most fascinating yet frustrating aspects of development. It is a dynamic process that transcends the narrow boundaries of any given aspect of development. The purported benefits from Self Help Groups are multifarious, and it is a fundamental tenet of recent expended strategies of basic needs and self reliance.

Self Help is both a means and a goal within the strategy of basic needs in order to achieve adequate food, shelter and clothing and community services i.e., safe drinking water, sanitation, public transport, health and education. It is also identified as a tool of community development. People should participate in making the
decisions which affect them. SHGs were initiated to combat the weakness in private and informal institutions to mobilize savings from the members of the SHGs, who were normally expected to have savings and also recycle the same effectively.

SHGs pool the resources amongst the members and thus meet the credit needs of the poor. The SHGs have emerged from the felt needs of the people and they have evolved their own methods of working, creating a platform for sharing of experiences, collective knowledge building, solving the problem and resource mobilization. In SHGs the autonomy of the women groups is never undermined and all decision-making is entirely in their hands. This group helps women to build confidence in them as decision makers, planners and to work collectively in a democratic manner. The SHG activity is thus a win-win situation, wherein the poor women get access to credit as well as make profit.

1.12.2. Concept of SHG

"All for all" is the principle behind the concept of Self Help Groups (SHGs). It is mainly concaved with the poor and it is for the people, by the people and of the people. SHGs, a mini voluntary agency for Self Help at the micro level have been a focus on the weaker sections, particularly women, for their social defense. SHGs has got great potential in creating awareness on day to day affairs, promoting savings habit, developing self and community assets, increasing the income level, social power, etc. Further, the concept of SHGs generates confidence, self-scrutiny and self-reliance.

Self Help Groups (SHGs) formed in rural India usually consists of fifteen to twenty members hailing from a certain locality with similar socio-economic backgrounds. The unregistered groups operate on the principles of mutual trust, cooperation and interdependence. Preference in memberships is offered to the poorest of
the poor, handicapped, widowed, deserted and dalits. The leaders are selected from members of the group. Where there was nobody to help the helpless mass the concept of “Self Help” could be introduced. Hence, it would enable them to comprehend the need and to design the remedial measures accordingly. One of the significant features of “Self Help” is to make people improve the infrastructure facilities needed in a village. Hoping to achieve this target SHG women are making collective efforts. The basic philosophy underlying the concept of the Self Help Group was the belief that the poor are bankable entities. The saving or the thrift and credit groups are mostly informal, who pool savings and re-lend them within the group on rotational or need basis. These groups have a common perception of need and impulse towards collective action. Many of these groups got formed around production activity, promoted savings among members and used the pooled resources to meet the emergent need of the members including consumption needs. Sometimes the internal savings generated were supplemented by external sources loaned/donated by the voluntary agency, which promoted the SHGs.

The SHGs were able to mobilize savings from the poor who were not expected to have any savings and also could re-cycle effectively the pooled savings among members. They succeeded in performing/providing banking services to their members, maybe in a primitive way but in a manner which was cost effective, simple, flexible, at the door steps of the members and, above all, without any defaults in repayment by borrowers.

1.12.3. SHG Formation

Individually, a poor person tends to be rather tentative, hesitant in his behavior but group membership smoothens the rough edges of his behavioral pattern, making him more reliable as a borrower. A poor person feels exposed to all kinds of
vulnerability. He requires guidance and advice from people he knows and can trust. Membership in-group gives him a feeling of protection. Thus, formation of a group would ensure the best participation of the poor in a credit programme.

The approach towards poverty alleviation should be self-help; others should help the poor to help themselves. It is felt that individual effort is too inadequate to improve their fate which brings about the necessity for organizing them in a group by which they get the benefit of collective perception, decision-making and implementation of programmes for common benefits. The organization holds power and provides strength; it can be an antidote to the helplessness of the poor.

In this context, it is opt to refer that the multiplier effect of investment can be vividly demonstrated in a credit programme for the rural poor through the continuous expansion of their economic base. Income also rises with additional investment through borrowing.

1.12.4. Objectives of SHGs

The following are the main objectives of SHGs.

- To inculcate the habit of saving and banking habit among the rural poor.
- To build up trust and confidence in poor people and bankers.
- To develop group activities so that various welfare and development programmes can be implemented in a better way, with the participation of these SHGs.
- To achieve the fundamental things like welfare of women and children, elementary education for all, especially those who are living in rural areas.

1.12.5. Principles of SHGs:

The following are the broad principles of SHGs.
• Savings first, no credit without savings, saving as partial collateral.
• Small loans, to begin with, bank lends to the group, from whom members draw loan.
• Credit decisions formed by the group on lending to members.
• Interest rates and other terms and conditions for loans to members to be decided by the group.
• Ratio between savings and credit contingent upon credit worthiness of the group, increasing over time with good repayment record.

1.12.6. Characteristics of SHGs

The following are the main features of SHGs.

✓ Small size
✓ Identical interest / social heritage / common occupation, homogeneity and affinity.
✓ Intimate knowledge of members of intrinsic strength, needs and problems.
✓ Flexible and responsive.
✓ Democratic operations.
✓ Simple documentation.
✓ Collective leadership, mutual discussions.
✓ Group solidarity, Self Help, public awareness, social and economic empowerment.

1.12.7. Benefits of SHGs

* A via media for development of savings habit among the poor.
* An access to large quantum of resources.
* An opening for better technology / skill up-gradation.
- Availability of emergent, consumption / production credit at the door steps.
- Access to various promotional assistance, and
- Assurance of freedom, quality, self-reliance and empowerment.

1.12.8. Membership Size of SHGs

Size of the group is normally restricted to 15–20 members to facilitate participatory process of 18 years while joining as a member, they should be aware of rights and obligations of membership. Every member must understand the objectives and vision of the group. Finally, membership by mutual selection is a solitary means to build group solidarity.

Mutual selection process entails the participant to express or indicate the list of all people, who could be trusted with their money. Persons with negative characteristics tend to be left out of such trust groups and those with positive attributes tend to be included.

1.12.9. Rights and Obligations of SHGs members

In a SHG, every member has a right:
- To determine the goals, objectives and vision of the group.
- To involve in every activity of the group.
- To participate in group meetings and decision making.
- To attend in the leadership function.
- To access loans from the pooled corpus funds of the group.
- To share in the group’s wealth.
- To scrutinize group’s records and inspect property.
- To have a right to withdraw from membership in genuine circumstances.
- To make oneself aware and abide by group norms and rules.
To contribute minimum agreed thrift amount to the group.

To act with diligence in the discharge of group responsibility.

To discharge debt liability contracted by the group.

To participate in supervision of group finances/business.

To define the group at all points and in every respect.

It is quite interesting to note that the rights and obligations of members are almost convergent mainly on account of SHG being a member-owned, member-managed and member-controlled institution. Every ordinary member is also a part of management. Hence, transparency is the watch word.

1.12.10. Governance in SHGs

Strong savings and credit groups owned and managed by the community itself need competent and committed development facilitators, strong cadre of leaders who can enlighten and alert members. Hence, the governance of SHGs that promote democratic traditions is crucial for its success. Evaluation of norms or rules and regulations for self-governance, participatory decision making, diligence and self-discipline among the group members coupled with strong enforcement mechanism are sufficient conditions for transparency in group operations. These rules and regulations are not mere statements but reflect the understanding of group norms by members through their conduct in group activities.

Therefore, rules and regulations of the group need to apprehend conflict situations in day-to-day functioning of the group and provide ready solutions.

These could broadly cover:

1. Groups to have unique name to give it a distinct identity.

2. Goals and objectives of group formation.

4. Issues relating to membership expulsion and co-option of members.

5. Leadership structure – positions, roles and responsibilities.

6. Positioning of leaders – tenure, selection and change process.


10. Enforcement of decisions made by the group.


12. Relationship management with service agencies – Banks, SHPI / DRDA, etc.

While stability of group membership is strongly encouraged, it is possible that a few members could be co-opted into the group to attain optimality in group size; alternately delinquent members could be expelled, in any case the group could undertake a situational analysis and take appropriate decisions. However, core objectives of the group and rules for self-governance should not be lost sight of.

1.12.11. Leadership Responsibilities

It is important to realize that leadership in a Self Help Group is a verb and not a noun. The range of leadership responsibilities includes the following:

a) Providing guidance for group activities.

b) Assisting in information sharing among group members.

c) Helping in defining problems and suggesting solutions.

d) Facilitating appraisal of group performance.

e) Encouraging members to offer ideas and opinions.

f) Resolving conflicts and disputes between group members.

g) Conducting meetings and facilitating group decisions

h) Organizing, implementing and coordinating group plans.
i) Facilitating financial transactions during group meetings.

j) Maintaining and keeping records of accounts.

k) Maintaining a bank account on behalf of the group.

l) Representing the group's interests to outside bodies.

m) Conducting negotiations and doing business with other organizations.

n) Rendering truthful and correct accounts to members.

Considering the wide ranging responsibilities of leaders in SHGs, responsibility-sharing mechanism by assigning different leadership role to several members must be worked out. This entails:

- Grouping of leadership responsibilities and identifying leader options.
- Affording clarity in roles and responsibilities of different leadership options.
- Selecting leaders for discharging expected leadership roles on consensual basis.
- Developing systems and procedures, where ordinary members are required to assist leaders in discharge of routine functions.
- Providing inbuilt mechanism for rotation of leadership at least once in two years with clear succession plans for smooth change-over of leadership, similar to that found in rotary clubs.
- Adopting a methodology for changing leaders in case of non-fulfillment of expected roles.

1.13. PROMOTION OF SHGs: ROLE OF THE NABARD

The Apex institution, the NABARD, launched the pilot project on linking of SHGs with commercial banks in February 1992. The NABARD has been working in close association with NGOs and banks in promoting the linkage project.
Furthermore, efforts have been made by the NABARD through its regional and district level offices to identify the NGOs fostering SHGs with savings and credit activities and bring them into nexus with local banks. It was decided to provide 100 percent refinance to banks against credit assistance to the SHGs either directly or through the NGOs, the NABARD was adopted with the following objectives.

- To provide refinance assistance to its client banks which extend loans to SHGs.
- To give assistance to the NGOs/SHGs for their capacity building.
- To provide training to banks, NGOs and other developmental agencies.
- To conduct studies, awareness programmes, seminars and action research projects.
- To accelerate the programme through consultation, coordination and collaboration arrangements.
- To formulate policy measures for promotion of linkage of the SHGs with banks.

1.14. SELF HELP GROUP MODEL

The SHGs are democratic agents for development purpose and they are increasingly used for micro credit. The size of the SHGs is neither too large nor too small as it is a development group dealing with credit and other socio-economic issues. After collecting consistent savings, the SHGs start to give loans from savings in the form of small internal loans for micro enterprise activities including consumption. Only those SHGs that have utilized their own funds well are assisted with external funds through linkages with banks and other financial intermediaries. The NABARD needs special mention as it operates through SHGs and NABARD presently having three models of linkage of banks with SHGs and NGOs.
- Model 1: SHG formed and financed by the bank: Under this model, banks themselves act as a self help primitive institution forming and monitoring the groups and opening their savings accounts and their line of credit.

- Model 2: Under this model the NGOs and the formal agencies in the field of micro finance act as facilitators. They propagate the message, organize them into groups, train them in thrift and credit management and mature them over a period of time.

- Model 3: SHG financed by banks using the NGOs on financial intermediation: In this model the NGOs take the dual role of facilitation and financial intermediation. They help in formation of the SHGs, nurturing and training them in thrift and credit management. Eventually, the NGOs approach banks for bulk loan assistance for lending to these SHGs.

The NABARD 2004 data indicate that the all India share of Model I has gone-up to 20 per cent, the financial institutions have lagged behind in direct SHG promotion. It becomes necessary for an even-spread of SHGs. Therefore, the NABARD emphasizes on all the three models. Table-1.3 shows the information of Model- wise break up of SHGs bank linkage programme, by the end of the year 2000.

<table>
<thead>
<tr>
<th>Model</th>
<th>SHG Promotion and Linkage</th>
<th>All India</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Directly by Banks</td>
<td>15.80</td>
</tr>
<tr>
<td>II</td>
<td>NGOs intermediation</td>
<td>74.90</td>
</tr>
<tr>
<td>III</td>
<td>NGOs facilitations</td>
<td>9.30</td>
</tr>
<tr>
<td></td>
<td>Total:</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Statistics on SHG - NABARD.
1.15. LINKAGE AIM OF THE SHGs WITH BANKS

The linking of the SHGs with banks aims at using the intermediation of the SHGs between the banks and the rural poor for cutting down the transaction costs for both banks and their rural clients. The specific objectives of the linkage programmes are:

- To evolve supplementary strategies for meeting the credit needs of the poor by combing the flexibility, sensitivity and responsiveness of the informal credit system with the strength of technical and administrative capabilities and financial resources of the financial institutions.
- To build mutual trust and confidence between the bankers and rural poor.
- To encourage banking activity, both on the thrift and credit sides in a segment of the population, which the formal financial institutions usually find difficult to reach.

1.16. RATE OF INTEREST

The rate of interest from the banks to NGOs/SHGs is prescribed by the RBI and the NABARD from time to time. However, the SHGs have the liberty to fix the rate of interest for the loans advanced to their members.

The interest rates with effect from 1.6.1999 are given in Table-1.4. It can be observed from the table that the National Bank refinance at an interest rate of 6.5 per cent per annum for financing the SHGs without any change in the interest rate, the existing rate of interest is 12 per cent per annum arranged by the banks to the SHGs, revised rate of interest as decided by the bank, while, charge 10.5 per cent interest the banks to NGOs or micro credit organizations, SHGs, the interest rate to their members as decided by the group.
Table -1.4

Interest Rate Structure under SHG Linkage Programme

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Existing Rate (% p.a.)</th>
<th>Revised Rate (% p.a.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Bank Refinance</td>
<td>6.5</td>
<td>No change.</td>
</tr>
<tr>
<td>Banks to SHG</td>
<td>12</td>
<td>As decided by the bank</td>
</tr>
<tr>
<td>Banks to NGO/Micro Credit Organization (MCO)</td>
<td>10.5</td>
<td>As decided by the bank</td>
</tr>
<tr>
<td>NGO/MCO to SHG</td>
<td>12</td>
<td>As decided by NGO/ MCO</td>
</tr>
<tr>
<td>SHG to members</td>
<td>As decided by SHG</td>
<td>No change.</td>
</tr>
</tbody>
</table>

Source: Annual Reports of NABARD.

1.17. SELF-HELP GROUPS AND BANK LINKAGE

The SHG – Bank Linkage Programme has far reaching impact on the lives of the poor people. In order to assess the socio-economic-political impact as well as the challenges, issues and bottlenecks facing the programme in enhancing credit flow to the poor, many state level and national level studies were conducted. A major national level study on ‘Impact of Sustainability of SHGs – Bank Linkage Programme was conducted by the National Council of Applied Economic Research (NCARE).

The number of SHGs linked to the commercial banks under the SHG-bank linkage programme were 10,79,091 as on March 31, 2004, of which 90 per cent were exclusively for women groups. The cumulative disbursement of bank loans to these SHGs was Rs.3,904.20 crore. to cover 16 million families at the end of 2004-2005. This translates to an average loan per SHG of Rs.36,179 and the average loan per family of Rs.2,41229.

The region/state-wise total number of SHGs and bank loan is presented in Table-1.5. It can be seen from the table that out of the total linkage groups, the share
Table – 1.5

Progress of the SHGs Cumulative Growth in SHG Bank Linkage during the period 1992-93 to 2010-11

(Rs. in lakh)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>NO. OF SHGs</th>
<th>BANK LOAN</th>
<th>NABARD REFINANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992-93</td>
<td>255</td>
<td>0.29</td>
<td>0.268</td>
</tr>
<tr>
<td>1993-94</td>
<td>620</td>
<td>0.65</td>
<td>0.459</td>
</tr>
<tr>
<td>1994-95</td>
<td>2,112</td>
<td>2.44</td>
<td>2.03</td>
</tr>
<tr>
<td>1995-96</td>
<td>4,757</td>
<td>6.06</td>
<td>5.61</td>
</tr>
<tr>
<td>1996-97</td>
<td>8,598</td>
<td>11.84</td>
<td>10.60</td>
</tr>
<tr>
<td>1997-98</td>
<td>14,317</td>
<td>23.76</td>
<td>21.38</td>
</tr>
<tr>
<td>1999-99</td>
<td>32,995</td>
<td>57.07</td>
<td>52.00</td>
</tr>
<tr>
<td>1999-00</td>
<td>1,14,775</td>
<td>192.87</td>
<td>1,501.30</td>
</tr>
<tr>
<td>2000-01</td>
<td>2,63,825</td>
<td>480.87</td>
<td>2,506.70</td>
</tr>
<tr>
<td>2001-02</td>
<td>4,61,478</td>
<td>1026.34</td>
<td>3,957.30</td>
</tr>
<tr>
<td>2002-03</td>
<td>7,17,360</td>
<td>2048.67</td>
<td>4,960.00</td>
</tr>
<tr>
<td>2003-04</td>
<td>10,79,091</td>
<td>3,904.20</td>
<td>6,118.15</td>
</tr>
<tr>
<td>2004-05</td>
<td>16,18,476</td>
<td>6,898.46</td>
<td>7,085.91</td>
</tr>
<tr>
<td>2005-06</td>
<td>22,38,565</td>
<td>10,008.19</td>
<td>9,826.13</td>
</tr>
<tr>
<td>2006-07</td>
<td>41,60,584</td>
<td>13,520.98</td>
<td>13,419.58</td>
</tr>
<tr>
<td>2007-08</td>
<td>50,09,794</td>
<td>17,306.37</td>
<td>19,393.50</td>
</tr>
<tr>
<td>2008-09</td>
<td>61,21,147</td>
<td>22,851.99</td>
<td>22,233.48</td>
</tr>
<tr>
<td>2009-10</td>
<td>69,53,250</td>
<td>29,050.70</td>
<td>25,187.17</td>
</tr>
<tr>
<td>2010-11</td>
<td>74,61,946</td>
<td>36,067.00</td>
<td>27,732.53</td>
</tr>
</tbody>
</table>

Source: Various Annual Reports of NABARD.
of Andhra Pradesh linked with banks was about 40 per cent; compared with other states it is very high whereas in the north east region it is very low and the total number of bank linkages is very low.

The NABARD has been working as a catalyst in promoting and linking more and more SHGs to the banking system. In addition, awareness creation on SHGs, implementing special programmes and formulating appropriate development policies were other policy measures adopted by the NABARD. The NABARD continued to provide 100 per cent refinance assistance by charging 6.5 per cent interest per annum for financing the SHGs.

It can be seen from Table-1.5 that the pilot project has been making steady progress over the years, beginning with 255 SHGs linked with banks during the year 1992-93, and steadily increasing to 16,18,476 by the end of 2004-05 with a bank loans of Rs.6898.46 in 2004-05, whereas, in 2010-11 74,61,946 members are linking with bank and a total bank loan of 36,067.00 lakh. The NABARD continues to provide financial and other types of support for training of bank staff, NGOs and government agencies engaged in the field of micro finances.

1.18. STATE-WISE DISTRIBUTION OF LINKED SHGs

As per the provisional information made available by the NABARD in its annual report 2007-08, the number of new groups credit-linked with banks declined to 0.552 million during the year. The regional shares are undergoing a gradual change; the share of southern states in the number of groups linked to the banks is very high compared to the other regions. The state-wise distribution of SHGs linked with banks shows considerable variation in the share of total SHGs and Andhra Pradesh has a disproportionately large share of over 42 per cent of all linked SHGs, whereas, Tamil Nadu and Uttar Pradesh (including Uttaranchal) with about 12 per cent and 11 per
cent shares respectively followed by Karnataka with 9 per cent up to the year of 2005 -
06. The progress over the last three years shows that while southern region is losing
its share (about 6 per cent between March 2006 and 2008), the western and northern
regions are improving their shares. The central region had a lower share in March
2008 when compared to the March 2006.

Therefore, from an all-Indian perspective, the SHG-bank linkage experience
has been very strongly biased towards South India and has not provided a balanced
access to credit for the poor in India.

Chart -1.2

State-wise distribution of linked SHGs

1.19. SELF-HELP GROUP - INDIAN EXPERIENCE

The Indian experience shows that the non-involvement of people has led to an attitude of total dependence on the government for every development effort leading to lack of efforts and accountability of people. There were also instances in the 1970s and the 1980s in other developing countries like, Kenya, Korea, Bangladesh and Nepal, where various credit programmes for agriculture and rural development modeled and participatory approach showed better impact and results. Based on these experiences, the international agencies, like the World Bank and International Labour Organization started emphasizing the need for development in people’s movement. The focus of attention shifted to developing people’s institutions accountable to community having linkages with various developmental and financial agencies.

Against this backdrop, the concept of Self Help Group appears to be a good alternative strategy to involve people in the development process.

1.20. SHG – EXPERIENCES OF OTHER NATIONS

The experiences in Kenya on the Co-operative Saving Scheme linked to Co-operative Production Credit Scheme, integrated into the Mutual Credit Programme in Korea and Small Farmer Development Agency Groups in Nepal and ‘Grameen’ in Bangladesh, which were basically started owing to resource crunch, shows that huge resources can be mobilized even from the poor people and the resources managed by the people themselves. The Agricultural Credit Review Committee (1989) had identified a number of weaknesses in the Indian banking sector. Some of the identified institutional weaknesses are low recovery and poor recycling of funds, poor deposit mobilization and ineffective lending vis-à-vis available mobilization. Apart from these weaknesses, the banking sector has been able to reach only about 36 per cent of the rural families, in spite of vast expansion.
On the other hand, most of the informal finance in the rural money market comes from two main sources i.e. professional moneylenders and traders. Further, the rate of interest demanded by the informal agency is exorbitant and sometimes it leads to perpetual indebtedness of the rural poor. However, the SHG is easy and timely in availability, flexibility in delivery to the needy clients as compared to the formal financial agencies. The SHG linkage to banking sector is expected to combine specific advantages of both the above systems and also enable larger and faster coverage of rural poor.

The SHGs are people-voluntary associations, people formed to attain a collective goal. The people who are homogeneous, with respect to social background, heritage and caste or traditional occupations come together for a common cause to raise and manage resources for the benefit of the group members. The process by which a common objective is facilitated to come together in order to participate in the development activities, i.e., savings, credit, income generation, etc. is called group formation. Although the SHGs can be formed for their development activity, for the financial institutions to use them as a channel to make effective, the SHGs should be practicing thrift and credit and be familiar with money management.

1.21. PROBLEMS OF SHGs

1.21.i. Marketing

Majority of the SHG members will have to depend on the local markets as the major opening of exhibiting their products. Only a few groups, who have contact with state level officers, will be getting the opportunity of exhibiting the products at state/national level. Therefore, a majority of them are deprived of the benefits of sales. Besides, some of the products due to the poor quality are not able to compete with commercial goods in the global market.
1.21.ii. Competition

The microfinance institutions frequently face difficulty of differentiating their services from competitors, the competition is derived in respect of market share, clients, funding and also for workforce particularly when the market is facing intensive price competition.

1.21.iii. Delay Process

Delays in government procedures in sanctioning the loans affected the work of SHGs. A majority of the groups are running without any financial assistance from the government. Hence they are not able to start any income generation activities with more investment.

1.21.iv. Interest Rate

A high rate of interest on loans is definitely a burden on the incomes of the poor. Further, given the low capital intensity of investment made through micro-credit and the resultant low profit margins, high rates of interest dampen the possibility of any significant saving for the poor borrowers. As the poor borrowers need to meet consumption-related requirement, they feel the burden of high interest rates even more strongly.

1.21.v. Group Rivalry

Most of the groups are dominated by some active leaders and high caste people, sometimes, even young girls who are educated and aware of things, may dominate other members. Further, the poor illiterate members are exploited by the active members.

1.21.vi. Lack of financial education

Another important problem faced by the microfinance sector is that of financial education of (Microfinance Institutional) MFI members. Lack of financial
education is an important factor because; some MFI borrowers find themselves in complex debt repayment situations. While microfinance providers claim that they train borrowers, what they impart is usually product knowledge, aimed at ensuring compliance of the borrowers with the terms of lending. Imparting financial education implies empowering the borrower to make financial decisions such as ascertaining the effective cost of loans, and the extent of debt she/he can handle. Currently, such education is not being normally made available to all microfinance borrowers by any stakeholder, government or non-government.

1.21.vi.Lack of Technology

Technology is another option; it can be a vital component in integrating strategies for achieving inclusive growth. Its use can be critical in building up a reliable credit information system and database on clients, reducing transaction costs and facilitating better pricing of risk, improving the efficiency of the financial system, and thereby increasing the access of un-banked rural people in an efficient manner. It can reduce the transaction costs sharply and time taken by banks in processing applications, maintaining accounts and disbursing loans. Technology is the potential to address the issues of outreach and credit delivery in rural areas, in a cost effective manner. But how the IT platform will provide a variety of financial services to the rural clients at affordable costs and in time needs to be examined.

1.21.ix.Risk and Uncertainty

Risk management is another option, while SHG members suffer with a wide variety of risks like climate risk, price risk, technology risk, etc.; bankers suffer from the problem of increasing non-performing assets and losses. These risks emanate from a host of factors including failure of investments, willful defaults, weather aberrations, improper appraisal of loans, diversion of funds, inadequate monitoring and follow up.
and inability of realizing the securities available, which are some of the cost drivers, and which play a decisive role in determining the rates of interest charged by banks to ultimate borrowers in microfinance schemes.

1.21.ix. Other problems

Some wrongdoers, such as the local moneylenders, and pan-brokers create problems by spreading rumors about the creditability of the SHG leader or the credentials of NGO, if any, promoting the SHG. It can be observing in a few cases that politicians with vested interests might view the SHGs as potential vote banks. They might paint the identity of certain SHGs in such a way that it is associated with certain caste group or political group. This might lead to disorganization of the SHG.

1.22. CONCLUSION

Since the beginning of the planning era, the Government of India has introduced several schemes to eradicate poverty and unemployment in India. Among these schemes the microfinance Self Help Groups programme is considered to be an appropriate poverty eradication scheme to help the poor, especially in rural areas to improve/enhance their standard of living. From time to time, the Government of India, at respective state and central levels, has been extending their support in respect of training guidelines, finance, monitoring the working of SHGs, organizing capacity social activities, etc. Studying the existing literature, one sees that the microfinance programme is struggling for survival mainly owing to the factors, namely financial, marketing, inter and intra group conflicts among the group members, inappropriate legal applicability, lack of adequate Government support etc.
References:


8. www.unsiap.or.jp/participants_work/cos03homopages/group4/boonindiapresent


11. http://rural.nic.in/nsap1.htm#national/socialassistanceprogramme(nsap)annapurna


35. Ibid.