CHAPTER -IV

SWARNJAYANTI GRAM SWAROZGAR YOJANA

4.1. Introduction
4.2. Salient feature of Swarnjayanti Gram Swarozgar Yojana
4.3. Activity clusters – planning and selection
4.4. Programme Infrastructure
4.5. Swarozgaris
4.6. Financing the Investments-Bank Credit & Subsidy
4.7. Skill Up-gradation
4.8. Technology
4.9. Marketing Support
4.10. Implementation
4.11. Funding pattern & Financial Procedure
4.12. Monitoring
4.13. Special projects
4.1 INTRODUCTION

Despite Efforts Made Over The Few Decades, Rural Poverty In India Continues To Be Significant. While The Anti-Poverty Programmes Have Been Strengthened In Successive Years And While, In Percentage Terms, Poverty Levels Have Reduced From 56.44% Of India’s Population In 1973-74 To 37.27% In 1993-94, The Number Of Rural Poor Has More Or Less Remained Static And Estimated To Be About 244 Million Persons. The Effect Of Such A Large Percentage Of Poor On The Country’s Development Is Not Difficult To Appreciate. Quite Obviously, We Need To Redress The Situation Quickly. It Is This Context That The Self Employment Programmes Assume Significance For, They Alone Can Provide Income To The Rural Poor On A Sustainable Basis.


The Objective Of Sgsy Will Be To Bring The Assisted Poor Families [Awarozgaris] Above The Poverty Line In Three Years. By Providing Them Income-Generating Assets Through A Mix Of Bank Credit And Government Subsidy. It Would Mean Ensuring That The Family Has A Monthly Net Income Of At Least Rs.2000 Subject To Availability Of Funds, The Effort Will Be To Cover 30% Of The Poor Families In Each Block During The Next Five Years. Quality Will Be The Hallmark Of Sgsy, Which Has To Be Imaginatively Used To Bring People Above The Poverty Line.

4.2 SALIENT FEATURE OF SWARNJAYANTI GRAM SWAROZGAR YOJANA

Swarnjayanti Gram Swarozgar Yojana aims at establishing a large number of micro enterprises in the rural areas, building upon the potential of the rural poor, It is rooted in the belief that rural poor in India have competencies and, given the right support can be successful producers' of valuable goods/services. The assisted families (henceforth known as Swarozgaris) may be individuals or groups (Self-Help Groups). Emphasis will be on the group approach.

The objective, under SGSY is to bring every assisted family above the poverty line in three years.

Towards this end, Swarnjayanti Gram Swarozgar Yojana (SGSY) is conceived as a holistic programme of micro-enterprises covering all aspects of self-employment, viz., organisation of the rural poor into self-help groups and their capacity building, planning of activity clusters, infrastructure build up, technology, credit and marketing.

In establishing the micro-enterprises, the emphasis under SGSY is on the cluster approach. For this, 4-5 key activities will be identified for each block based on the resources; occupational skills of the people and availability of markets. Selection of key activities will be with the approval of the Panchayat Samitis at the block level and the DRDA/ZP at the District level. The major share of SGSY assistance will be in activity clusters. SGSY will adopt a project for each key activity. Project reports will be prepared in respect of identified key activities. The banks and other financial institutions will be closely associated and involved in preparing these project reports. So as to avoid delays in sanctioning of loans and to ensure adequacy of financing.
The existing infrastructure for the cluster of activities will be reviewed and gaps will be identified. Critical gaps in investments will be made under SGSY subject to a ceiling of 20% (25% in the case of North Eastern States) of the total programmes allocation for each district. This amount will be maintained by the DRDAs as SGSY Infrastructure Fund' and which can also be utilised to generate additional funding from other sources. The effort under SGSY is to cover 30% of the poor in each block in next five years through an efficient programme. In planning of the key activities, care would be taken to ensure that the maximum numbers of Panchayats are covered without jeopardising the quality of the programme. SGSY will also focus on Group approach. This would organisation of the poor into Self - Help Groups (SHGs) and their capacity building. Efforts would be made to involve women members in each SHG. Besides, exclusive women groups will be continue to be formed. At the level of the Block, at least half of the groups. will be exclusively women groups. Group activity will be given preference and progressively, majority of the funding will be for Self-Help Groups.

The Gram Sabha will authenticate the list of families below the poverty line identified in the BPL census. Identification of individual families suitable for each key activity will be made through a participatory process. SGSY is a credit-cum-subsidy programme. However, Credit will be critical component in SGSY, subsidy being only a minor and enabling element. Accordingly, SGSY envisages a greater involvement of the banks. They will be involved closely in the planning and preparation of projects, identification of activity clusters, infrastructure planning as well as capacity buildIlg and choice of activity of the SHGs, selection of individual Swarozgaris, pre-credit activities and post-credit monitoring including loan recovery. SGSY will seek to promote multiple credit rather than a one-time credit 'injection'. The credit requirement of the Swarozgaris will be carefully assessed. They will be allowed and, in fact, encouraged for increasing their credit intake over the years. SGSY will seek to lay emphasis on skill development through well-designed training courses. Those, who have been sanctioned loans will be assessed and given necessary training. The design, duration of training and the training curriculum would be tailored to meet the needs of the identified activities. DRDAs will be allowed to set apart up to 10% of the SGSY allocation on 'training. This would be maintained as 'SGSY - Training Fund'.
SGSY will ensure upgradation of the technology in the identified activity clusters. The technology intervention will seek to add value to the local resources including processing of the locally available material from natural and other resources for local and non-local market.

SGSY will provide for promotion of marketing of the goods produced by the SGSY Swarozgaris. This would involve providing of market intelligence, development of markets, consultancy services, as well as institutional arrangements for marketing of the goods including exports.

Subsidy under SGSY will be uniform at 30% of the project cost, subject to a maximum of Rs.7500. In respect of SC/STs, however, these will be 50% and Rs.10000 respectively. For Groups of Swarozgaris (SHGs), the subsidy would be at 50% of the cost of the scheme, subject to a ceiling of Rs.1.25 lakh. There will be no monetary limit on subsidy for irrigation projects. Subsidy will be back-ended.

SGSY will particularly focus on the vulnerable groups among the rural poor. Accordingly the SC/STs will account for at least 50% of the Swarozgaris, women for 40% and the disabled for 3%. SGSY will be implemented by the DRDAs through the Panchayat Samitis. The process of planning, implementation and monitoring would integrate the banks and other financial institutions, the PRIs, NGOs, as well as technical institutions in the district. DRDAs will be suitably revamped and strengthened. 15% of the funds under SGSY will be set apart at the national level for projects having a far reaching significance and which can also as indicators of possible alternative strategies to be taken up in conjunction with other departments or semi-government or international organisations. This would include initiatives to be taken in the individual districts or across the districts. Funds under the SGSY will be shared by Central and State Governments in the ratio of 75:25.

The central allocation earmarked for the States will be distributed in relation to the incidence of poverty in the States. However, additional parameters like absorption capacity and special requirement will also be taken into consideration during the course of the year.

4.3 - ACTIVITY CLUSTERS - PLANNING AND SELECTION'

4.3.1 The objective of Swarnjayanti Gram Swarozgar Yojana is to bring every assisted family above the poverty line within three years, through provision micro-enterprise. Quite often, one finds that even when a person is brought above the
poverty line during a plan period, his/her income may again fall below the poverty line in the next plan period. The poverty line in the VIII Plan Period was Rs.11,000 per annum and during the IX Plan, the poverty line varies in different States and ranges from Rs. 13000 to Rs. 19650 per annum: It is probable that in the next plan period the poverty line will be about Rs. 22,000 to Rs.24,000 per annum. It must be ensured that the income of the Swarozgari under SGSY is such that the family income is above the probable poverty line of next plan period. To be on the safer side therefore the monthly income from the activity to be undertaken should not be less than Rs.2000, net of repayment to the bank loan. This may not always come in the first year itself. As indicated the objective is to see that the assisted family comes above the poverty line in three years Therefore the selection of the activities should be such that it would afford the Swarozgari an opportunity to expand his asset and skill base in three years and at least in the third year, the net income should be more that Rs. 2000 per month.

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

Selection of Key Activities

4.3.3 The success of SGSY will therefore depend, to start with, on the choice of activities. The key element is that the choice of activity should be based on the local resources, the aptitude as well as the skill of the people. It is also necessary that the products have ready market.

4.3.4 The choice of key activities should not be an arbitrary or an ad-hoc decision, and should be a carefully thought out process. The Block SGSY committee has a very important role to play. In identifying the key activities that can be taken in the next five years, the committee should ensure that this selection takes place through a participative process. Firstly, the effort should be to see that broadly 30% of the rural poor in the block are covered in the next five years. (This of course would be subject to availability of funds; but this number may be kept in view for the purpose of preparation of plans). For this a profile of the poor families, as reflected in the BPL
Census will be important. There will be poor families with assets, such as land. Effort should be made to see that those having a minimum extent of land are enabled to cross the poverty line by making additional investments on their lands, wells or other irrigation facilities, pump sets etc. The Block SGSY committee should analyse the potential for farm activities. Care must be taken to see that they have access to short-term credit and other inputs. The next category is those that may have an inherent skill. These would primarily be the rural artisans who form a significant segment of the rural society. Under SGSY, the rural artisans should be covered in a significant manner. Another category would be the unemployed educated youth. A number of them would have been trained in the recent years under TRYSEM. An inventory may be taken of such people to find out which activities are best suited for the area.

4.3.5 The Block SGSY committee may also look at the potential link plans prepared by NABARD as also any other survey carried out by different banks, industrial/technical organisations, etc. The local Khadi & Village Industry officials as well as the District manager of District Industry Centre may also be consulted.

4.3.6 The Block SGSY committee must interact with as many sarpanches as possible and also discuss with groups of rural poor such as the landless labour, the educated unemployed, those rural poor with lands, the artisan groups etc. There Self-help groups are in position, they should also be consulted. In their discussions, the committee should explore the various opportunities that are available (provided credit, technology, skill upgradation and marketing are assured) to enable the poor to cross the poverty line. While conducting his dialogue, the Block SGSY committee should be equipped with information relating to the performance of various activities in the village whether such activities are taken up under government programmes or otherwise. The committee should use that knowledge to supplement the traditional knowledge of the poor households and to facilitate in the identification of suitable activities. In this process, the traditional wisdom of the poor families is given value and the Block committee builds upon the traditional knowledge of the poor families with their knowledge base. It must be ensured that the consultation process is genuine and not perfunctory or token in nature.

4.3.7 In so far as on-farm activities are concerned, provision of irrigation facilities continues to be important. These facilities can be provided either in the form of open dug wells or bore/tube wells or through lift irrigation or through check dams etc., In
other words, the nature of sources is not important for providing irrigation facilities under SGSY. Effort may be made to bring in as much of the land of the rural poor as possible under irrigation so that they can have sustainable incomes. Minor irrigation investment will include cost of well, lifting device and land development—a composite investment, Working capital requirement can also be considered but would not be eligible for subsidy.

4.3.8 Minor irrigation projects may be group oriented or individual oriented. It is preferable to adopt as far as possible, a project approach under minor irrigation instead of spreading the investment in a scattered manner. Minor Irrigation can also be basis for activity clusters or formation of SHGs.

4.3.9 As regards non-farm activities, care must be taken to identify only those activities that result in the production of goods/services that have a ready market. Separate guidelines will be issued in this regard.

4.3.10 Based on this consultation process, the committee may identify about 8-10 activities, which they may rank in the order of preference. This list should then be placed before the general body of the Panchayat Samiti (Block Panchayat). The Panchayat Samiti should be asked to give its recommendations. The list of selected key activities, along with the recommendations of the Panchayat Samiti, should then be forwarded by the BDO to the District SGSY committee should prepare a brief project report, keeping in view the guidelines.

4.3.11 The District SGSY committee will receive the block-wise proposals and will vet them. the committee will select not more than 4-5 activities per block. In doing so, the District SGSY committee will ensure that the infrastructure already available in the district-in terms of production, service, training facilities as well as market are utilised and that the choice of activity does not require a new effort in all directions-production as well as markets. In other words, at least some of the key elements of the economic chain of the selected activity should be present and it is only the missing link that needs to be provided. Secondly, in choosing the activities,

4.3.12 The District SGSY Committee should scrutinise the proposals for each key activity separately in consultation with the concerned experts including the line department officials. In fixing the unit costs for the farm sector, the costs fixed by the regional committees of NABARD should be taken into consideration. In regard to the loans for various purposes falling under SB sector of SGSY, the responsibility of fixing the unit cost other techno-economic parameter's is of the committee.
4.3.13 It must be noted that identification of activities is a one time exercise. It is therefore necessary that it should be done in a careful manner and without converting it into a routine matter. Since the choice of 4-5 key activities per blocks as per the procedure detailed above in this chapter would naturally take time, it would be preferable to identify quickly one or two activities in each block on an ad hoc basis only for the year 1999-2000, so that the implementation of SGSY can be started straight away. It should be easy to do so based on activities that have been found to be successful under IRDP. This should however be restricted to one or two activities and the earlier practice of taking up large number of activities should not be repeated. Care should however be taken that the market is readily available for the products. As regards the final selection, this may be completed in about three months. A detailed time table may be drawn up by each DRDA for each Block and the schedule publicised so that everyone is aware of the selection of key activities.

4.3.14 The above key activities will be normally valid for next five years, however, it is always possible that at the end of two years this can be reviewed and re-evaluated with experience on ground.

Preparation of project reports

4.3.15 For each key activity there should be a project report indicating the various elements such as training, credit, technology, infrastructure and marketing. The project report should indicate how many people could be covered economically in a block under a key activity. The tendency to provide finance to a large number of similar units must be avoided so as to prevent creation of excess capacity.

4.3.16 The project report should also include the balancing infrastructure that needs to be provided and the costs involved. The district level committee should ensure that it is well within the limits of the money that is likely to be available under SGSY infrastructure. Care should be taken to avoid an attempt to create infrastructure for line departments without concomitant benefit to Swarozgaris. The test of SGSY will be in additional incomes created to Swarozgaris, the additional infrastructure being only an enabling factor. The project report should specifically include a chapter on the levels of investment required at individual Swarozgaris level or by a group. The economics for group lending should be shown distinctly from that of individual lending. The Project report shall be prepared for each activity and for each block separately. The project report should indicate that whether the key activity selected is for individual or group or both. The economics should also
be clearly spelt out for each of these. The economics should indicate the details of investment required, the details of returns, the repayment schedule and the net income accruable to the swarozgan.

4.3.17 The committee should undertake the entire exercise in a careful manner and not as routine exercise. All expenses, relating to this exercise will be borne by the DRDA from there Administrative expenses. Which are provided for separately under the head 'DRDA Administration'.

4.3.18 The Line departments have, an important role to play in the entire exercise, for they will be responsible for implementation and monitoring of respective sectoral activities. SGSY would need a very close collaboration between the implementing agencies and the line departments. Presently, this is lacking or at least is not taking place to the desired extent. This collaboration must start with the identification of key activities and preparation of project reports. The line departments will be responsible for planning and creation of the infrastructure required making the key activity successful. In addition, once the bank has sanctioned the loan, the line departments must ensure that all facilities including technical guidance are provided to the swarozgaris. The line departments may also verify whether the swarozgaris have the necessary skill requirement and take steps to train them. The line departments should also satisfy themselves about the quality of training that is being imparted. They should assist the DRDAs in ensuring that the swarozgaris are duly trained in appropriate institutions. It shall be their responsibility to monitor the progress and whether swarozgaris are able to derive the expected levels of income. In other words, the line departments must recognise that promotion of self employment in their sector as much their responsibility as that of DRDA/Panchayati Raj Institutions/Banks and it should be an integral part of their day-to-day functioning.

4.3.19 On approval by the District SGSY committee, the list of selected key activities as well as the project report of each key activity in respect of each blocks should be placed before the Governing body of DRDA. If no DRDA exists, it should be placed before the Zilla Parishad. On approval, it should be circulated to the BDO and all the chiefs- in the concerned blocks as well as the concerned line departments. All the banks in the district would be expected to follow the model set out in the respective project reports. Under any circumstances, under financing of the key activity should not be allowed. This should be reviewed in the Block SGSY.
committee constantly.

4.3.20 The major share of SGSY assistance will be for the key activities. A minimum of 75%, both by number and funding, will be for the key activities identified in the block both as group assistance and individual assistance. However, assistance is not prohibited for other activities. There may be stray instances where a Swarojgar may like to take up an activity by himself/herself and where the nature of activity is such that its economic return is assured. SGSY allows such activities but subject to a limit of 25% of the total number and funding of swarojgaris in any given year. It must be noted that this is only an enabling provision for exceptional cases and it is excepted that the funding of key activities will be the norm. Therefore, the figure of 25% is only the upper limit and should not be the norm.

Clusters

4.3.21 The key activities may be taken up for implementation preferably in clusters. It must be noted that the clusters are not mere geographic agglomerations but units where the backward and forward-linkages can be effectively established. This will facilitate greater control of the progress of the programme, including setting up of infrastructure, raw material distribution, technology transfer as well as quality control. It is not essential that SGSY should be implemented in each and every village of the Block. Advantage may be taken of the infrastructure already built up so that the results may be more definite. At the same time, care must be taken to see that maximum number of villages are covered under one or other of the activity clusters:

4.3.22 The clusters will be taken up for each activity separately. The idea is to select a few villages every year under key activity and concentrate the effort so that necessary linkages are available and also the monitoring becomes easy. It is not necessary that if a cluster of villages is taken up one year, it should be given up the next year. More swarojgaris can be brought each year under the key activity in identified clusters. However, in doing so, care must be taken to see that there is no undue concentration of a programme in only a few villages.

4.3.23 After the District SGSY committee communicates the list of selected key activities for the Block, the Block SGSY committee will identify the villages to be covered under each activity. This is an exercise that needs to be taken up before the beginning of each financial year. This process is for identification of clusters for taking up each activity in a focused manner. The list of villages so selected may be
placed before the panchayat Samiti, so that members of the panchayat Samiti are aware of the selection and also the principles that underline the selection of villages. As already indicated, under SGSY the objective is to plan to cover 30% of the rural poor families in every block under self-employment and it is not necessary that all villages should be covered. However, it would also be reasonable to cover as many villages as possible without sacrificing the principle of a cluster approach. Therefore, the right balance must be struck by a Block SGSY committee. It is not necessary that each village should have only one key activity. Given the nature of villages, the infrastructure and economic opportunities that are available, it is always possible that a village may have more than one and even all the five key activities listed for the blocks. However the need to cover a larger number of villages must also be kept in view. A balance must be struck between the spread factor and efficiency factor. At any cost efficiency of the programme should not be sacrificed.

4.4 PROGRAMME INFRASTRUCTURE

4.4.1 Proper infrastructure is essential for the success of micro enterprises. The infrastructure may be either for production, processing, quality testing, storage or marketing. The lack of proper attention to this item has been one of the drawbacks of IRDP. Although provision had been made for expenditure on infrastructure, the investments made did not necessarily correspond to the needs of the self-employed.

4.4.2 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. 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.

4.4.3 The provision of infrastructure is essentially the responsibility of the State Governments. Therefore, the States will strive to provide for necessary investments as part of their plan efforts of the respective departments. Where the plan funds of the line departments does not have adequate provision, recourse may be had to SGSY
and EAS. Similarly, any other State or Centrally sponsored schemes can also be used creation of infrastructure, recourse to SGSY infrastructure fund should be as a last resort and only critical gaps in investments will be made under SGSY.

4.4.4 The District SGSY committee should review the infrastructure gaps and identify the areas of intervention for financing projects in activity clusters. Infrastructure needs and their fulfillment will be constantly and closely monitored by the DRDA, particularly the Governing Body of DRDA, to ensure that infrastructure needs are met as per plan. Financing in sectors should be restricted where infrastructure is inadequate.

4.4.5 It should be noted that the funds available for providing infrastructure support under SGSY are primarily to bridge _mall gaps in infrastructure which can make the programme implementation more effective and not for creation of an altogether non-existent infrastructure in the area. Funds for infrastructure development should, in no case be used to augment resources of the State Government for development of general infrastructure.

4.4.6 In order to meet expenditure on such critical infrastructure, SGSY will provided for a fund, which will be known as 'SGSY - Infrastructure Fund'. 20% (25% in the case of North eastern State) of SGSY allocation for each district will be set apart for, this fund. DRDAs will maintain this fund in a separate account. The DRDAs are advised to utilise this fund to generate additional funding wherever feasible.

The following principles may be kept in view while framing the infrastructure proposals:

(a) The infrastructure activities should enable SGSY Swarozgaris full utilisation of their assets. Marketing linkages should be given priority.

(b) The proposals should emerge out of the specific activities being taken up by the Swarozgaris and the location decisions should be made by the Blocks/DRDAs in consultation with Bankers.

(c) Only village or Block or District level infrastructure should be planned. In no case should the proposals envisage development of infrastructure at the State or regional level.

(d) Only the fixed cost and not the recurring expenditure should be met out of SGSY funds. There should be an undertaking that the State Government or the organisation concerned would meet the recurring expenditure on staff.
and other items.

(e) In the case of assistance for development of infrastructure to cooperative societies, to should be ensured that at least 50% of the members are SGSY Swarozgaris.

4.4.7 The proposals should clearly spell out the time span envisaged for building up the infrastructure, its impact on the activities of the Swarozgari in particular and economic environment in general, the agency charged with the implementation of the project and the monitoring system provided to see that projects are executed in given time at the given cost. The funds to the executing agency should be given in phases depending on the progress of the work. The decision on the phasing of the release should be taken by the DRDA.

Other Admissible items of Expenditure under programme infrastructure

(i) Expenditure on account of premium for insurance and risk to cooperatives could also be met under this head.

(ii) Expenditure on account of commissioning studies for the purpose of local resources and skill based integrated projects for SGSY subject to maximum of Rs.50,000/- per annum per District approved by Governing Body of the DRDA could also be made.

Monitoring of Expenditure on Infrastructure Projects

4.4.8 Given the magnitude of funds allocated for infrastructure development, it is imperative that expenditure under this head be monitored more rigorously. Accordingly, suitable formats will be prescribed for monitoring purposes. The Districts are required to send information in this format to the States every quarter. The data will be consolidated for all the districts by the State Government and sent to the Central Government on a quarterly basis.

4.5 SWAROZGARIS

4.5.1 Under Swarnjayanti Gram Swarozgar Yojana, the beneficiaries are known as swarozgaris. The swarozgaris can be either individuals or groups. Swarnjayanti Gram Swarozgar Yojana (SGSY) lays emphasis on the group approach, under which the rural poor are organised into Self-help Groups in either case, the list of BPL households identified through BPL census, duly approved by the Gram Sabha will form the basis for identification of families for assistance under SGSY. The self-help group should also be drawn from the BPL list approved by Gram Sabha. This
chapter is about the swarozgaris and the linkages with the banks. Part 'A' of this chapter is about the Self-help Groups. Part 'B' is about individual Swarozgaris.

A. SELF-HELP GROUPS

4.5.2 SGSY will focus on organisation of the poor at grassroots level. through a process of social mobilisation for poverty eradication. SGSY’s approach to organise the poor stems from the conviction that there is tremendous potential within the poor to help themselves and that the potential can be harnessed by organising them. Social mobilisation enables the poor build their own organisations (Self-Help Groups (SHGs) in which they participate fully and directly and take decisions on all issues concerning poverty eradication. Simultaneously, SHGs have the advantage of the assistance, be it in terms of credit or technology or market guidance etc. reaching the poor faster and more effectively.

4.5.3 Social mobilisation is not a spontaneous process; it has to be induced. DRDAs are expected to initiate and sustain the process of social mobilisation for poverty eradication by formation, development and strengthening of the SHGs. Issues that are key to poverty eradication should become entry points for DRDAs to organised the poor into SHGs. There could be different entry points for different SHGs depending on the local situation. The groups that are formed with thrift and credit as an entry point have demonstrated that the poor can secure greater access to credit and other support services for enhancing their income levels.

Self-help Groups broadly go through three stages of evolution.

* Group formation (formation, development and strengthening of the groups to evolve into self-managed peoples organisations at grassroots level.)

* Capital formation through the revolving fund, skill development (managerial skills for management of their organisations as well as the activity).

* Taking up economic activity for income generation

Formation of Self Help groups

4.5.4 SHG is a group rural poor who have volunteered to organise themselves into a group for eradication of poverty of the members. They agree to save regularly and convert their SAVINGSs into a Common Fund. The members of the group agree to use this common fund and such other funds that they may receive as a group through a common management.

The group formation will keep in view the following broad guidelines:

(i) Under SGSY, a self-help group may consist of 10. to 20 persons. In the case
of minor irrigation, and in the case of disabled persons, this number may be a minimum of five (5).

(ii) All members of the Group should belong to families below poverty line. The group shall not consist of more than one member from the same family. A person should not be a member of more than one group.

(iii) The group should devise a code of conduct (Group management norms) to bind itself. This should be in the form of regular meetings (weekly or fortnightly), functioning in a democratic manner allowing free exchange of views, participation by the members in the decision making process.

(iv) The group should be able to draw up an agenda for each meeting and take up discussions as per the agenda.

(v) The members should build their corpus through regular Saving. The members themselves should decide the quantum of Saving. The group should be able to collect the minimum voluntary Saving amount from all the members regularly. The Saving so collected will be the group corpus fund.

(vi) The group corpus fund should be used to advance loans to the members. The group should develop financial management norms covering the loans sanction procedure, repayment schedule and interest rates.

(vii) The members in the group meetings should take all the loaning decision through a participatory decision making process.

(viii) The group should be able to priorities the loan applications, fix repayment schedules, fix appropriate rate of interest for the loans advanced and closely monitor the repayment of the loan installments from the loans.

(ix) The groups should operate a group account so as to deposit the balance amounts left with the groups after disbursing loans to its members.

(x) The group should maintain simple basic records such as Minutes book, Attendance register, Loan ledger, general ledger, Cashbook, Bank pass book and individual pass books.

4.5.5 50% of the groups formed in each block should be exclusively for the women. In the case of disabled persons, the groups formed should ideally be disability-specific wherever possible; however, in case sufficient number of people formation of disability-specific groups are not available, a group may comprise of persons with diverse disabilities.

4.5.6 By and large, the SHG will be an informal group. However, the groups can
also register themselves under the Societies Registration Act, the State Cooperative Act or as a partnership firm. The SHGs can be further strengthened and stabilised by federating them at, say village level. This would facilitate regular interaction and exchange of experiences including flow of information from DRDAs and other departments.

**4.5.7 Social mobilisation and community organisation is a process oriented approach as different from target oriented approach. The group formation should not be driven by any targets but lend itself to a ‘process approach’. The members of the SHGs should fully internalise the concept of self-help.**

A large number of DWCRA goups have been formed and assisted by DRDAs in the past. Likewise, there are a number of self-help groups formed by NABARD, other banks, by the Rashtriya Mahila Kosh etc. In the first year of implementation of SGSY, where such groups exist, the DRDAs should put in concerted efforts to strengthen these groups and then take steps to form new groups.

**Role of NGOs**

**4.5.8** The experience across the country has shown that group formation and development is not spontaneous process. An external facilitator working closely with the communities at grassroots level can playa critical role in the group formation and development effort. The quality of the groups can be influenced by the capacity of the facilitator. The facilitator mayor may not be an official. In some cases, NGOs can not only make available the facilitator and/or also help in building their capacity. DRDAs may support such sensitive support mechanisms in the shape of NGOs or community based organisations or a team of dedicated functionaries of the Government who are fully engaged in the task of initiating and sustaining the group development process.

**4.5.9** Whether the support machinery (SHG promotion institutions) is offered by NGOs or DRDA itself, what is critical is the capacity of the support machinery. DRDAs will have to play very crucial role in facilitating development of the capacity to nurture and strengthen the groups.

**Linkage with the Banks**

**4.5.10** During the stage of group formation, the SHG should be brought into contact with the local banks. This may start in the 3rd or the 4th month and has and has a dual purpose. The SHG begins to realise the opportunities and also the mode of dealing
with the banks. Likewise, the bankers get to familiarise themselves with the SHGs. Establishment of these linkages at the early states will ensure the formation of strong SHGs, which will be mutually beneficial. The BDO and the banker may visit the SHG as often as they can and explain to the members the opportunities for self-employment. They may also explain to them about the process of graduation into taking up full-fledged self-employment activity.

Grading of the self-help groups

4.5.11 The formation stage generally lasts six months. At the end of six months, it is necessary to subject each self-help group to a test whether it has evolved into a good group and is ready to go into the next stage of evolution. This is done through a grading exercise. The objective of this exercise is to identify the weaknesses, if any, and help the group to overcome the same so as to develop into a good group. Grading exercise thus should help to focus attention on weak groups so that DRDAs can assist them to overcome the weaknesses and graduate into good groups. Grading of the group should also enable the DRDAs to establish linkages for the good groups with the Banks.

4.5.12 The DRDAs will have to play an effective role in grading exercise. The capacity of the DRDAs will have to be enhanced to undertake this exercise professionally. Grading of the SHGs can be done by the same agency that is involved in the promotion and development of the SHGs or an independent agency contracted to undertake the grading exercise. It is desirable that the grading exercise is undertaken by an independent agency, as it will have objectivity and acceptance by financial institutions etc.

4.5.13 A number of Government and Non-Government Organizations, working with SHGs across the country have evolved very effective strategies for grading the SHGs. The grading criteria should be consistent with the characteristics that are agreed to be essential for strong, self-managed and vibrant SHGs. In other words, clarity on the features to be promoted in a SHG should become the starting point for any grading exercise.

Following are the various processes that are involved in the grading:

- Development of exhaustive list of characteristics of a good group by DRDA in consultation with its partners if any, involved in promotion and development of SHGs.
- Development of criteria for grading of the groups with appropriate weightage
for various parameters.

❖ Identification of suitable agency to undertake grading exercise.

❖ Intensive training to the investigators who will interact with the members of the group to assess the group on various parameters. This training can either be conducted by the agency identified for grading or by DRDA.

❖ Facilitate the agency to visit the groups for assessing the status of the groups.

❖ Obtain SHG-wise reports with the rating awarded and the reasons.

❖ Develop an appropriate SHG-wise action plan for strengthening the groups identified as "weak" or average.

❖ Pursue with bankers for securing SHG linkage with such SHGs that are rated as "good".

4.5.14 Grading exercise should not be a questionnaire-oriented exercise where the members become passive participants. It should provide an opportunity for the members to assess their own performance to a participatory approach and the investigator assumes the role of the facilitator to the process.

4.5.15 DRDAs should ensure active participation of the bankers in the grading exercise. In this context, NABARD and local banks will have to be involved very closely right from the development of criteria for grading the groups. The criteria, the strategy and operational details of the grading exercise should be discussed in the District SGSY committee.

4.5.16 Right from the beginning, it is necessary that the self-help groups should be nurtured carefully. The grading exercise must therefore be carried out at different stages. To start with, the objective of the SHG in the first six months is to evolve as a viable group. Accordingly, the grading at the end of six months should be with reference to the objectives in the first stage of the evolution of the self-help groups. Grading exercise should be undertaken every quarter till such time all the groups obtain good grade.

**Capacity building of the self-help groups**

4.5.17 Every SHG that is in existence at least for a period of 6 months and has demonstrated the potential of a viable group enters the second stage, wherein it receives the Revolving fund and also embarks on further capacity building of its entire team. DRDAs will arrange to provide the revolving fund to such groups, meeting their share form out of 10% of SGSY-SGSY fund. The groups shall keep the following principles in view concerning the management of the revolving fund.
The revolving fund is provided to the groups to augment the group corpus so as to enable more number of members to access loans and also to facilitate increase in the per capita loan available to the members.

As the revolving fund become part & parcel of the group corpus, the group should follow same norms for utilisation as in the case of their own SAVING fund.

The group should discuss the credit requirements of the members and advance loans from out of the corpus (SAVINGs + interest + revolving fund) to a few members and fix repayment schedule and interest rates. From the amounts recovered from the loanees, new members could be covered.

The revolving fund imparts credit discipline and financial management skills to the members, so that they become creditworthy and bankable in the eyes of the bank.

On receipt of tae revolving fund, the group shall utilise the fund in the manner and for purposes it deems fit. The idea is that the group should develop the capacity to utilise funds it, has received from outside. The revolving fund can be used, by the group for purchase of raw materials, marketing or infrastructure support, for income generating activities. It can alternatively be used for lending to individual members for their own purposes. The members shall inculcate the habit of prompt and full repayment of the loans taken by them from the revolving fund.

4.5.18 These groups that have received the revolving fund under DWCRA or any other programme shall not be eligible to receive the revolving fund under SGSY. However, there is no bar on such groups receiving credit and subsidy under group loaning under SGSY, after they have demonstrated their functioning as a viable group. At the end of six months from the date of receipt of the revolving fund, the SHG will be subjected to another grading test to see if it is has been functioning effectively and is capable of taking up an economic activity through higher levels of investment. It is important that the hank should he satisfied about the grading of the SHG at this, stage. Therefore, the choice of the agency carrying out the grading as well as the criteria should he to the satisfaction of the hank.

At the end of the second stage" the SHG at this stage is broadly expected to
demonstrate the following attributes.

1. The per capita loan amount availed by its members increases gradually over the years.

2. There is a shift from consumption loans to production loans.

3. The group is able to clearly identify its training needs to the members and give value to the training input received by its members.

4. The members are able to investigate into their poverty situation and are able to articulate clearly the opportunities for overcoming their poverty.

5. The group is able to develop a portfolio of opportunities (investment opportunities) for the members and has a clear plan of action for meeting the credit requirement of its members.

6. The group acquires the capacity to undertake participatory monitoring of assets created from the loans advanced to its members.

7. The group has implemented some community action programmes and is capable of continuing to do so independently.

8. The dependency on outside facilitating agency on matters related to group management would gradually come down and the groups emerge as self-managed in terms of managing various aspects of group and financial management.

9. All members have total clarity on the common activity, including the economics of the activity.

10. The members have clarity on the responsibility of each and every member and the management of the common activity.

11. The members have clear assessment of their training needs.

12. The members - have evolved effective strategy for participatory monitoring of the common activity.

Taking up of economic activities.

4.5.19 Once the SHG has demonstrated that it has successfully passed through the second stage, it is eligible to receive the assistance for economic activities. This is in the form of loan and subsidy. There are two ways in which a SHG can receive this assistance.

1) Loan-cum-subsidy of SGSY to the individuals in a group, provided the prospective Swarozgaris in the group are capable of and willing to take up
income generation activities under these sectors.

2) Loan-cum-subsidy to the group where all the members in the group want to take up a group activity.

**Loan-cum-subsidy to the members of the Group.**

4.5.20 Though a few individuals are identified as beneficiaries under loan-cum-subsidy, it is essentially the group that is standing guarantee for the prompt repayment of the loan to the Bank. The group also undertakes responsibility to closely monitor the asset management and income generation. The group also is expected to access services from the line departments concerned to enable the members to derive the expected income from the activities undertaken. Since the groups are constantly interacting with the banks, their initiatives to secure continuous line of credit to the Swarozgaris to access multiple dose of loan become critical. In any case, the members of the group who are assisted under SGSY’s loan-cum-subsidy assistance want to avail the backend subsidy nothing should prevent the members to do so. Considering multifarious support services swarozgari is receiving by being member of a group it is natural that the group may like to charge a part of the subsidy provided to the swarozgaris as individual contribution to the group corpus. The Swarozgari is expected to repay all the loan installments to the banks through the group and the group - may keep to itself part of subsidy component. In any case, this is an issue that has to be left to the decision of the group.

**Loan-cum-Subsidy for the Group Activity**

4.5.21 Group activities stand a better chance of success because it is easier to provide back-up support and marketing linkages for group activities. SGSY will primarily follow the group approach. The groups should demonstrate minimum levels of group dynamism, as detailed above before considering for assistance with loan cum subsidy for the group under SGSY. The group loans are entitled to 50% subsidy subject to a limit of Rs.1.25 lakhs. D.RDAs should conduct training programmes to the members and the representatives of the groups so that the groups become fully self managed and evolve into strong groups. The cost of the group formation and development should be met from the SGSY Revolving Fund (10% of SGSY). Considering the
experiences of the NGOs involved in development of SHGs in the country, it is estimated that an amount of Rs.1,000 per group would be the investment required over 3-4 years.

**B. INDIVIDUAL SWAROZGARIS**

*Identification and selection*

4.5.22 In case of individual Swarozgaris, their selection will be as follows: Once the list of villages is finalized by the Block SGSY committee every year, the concerned Sarpanches should be intimated. The individual Swarozgaris are to be selected in the Gram Sabha. It is possible that the Gram Sabha held at the Panchayat headquarters may not have the participation of all the BPL families. Therefore, in order to afford the maximum participation for the poor, a 3-member team consisting of the BDO or his representative, the banker and the Sarpanch should visit each of the habitations in the Panchayat according to a schedule drawn up for this purpose and duly published. In each habitation, the team must then ascertain from the BPL families the persons who can be covered under the designated key activity. This process of selecting the potential Swarozgaris should be done carefully.

4.5.23 The selection of the Swarozgaris must be done in an open and transparent manner. The poor should have the confidence that if they fulfill the requisite conditions they would be able to avail of the facilities under the programme. It is possible that number of such potential Swarozgaris would be more than the programme available to the bank/BDO. In such a case the fact may be made known and the best of the potential entrepreneurs can be taken up for final say. While SGSY is not a programme that targets only the poorest of the poor, it should be the endeavor of the committee to cover the relatively poorer among the BPL families provided however they are otherwise eligible.

4.5.24 In case the committee is not sure of sufficient numbers of potential, Swarozgaris being sanctioned the loan, it is open to the committee to select a higher number and leave the final selection to the bank. The effort in this exercise is twofold. On the one hand, while the bank is to be free to choose the Swarozgaris, the effort is also to see that this is done in a transparent manner.

4.5.25 After the selection is made, the BDO shall arrange to have the applications filled by the selected persons. Since most of the potential Swarozgaris are illiterate and some of them would be very poor, it is necessary that the profonna prescribed by the banks should be simple while, however satisfying the legal requirements. It
should also be in the local language. The DRDAs should particularly look into the matter and also take steps to familiarize the BPL families with the loan sanction process and the proforma so that the poor are not overawed by the process.

4.5.26 Once the banks have received the applications, they should sanction the application normally in 15 days and at any rate not later than one month. Every year the process of sanction by the banks should normally be over by July. Further details are given in Chapter IV.

4.5.27 The list of Swarozgaris finally selected (for the year) should be got printed by the BDO and the copies made available to the Gram Panchayat for placing it before the next Gram Sabha. This list shall also be made available to the DRDA, other block officials, bankers and all other concerned agencies.

4.6- FINANCING THE INVESTMENTS-BANK CREDIT AND SUBSIDY

4.6.1 Financial assistance to Swarozgaris under SGSY comprises of two components viz. loan and subsidy. SGSY is a credit-linked scheme and credit is the key element. Subsidies only a minor and enabling component. The major part of investment consist of bank credit from financial institutions comprising commercial banks, cooperative banks and regional rural banks. This chapter deals with the various aspects of the flow of credit and subsidy to the Swarozgaris.

Norms of Lending

4.6.2 The size of loan project depends on the nature of project. The loan should, however, be a composite loan comprising both fixed and working capital. SGSY has no investment ceiling other than the unit cost (i.e. investment requirement) worked out for the project. The loan amount would be equal to the total project cost including the amount of subsidy admissible to the Swarozgaris. Interest rates for SGSY loans will be as notified by RBI/NABARD from time to time.

Security Norms: The security norms will be as prescribed by Reserve Bank of India from time to time.

Sanction of loans by the Banks

4.6.3 As indicated in chapters III and IV, the BPL families that are best suited for taking up a particular key activity are identified each year. From the date the applications are received in the bank, the bank shall not take more than fifteen days
to sanction the loan. The Bank will thereupon communicate this to the Gram Panchayat, which shall place it before the Gram Sabha in its next meeting. The bank shall also communicate this list to the BDO as well as the concerned line department.

4.6.4 The bank will also consider the Groups for lending for a given activity. In such case too, the bank shall communicate the name of the selected group to the Gram Panchayat and others for action as above.

4.6.5 While sanctioning projects, the Bank Managers should ensure that the unit costs, terms of loan and repayment schedule are as indicated in the project profiles for the concerned key activity. Part-financing and under financing should not be resorted to under any circumstances. However, where the nature of the activities such that the loan is to be released in states, the disbursal may be made accordingly.

4.6.6 As soon as the selection is made and the list communicated to the line departments, the latter will processed to test whether the Swarozgari has the necessary skill or not (refer to Chapter VI).

4.6.7 As soon as the Swarozgari completes the Basic orientation or the skill-training program, the Bank shall proceed to disburse the loan and subsidy amount to the Swarozgari. This shall invariably be done immediately, so that the money is available to him/her for purchase or creation of the asset. The entire amount sanctioned shall be disbursed unless the amount is to be disbursed in designated installments. The Bank shall disburse the subsidy amount also as per the guidelines governing the back ended subsidy.

Asset creation by Swarozgaris

4.6.8 Swarozgaris will be given the full amount (Loan and Subsidy) and they will have the freedom to procure the asset themselves. The Swarozgari shall procure the asset within one month from the date of release by the bank of the money. He/she shall inform the BDO and the Bank of the fact of procurement of the asset. The Swarozgari should subsequently furnish to the bank a receipt of the items purchased. The assets procured should be of standard quality, and at economic prices. Both DRDA and banks should ensure through proper monitoring and verification that quality assets have been procured.

4.6.9 In the case of Swarozgaris under the ISB sector, when a number of sundry items are to be bought, disbursement up to Rs. 10,000 may be made in cash. This can be done either in one lump-sum or in stages depending upon the items to be
purchased. This will give the Swarozgari requisite freedom to negotiate and settle the price for the asset and will also give him the satisfaction that he has purchased goods of his own choice. In all cases, necessary documents relating to acquisition of assets should be obtained by the bank and also followed up through visits by the field staff of bank within one month of disbursement.

4.6.10 In the event the Swarozgari does not inform the bank of the fact of procurement, the bank shall inform the BDO who shall enquire into the reasons. If the non-procurement is due to the negligence of the Swarozgari, the bank, in consultation with the BDO, shall afford him reasonable opportunity of doing so after which the banks shall be free to cancel the loan and recover the money. The Swarozgari will be liable for civil as well as criminal proceedings that are likely to arise in such a case. In case of the SHGs, all the members will be liable.

4.6.11 On receipt of the news of procurement, the line department as well as the Bank shall verify the asset and satisfy themselves of its quality. Thereafter, the assets should be marked to check the mis-utilisation or transfer of the assets. This is also necessary in the eventuality of filling insurance claim and physical verification of assets etc.

4.6.12 While providing for a key role to the Gram Panchayats, SGSY accords certain direction to bankers in the selection of Swarozgari. The bankers are, therefore, expected to associate themselves in the entire amount of activities so that development- banking concept is taken to its logical end. The aptitudes of the Swarozgari and their endowments should be weighed properly while selecting them for credit support. The Subsidy-Credit Ratio proposed by the Ministry from time to time should be taken as a floor ratio rather than upper limit for credit sanction. In fact, SGSY guidelines do not provide for any ceiling for investment. The investment requirements have to be assessed based on the unit cost and the Swarozgari's needs and viability of the scheme.

**Multiple Credit and Multiple doses of Credit**

4.6.13 SGSY will seek to develop close linkages with credit mechanism in such a manner as would promote multiple credit rather than a one time credit injunction. Multiple doses of credit would mean assisting a Swarozgari over a period of time with a second and subsequent dose(s) enabling him/her to access higher amount of credit. The Swarozgari should have the confidence that so long as he/she proves her credit worthiness by way of proper utilization of the asset and prompt repayment, the
bank will stand by him/her and will provide additional credit, whether or not this is backed by subsidy. As already indicated, while SGSY is a credit-cum-subsidy programme, the subsidy is only an enabling element and credit is the key component. The Swarozgaris will be allowed to stabilise and improve their credit absorption capacity and to increase their credit intake over the years either for the same activity or a new activity. The second subsequent dose can be given even during the currency of first/earlier loan provided the bankers is satisfied about the financial discipline of the first/earlier dose. Subsidy entitlement for all doses taken together will not exceed the limit prescribed for that category.

Further Loan to inadequately Assisted beneficiaries under IRDP

4.6.14 As already indicated, assistance under SGSY should be on multiple doses and not a one-time - activity. This will facilitate gradual improvement in the income earning capacity of Swarozgaris. Such second and subsequent doses of credit can be extended to IRDP beneficiaries if they have failed to cross the poverty line because of no fault of theirs. The second and subsequent loans may be granted by the same bank that gave the initial loan or any other bank.

Principles and Procedure for Disbursement of Assistance

4.6.15 The funds received by the DRDAs will be kept in SAVING bank accounts. The DRDAs can open these accounts with the principal participating bank branches in the field. The funds deposited in the SAVINGs bank account will earn interest at the usual rates till the amount is disbursed to the Swarozgari. After assistance is disbursed to the Swarozgari, the participating bank will provide the particulars of the Swarozgari, the project and the amount of subsidy adjusted in his/her favour for the record of the Block/DRDA. These details should be made available in the monthly report on the adjustment of subsidy prepared by the bank and sent to the Blocks/DRDAS. While computing the figures of advances and recoveries, the banks are to exclude the amount of subsidy received so as to reflect the factual position. The banks- are to report separately the amount of recoveries under SGSY. The amounts of the Blocks/DRDAs with the participating banks should be reconciled every three months and a bank reconciliation certificate should be issued by the Chartered Accountant in this regard at the end of the year.

Subsidy

4.6.16 Subsidy under SGSY will be uniform at 30% of the project cost, subject to a maximum of Rs. 7500. In respect of SC/STs, however, these will be 50% and Rs.
1000 respectively. For Groups of Swarozgaris (SHGs), the subsidy would be at 50% of the cost of the scheme, subject to a ceiling of Rs. 1.25 lakh. There will be no monetary limit on subsidy for irrigation projects.

**Back-end Subsidy.**

4.6.17 Subsidy will be back-ended. Banks would disburse the full project cost including subsidy to the Swarozgaris as loan. The benefits of subsidy will also be available to Swarozgaris who prefer to avail themselves of required working capital in the form of cash credit. The operation of subsidy amount by the bank will be as follows:

a) The subsidy admissible to the Swarozgaris under SGSY should be kept in the Subsidy Reserve Fund Account Swarozgari-wise instead of in term deposit in the name of the Swarozgari. Banks should apply no interest on the Subsidy Reserve Fund Account. In view of this, for the purpose of charging interest on the loan, the subsidy amount should be excluded. The balance lying to the credit of subsidy Reserve Fund Account will not form part of DTL for the purpose of SLR/CRR.

b) In the case of Working capital advances also, subsidy may be kept in the Reserve Fund Account as stated above without any interest being offered. However, the amount standing in the credit of the account should be withdrawn and credited to a Cash Credit Account of the SGSY Swarozgaris after a period of 5 years

4.6.18 The repayment schedule of loan would be drawn in such a way that the subsidy kept under Subsidy Reserve Fund would be sufficient for adjustment towards the last few installments. Swarozgaris will not be entitled for any benefit at subsidy, if the loan is fully repaid before a certain fixed period specified by NABARD depending upon the activity. The availability of the benefit of subsidy to Swarozgaris would be contingent on their proper utilisation of loan as also its prompt repayment and maintaining the asset in good condition.

4.6.19 Banks will issue loan passbooks to Swarozgaris. The passbooks should, inter alia, contain details such as the date of sanction of loan, amount of loan sanctioned, subsidy to be adjusted in the final installment of repayment, rate of interest, amount due under each installment, due dates of installments, etc. The bank may issue loan books to Swarozgaris in regional languages. Banks should ensure that the branch managers fill in all the columns in the pass books, as otherwise the purpose of
issuing the pass books will be defeated.

Repayment of Loan

4.6.20 All SGSY loans are treated as medium term loan with minimum repayment period of five years. Loan installments will be fixed as per the unit cost approved by the NABARD/DLCC and there will be a moratorium on repayment of loan during the gestation period. Repayment installments should not be more than 50 percent of the incremental net income expected from the project. Number of installments will be fixed in accordance with the principal amount, the-interest liability and the repayment period.

4.6.21 Swarozgaris will not be entitled for any benefit of subsidy if the loan is fully repaid before a certain fixed period known as the lock-in period. The lock-in period for various activities under SGSY can be categorised broadly into three categories depending on the loan repayment period for 5, 7 and 9 years. The lock-in period corresponding to these repayment periods would be 3, 4 and 5 years respectively. If the loan is fully repaid before the currency period, the Swarozgaris will be entitled only to pro-rata subsidy.

Measures for Affecting Recovery

4.6.22 Prompt recovery of loans will be an important aspect of SGSY, not only to ensure a discipline but more importantly as it reflects the success of the self-employment programme. All concerned must therefore, ensure that the recovery is hundred percent. To ensure this, the following measures shall be undertaken:

4.6.23 The Block SGSY committee shall monitor, every month, the progress of different Swarozgaris. In particular, it should be seen whether the schemes have been grounded and whether they are giving the swarozgari the intended income and also whether the Swarozgari is repaying the loan. Prompt action in case of defaults cannot be over emphasised. The bank shall furnish every month the list of defaulters, and the Block SGSY committee shall go into the reasons. The line departments and the BDO shall contact the Swarozgari and take such remedial measures as are necessary. In case of groups, there shall be a periodic meeting of the SHGs to monitor the performance. In addition, the Gram Panchayats will also be given the list of defaulting Swarozgaris and requested to take suitable measures to see that the loans are repaid. In Panchayats with high default rates, the BDO/DRDA shall organise recovery camps. It is necessary that the DRDA keep a close watch over the repayment position in each Panchayat. In addition, the District
administration shall assist the banks in the recovery through designated legal processes, including appointment of Special Recovery Officers. Enactment of the Model Bill as recommended by the Talwar Committee may be expedited.

4.6.24 The banks would take all possible measures i.e., personal contact, organisation of joint recovery camps with District Administration, legal action, etc. In case, even after this, the bank fails to recover the entire dues, the process of forfeiture of subsidy for adjustment against dues will be taken up. For this purpose, a notice will be issued to the Swarozgaris and he/she will be provided reasonable opportunity to show cause why his/her subsidy should not be forfeited. Thereafter, the concerned banks will place before the District SGSY committee a complete report on action taken and a proposal for forfeiture and adjustment of subsidy. After getting the approval of the committee, the concerned bank will adjust the subsidy (including interest earned) against the Swarozgari's dues. However, if the bank is-able to realise any amount from the Swarozgaris subsequently over and above the amount due to it, the amount will be returned to the DRDA.

4.6.25 Constant flow of information about every Swarozgari is necessary to ensure full recovery. Since the banks are also understaffed they may engage the services of NGOs or individuals (other than government servants) as Monitor-cum-recovery facilitators, on a commission basis. A processing cum monitoring fee of 05 percent of the loan amount may be changed to the Swarozgaris to meet this expenditure.

4.6.26 In order to ensure recovery discipline, with effect from 1.1.2001, any Panchayat that registers a recovery of less than 80% under SGSY will not be eligible for consideration under SGSY. Likewise, any Panchayat Samiti registering a recovery of less than 80 % will see the further programme suspended in the Samiti.

4.6.27 In order to ensure that Panchayats / Panchayat Samitis do not meet with such a situation, they shall keep a close watch over the situation. The report of the Block SGSY committee shall be placed by the BDO before the Panchayat Samiti. The District SGSY committee shall also review the recovery position every month and ensure that steps are taken to recover the loans.

Incentives and Disincentives for Recovery performance

4.6.28 In order to promote credit discipline among Swarozgaris and also to bring about a sense of accountability of the community, the following incentive and disincentives system is introduced.

a) At the Swarozgari's level, prompt repayment will entitle him/her to waiver of
the 0.5% processing cum monitoring fee.

b) At Gram Panchayat level and block level- a minimum of 80% recovery should be ensured by Panchayats and block. Those Gram Panchayats and blocks that do not fulfill the required performance will not be eligible for any allocation under SGSY in the subsequent year.

Observance of Non-banking Day

4.6.29 Banks are required to observe one day-in a week as non-banking day to enable the bank officials to go to the field and attend to the problems of Swarozgaris.

Risk Fund for Consumption Credit.

4.6.30 To meet the small consumption needs of weaker sections of society, a Risk Fund for consumption Credit can be created with ( one per cent) (1%) of SGSY funds at District level.. The scheme is intended to enable Commercial Banks, Cooperative Banks and Regional Rural Banks to provide consumption loans, not exceeding Rs. 2000 per Swarozgaris from weaker sections of society. "Weaker Section" means all SGSY Swarozgaris, small and marginal farmers, landless agricultural workers, rural artisans and other people of very small means like carpenters, barbers, washermen etc. who form an integral part of the village community. Under this scheme, risk fund assistance is provided to the banks to the extent of 10% of the total consumption loans disbursed by them during the year to the above mentioned target groups.

Refinance for SGSY Loans

4.6.31 Commercial banks (including Regional Rural Banks and Cooperative Banks) are eligible to get refinance from NABARD for the loans disbursed under SGSY, as per their guidelines. The eligibility for refinance is related to the recovery position of the banks. In addition, insurance cover to Commercial Banks and Regional Rural Banks is also available through the Deposit and Credit Guarantee Corporation.

Service Area Approach

4.6.32 The RBI has introduced Service Area Approach with effect from 1.4.1989. It is applicable to rural and semi-urban branches of commercial and Regional rural Banks. Under this scheme, each Bank branch has a designated service area comprising certain villages in which it will concentrate its activities for productive lending. The financing for SGSY in those villages is, therefore, to be done by the Bank Branches to which they have been allocated.
4.6.33 RBI has clarified that if some RRBs are not in a position to sanction the applications sent to them on account of constraint of funds, inadequacy of staff etc. the designated branch of the commercial Bank should extend financial assistance in such cases.

INSURANCE

Marking of Assets

4.6.34 The assets should be marked to check the mis-utilisation or transfer of the assets. This is also necessary in the eventuality of filing insurance claim and 'physical verification of assets etc.

Insurance Cover for Various Assets

4.6.35 Insurance Cover at present is available for livestock assets given under IRDP (now SGSY). The General Insurance Corporation has agreed to provide this cover on the terms and conditions as reflected in the specimen Master Policy and Long Term Master Policy Agreement signed between the GIC and the State Government.

(i) Live stock Insurance

The coverage and premium rates are to be fixed in accordance with the Master Policy Agreement.

(ii) Scope of Cover

The live stock policy provides indemnity in the event of death of animal/bird due to accident inclusive of fire, lightening, riot and strike, flood, cyclone, earthquake, famine or due to any fortuitous cause of disease contracted or occurring during the period of insurance subject to certain exclusions.

(iii) Sum insured

The cost of the asset shall be treated as the sum insured for the settlement of claims. For permanent total disablement (PTD) claims 75% of the sum insured Shall be payable.

(iv) Claim procedure

The claim procedure is simplified to secure expeditious disposal of claims. The Bank/DRDA shall forward a death certificate given jointly by any two of the following within 30 days from the date of occurrence:

1. Sarpanch/Upsarpanch of Village;
2. President or any other officer of the cooperative credit society;
3. Official of Milk Collection Centre or Government Veterinary Surgeon/Veterinary Assistant;
4. Supervisor/Inspector of Cooperative Central Bank
5. Authorised nominee of DRDA;
6. Secretary of panchayat;
7. Village Revenue Officer;
8. Village Accountant
9. Head Master of Primary School

(v) Adjustment of Insurance Claim Money

The procedure of adjustment of insurance claim of animals will be as follows:

(a) Where the borrower has been regular in payment of interest/repayment of installments and is willing to receive a replacement animal, the claim proceeds may be utilised to purchase new animal.

(b) Where the Swarozgari was a wilful defaulter and has additional dues to the bank by way of interest, the claim proceeds would be adjusted to the bank loan liability and the balance may be paid to the DRDA. However, if the default was not willful, replacement animal may be provided out claim proceeds

(c) Where the Swarozgari has been regular in payment of loan and interest but is unwilling to take a replacement animal he may be offered assistance for some other activity and claim proceeds utilised for financing the same. If he is unwilling to take any other activity, the claim money may be utilised by giving to the bank an amount equal to the balance outstanding in the loan account. The DRDA will also get subsidy amount proportionate to the balance loan outstanding and balance, if any, may be given to the beneficiary. Here, the Swarozgari is entitled to share the claim proceeds to the extent of loan repaid by him because he has utilized the asset properly and has paid the banks dues until the death of animal and has fulfilled the programmes objective to that extent.

(vi) Other facilities

The General Insurance Corporation of India have informed that if an IRDP (now SYSY) beneficiary has other milch animals where no loan or subsidy is involved, such milch animals could also be insured at the concessional rates of premium i.e. 2.25% per annum or 1.69% for three years. It has also intimated that IRDP (now SGSY) beneficiaries who have closed their loan account can insure the animals acquired by them through loan and subsidy at the concessional rates of
premium for a further period of three years after closing the loan account it animals do not exceed the insurable age limit.

**Expenditure on Premium**

The expenditure on the premium is to be shared between the Government, Bank and the beneficiary in the following proportions:

<table>
<thead>
<tr>
<th>Table 4</th>
<th>Expenditure on Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>When the bank do not participate</td>
</tr>
<tr>
<td>Swarozgaris</td>
<td>1.25%</td>
</tr>
<tr>
<td>Government</td>
<td>1.00%</td>
</tr>
<tr>
<td>Bank</td>
<td>Nil</td>
</tr>
</tbody>
</table>

The expenditure to be borne by the Government will be shared between the State and the Centre in the ratio- of 75:25. It should be met out of SGSY funds but should not be included in the individual subsidy ceiling applicable to the beneficiary.

**Group Life Insurance Scheme**

4.6.36 A group life insurance scheme for swarozgari aged not less than 18 years and not more than 60 years was introduced w. e. f. 1.4.88. This scheme is operative from the date on which the asset is disbursed to the swarozgari till the swarozgari completes the age of 60 years or a period of 5 years from the date of commencement of the cover, whichever is earlier. A sum of Rs. 5000 shall become payable by LIC to the nominee of the deceased in the case of natural death. In the event of death due to accident a sum of Rs. 10000 shall become payable by LIC.

**4.7 - SKILL UPGRADATION**

4.7.1 It has been well recognised that for success of self employment endeavours and also for their sustainability, the required skill to successfully run the enterprise is a pre-requisite. SGSY proposes a number of measures for upgrading the capacity of Swarozgaris both in individual as well as group oriented activities.

4.7.2 While developing the project profiles for the identified key activities, the District SGSY committee should in consultation with concerned technical personnel determine the Minimum Skill Requirement (MSR), in terms of both the technical
and managerial skills. Once the person or group of persons has been identified for assistance their training needs also should be ascertained with reference to MSR. The assessment regarding technical skills may be made by the line Departments while that of the managerial skills may be made by the banker while scrutinising the loan application. MSR and therefore need only a basic orientation and those who need skill training. Keeping this in mind two types of training are contemplated under SGSY.

**Basic orientation programme**

4.7.3 Where the Swarozgari possesses the required skills, he/she may be put through a basic orientation programme after the loan is sanctioned and before it is disbursed. This mandatory programme may be organised at the block headquarters, not far from the place of residence. This basic orientation programme will seek to familiarise the Swarozgaris with SGSY and its objectives, the responsibilities of the Swarozgari, as well as the behavioural aspects. It will also seek to infuse confidence in the Swarozgari by drawing his/her attention to the success stories in the given key or allied activity, as well as alert him/her the possible risks. This programme will include elements of book keeping, knowledge of market, identification and appraisal, acquaintance with product costing and product pricing, familiarisation with object financing by banks as well as some basic skills in the key activity identified. It will be a very short duration and should not normally be more than two days. BDOs, Bankers and line Departments can act as resource persons for this training. Training expenses like training material, honorarium to resource persons, travel and food expenses of Swarozgaris can be met by DRDA from SGSY Training Fund. No stipend will be admissible.

**Skill Development Training**

4.7.4 For the identified activities, Swarozgaris who need additional skill development! up gradation of skills appropriate training may be identified and suitable training programmes organised. Government institutions like engineering colleges, ITIs, Polytechnics, Universities and NGOs may be approached to imparting training. The objective of this training is to ensure that the Swarozgaris possess the Minimum Skill Requirement (MSR). Swarozgaris will be eligible for assistance only when they possesses MSR and loans will be disbursed only when they have satisfactorily completed skill training.

4.7.5 For this training, Swarozgaris will be entitled for financial assistance if they
require to undergo training for more than a week. The rate of assistance may be fixed locally. The bank will give this money to the Swarozgaris as a soft loan.

**Identification of training institutions**

4.7.6 Data on the available training infrastructure should be collected so as to make an optimal use of the existing infrastructure facilities at the district as well as the block levels. The facilities may include institutions such as ITIs, Polytechnics, Krishi Vigyan Kendras, Khadi and Village industries Boards, State Institutes of Rural Development, Extension Training Centres, reputed voluntary organisations and any departmental facilities available in that area. Private institutions shall not normally be used for training, unless they are well known and have excellent infrastructural facilities that are otherwise not available. There is however, know bar to utilise the private sector industrial units for appropriate training. The selected training institutions should have adequate facilities in terms of faculty, buildings, etc. The DRDA will be entitled to meet the expenses, incurred by the training institution for conduct of the training programme, from out of the SGSY Training fund, but such expenses should not exceed Rs 15 per trainee day.

**SGSY Training Fund**

4.7.7 Up to 10% of SGSY funds will be set aside as training and will be utilised to provide both orientation and training programmes to the Swarozgaris, as indicated above. A separate Head of account should be opened for this purpose.

**4.8 - TECHNOLOGY**

4.8.1 The effort under Swarnjayanti Gram Swarozgar Yojana is to ensure the development of sustainable micro enterprises. The self-employment referred under SGSY is moving away from provision of some additional income generation to a well-defined goal in terms of output, incomes and the time which the assisted family comes above the poverty line. For any successful enterprise, appropriate technology of paramount importance. The issues involved in technology management are primarily as follows:

(a) What technologies to be identified
(b) Who will be responsible for technology management, including issues of technology transfer, technology upgradation and most importantly, monitoring of technology absorption.
4.8.2 The technology identified for each key activity should be such that it can be managed comfortably by the swarozgari and at the same time leads to a quality products, either in terms of goods /services. More importantly, it should be something that has been tested on the field. For, it is always possible to have an exhaustive list of technologies fit for rural areas but these mayor may not have been proven commercially. Care should be taken to avoid giving unproven technologies to the rural poor, since they do not have the capacity to suffer losses arising out of experimentation. It is not as if technology has to be introduced afresh into each and every activity. Any given activity there is a certain level of technology. It is possible that introduction of certain technology may substantially alter the economics of working, in which case such new technology needs to be introduced. There could be in other cases where the technology can be upgraded to produce better economic results. In any case the technology introduction / upgradation should be such as to suit needs of rural poor for the given key activity.

4.8.3 The process of technology identification is closely inter-linked with the identification of key activity itself. The technology itself should be such that support services and infrastructure are adequately available. The project profiles of the key activities should clearly state the present status of technology, feasibility and potential for technology upgradation. Technology options may be explored in the area of:

- processing value addition and packaging
- linkages with agricultural and animal husbandry extension services
- Productive enhancement, efficiency improvement, cost - effectiveness, drudgery reduction etc.

4.8.4 Under SGSY, it is expected that the assisted family would come out of poverty tine in three years. It is therefore necessary that during this period the swarozgaris be closely monitored. In the earlier self-employment programmes the lack of such nurturing has been acutely felt. Typically in a block about 300-600 people would be assisted in one year. In other words about 900-1800 families need to be nurtured at any point of time. Since SGSY for uses on the group approach, the number of groups would not be far too many. Besides the swarozgaris either individually or in groups would distributed over the four or five key activities in the
block. For each key activity it is necessary to have an institution capable of transmitting technology ensuring skill upgradation and monitoring the performance in terms of the quality of output as well as the recovery. The choice of such agency can vary depending on local situation. There can be the line departments themselves or any of the technical institutions such as Engineering Colleges, Polytechnics, ITIs, having competence in the relevant field or an NGO having the necessary competence. This can even be a research institution, a Krishi Vigyan Kendra or even major private sector unit. All the institutions that are available in a block / district should be considered and the best available option exercised. In this regard there are a number of community polytechnics (442) in the country with the avowed objective of promoting employment in the rural areas. Each of these community polytechnics has five extension centres. Similarly, there are 14 technology resource centres established by CAPART. The National Research & Development Corporation (NRDC) also has 52 rural technology demonstration cum training centres. In addition under TRYSEM itself a number of exclusive training centres have been established. Besides, the KVIC has also a number training as well as research institutions. In the field of agriculture, a large number of Krishi Vigyan Kendra, Fanners Training Centres and regional centres of Agriculture Universities are available. Thus, a considerable knowledge already exists in the districts. The DRDAs must therefore strive to gather the existing knowledge and channelise this not only into identification of key activities but also into immediate transfer of technical knowledge to entrepreneurs, so long as its commercial viability is not in question.

4.8.5 The manner of communicating the technology, either in terms of introduction or upgradation would be important and this should done in such a manner that the swarozgaries could fully understand the same. Since skill upgradation is already provided for the costs incurred in respect of technology management can be incurred from the SGSY training fund. Any assistance to be provided to an institution identified for transfer of technology should only be nominal and should not be such that it supports the institution as such. The expenditure is meant essentially for swarozgaris.
4.9 MARKETING SUPPORT

4.9.1 For any goods or services that are produced, existence of a suitable market is essential. Traditionally, the self-employment programmes concentrated on the inputed rather than the outputs and their marketing. It was not uncommon to find production strategies in place overlooking the marketing aspects. One often finds that the recommendation of an activity is not preceded by the much needed market survey. There is a false notion that market surveys are not required in case of the self-employment opportunities for the rural poor. In fact, it is as critical, if not more, for the poor. For, he/she cannot sustain the loss arising out of a lack of market even for short periods. It is therefore necessary that the project profile of every key activity identify the market availability. The forecast of the incomes to be earned by the Swarozoqbarin must take into account this factor and forecast the incomes only the basis of an assured market. This would be a critical factor in the choice of the key activity itself.

4.9.2 It is possible that this might appear to be a formidable proposition and that the field functionaries might feel that they are unequal to the task. Happily, this is not so. While to most of us, market mechanism may appear W1 intelligible and a complex task, in reality it means checking out what sells and what does not Goods and services are traded every day in all parts of the coun1Jy. What is needed is to see what sells in the local markets. A study conducted some years ago for the Ministry of Rural development indicated that the rural Haats (markets) playa significant role. An analysis of these markets therefore reveals the opportunities. Secondly, an analysis of the daily requirements, either for personal use or agriculture and exploring ways of meeting the demand locally can lead to some useful results. At times, the product concerned might require some promotional activity in order to raise demand

4.9.3 A study of the local markets might reveal that what the villagers purchase can as well be produced locally. The opportunities must fully explored. At the same time, it must be remembered that it is neither feasible nor desirable to produce all goods in all places. The choice of activity therefore must governed by the possibilities that exist on account of the resources of an area, the available skills and the market. It is always possible to develop the skills or even the markets but this must weighed against the fact that it would require time and effort.

4.9.4 Next in importance are the market in urban areas. There is an increasing
trend towards urbanisation in the country along with a change of consumer tastes and demands. The goods in demand could in the primary sector or otherwise. An analysis of these urban markets would reveal the consumer preferences and the potential for the rural entrepreneurs. There can be a good potential for value added items, such as cleaned and packaged food items, processed fruit and vegetables etc. The emerging urban markets can be a good area for developing clientele for the rural products. Provision of marketing infrastructure in these areas can go a long way in enabling the rural poor to market their goods and at the same time building an identity for the products. The self-help groups can be encouraged to try out these markets - their own so that they slowly develop marketing skills. They can also start marketing the goods of the individual Swarozgaris. Infrastructure Food can be used for strengthening marketing infrastructure and related activities.

4.9.5 The marketing of goods outside the districts requires an intermediary agency. This can be in the Governmental, non-governmental or private sector. The one aspect that requires to be taken care of is the stability of the agency, their own competence and their capacity to ensure that the rural producer is getting his/her fair share of the profits. Care should be taken to see that only such agencies that do not exploit the rural producers and are well established in the business are chosen for the purpose. These agencies may market the products in the, national or international markets.

4.9.6 Some State governments have established District Supply and Marketing Societies (DSMS) to provide non-credit inputs like procurement or purchase of raw material and also for sale of products. Wherever these societies are doing good work, they can be suitably strengthened. Similarly, in States such as Orissa and Kerala, there are marketing societies at the State level. Their capacity and product range can be suitably expanded. However, it is not always necessary to establish new agencies. It should be a felt need after a careful analysis of the existing infrastructure, and should be part of a strategy for promotion of marketing support to product under SGSY.

4.9.7 Organisation like Handicrafts Boards and Handloom corporations and also KVIC/KVIB can playa prominent role in promotion of SGSY. The marketing outlets of KVIC/KVIB must be made use of for SGSY products. Keeping the 'market trends
in view, linkages with apex bodies can ensure a stable market at remunerative prices. Such a link will also result in quality improvements while reducing the market risks to the poor. Bankers can also encourage such initiatives that liberal credit delivery since the loan recovery can be built into the project. There are several NGO and other independent institutions to market products from rural artisans/craftsmen across the Country. DRDAs should strive to develop linkages with such groups.

4.9.8 A few States have organised Melas to give publicity to the range of products produced by the Swarozgaris. Such efforts need further encouragement so those SGSY Swarozgaris will be integrated with the regional markets. Organising of Exhibitions periodically in urban centres will offer better price to the goods of SGSY Swarozgaris. This also serves as forum for sensitizing the SGSY group to the demand patterns of the market. The State level organisations and boards have to develop an organic link with the SGSY Groups and provide virtual linkages. These professional bodies can guide the poor in supply of designs and in quality assurance. Attempts to establish State emporia for display and sales of SGSY Products in major urban cities need to be given a fair trial.

4.9.9 Quality of products is vital not only for the development of entrepreneurs but also for the nation as a whole. It must be the responsibility of the marketing agencies to ensure that the Swarozgaris are trained in quality control. The goods marketed must confirm to a minimum and uniform quality so as to be able to develop a brand image. This is important even in respect of the goods that are produced for local consumption. The DRDAs must organise periodic meets of the Swarozgaris and ensure that they are given the necessary guidance in quality control. There must also be a system of the experts in the relevant fields visiting the work places and guiding the Swarozgaris.

4.10 IMPLEMENTATION

4.10.1 A close involvement of different agencies is essential for the success of Swarnijayanti Gram Swarozgar Yojana. SGSY is implemented by District Rural Development Agencies (DRDAs) through the Panchayati Samitis and, with the active involvement of other Panchayat Raj Institutions, the banks the line departments and the NGOs.

4.10.2 The DRDAs are expected to co-ordinate the implementation of the programme. In particular their role will be critical in organisation of the self-help
groups and their capacity building as well as in terms of coordination with the technical institutions for technology and training, the banks for planning and credit mobilisation, the line departments for infrastructure and technical follow up as well as in coordinating the marketing activities.

4.10.3 The Gram Panchayats will play a crucial role in SGSY. The Gram Sabha will first approve the list of BPL families. Besides, at the beginning of each year, the potential Swarozgaris for taking up the designated key activities would be identified in each habitation by a 3-member committee including Sarpanch. The list of Swarozgaris who are sanctioned the loan by the banks would be placed before the Gram Sabha. The Gram Panchayat would also be take steps to provide from its funds under JGSY or any other programme, the common infrastructure necessary for the key activities. The Gram Panchayat would actively monitor the performance of the Swarozgaris and in particular whether they are repaying the loan regularly.

4.10.4 The Panchayat Samiti (block level) will approve the key activities that are identified for the blocks before the list is send to the BOO through the District Level Technical Group. The Panchayat Samiti would review every month the reports sent by Block SGSY committee. In particular, the Panchayat Samiti would review the recovery performance. The Zilla Parishad will be reviewing the performance under SGSY in its general meetings.

4.10.5 The Bankers play a very critical role in the implementation of Swarnjayanti Gram Swarozgar Yojana. SGSY is a credit-cum-subsidy programme. Credit is the key component and subsidy is only a minor and enabling component. SGSY envisages the close association of bankers at all stages of the programme implementation, right from the identification of the activities, clusters, self-help groups, identification of individuals swarozgaris as well as planning for all the elements of the key activities. The Bank has the final say in the selection of swarozgaris. An elaborate mechanism has been put in place to ensure post-credit monitoring as well as for loan recovery.

4.10.6 The Line departments have an important role to play in the entire exercise, for they will be responsible for implementation and monitoring of respective sectoral activities. SGSY would need a very close collaboration between the implementing agencies and the line departments. This collaboration starts with the identification of key activities and preparation of project reports. The line departments will be responsible for planning and creation of the infrastructure required to make the key
activity successful. In addition once the bank has sanctioned the loan, the line departments must ensure that all facilities including technical guidance are provided to the Swarozgaris. The line departments may also verify whether the Swarozgaris have the necessary skill requirement and take steps to train them. This line departments should also satisfy themselves about the quality of training that is being imparted. They should assist the DRDAs in ensuring that the Swarozgaris are duly trained in appropriate institutions. It shall be their responsibility to monitor the progress and whether Swarozgaris are able to derive the expected levels of income. The line departments will treat promotion of self-employment in their sector as much their responsibility as that DRDN Panchayati Raj Institutions/Banks and it should an integral part their day-to-day functioning.

4.10.7 The NGOs have also an important role to play. They can be used in the formation and nurturing of the SHGs as well as in the monitoring of the progress of the Swarozgaris. Where feasible, their services can also be utilised for provision of technology support, quality control of the products. What the NGOs can do would depend on the nature of the NGO and its competence. Care must therefore be taken to ensure that only those NGOs are utilised in the programme as are capable of supporting the programme. At the same time, every effort must made to ensure that all resources available in the district are made use of.

4.10.8 Similarly, care must be taken to ensure the participation of the technical resource available in the district, in the form of technical institutions. These technical institutions may not always have ready solutions to the problems but if they are properly oriented ,they can come up with solutions to different problems. If they are made part of an ongoing process, their own capacity will be built up, with long-term benefits. The District SGSY committee must pay particular attention to this aspect.

Co-ordination Mechanism

4.10.9 A close coordination between different agencies responsible for Implementation of SGSY is critical for the success of the programme. The programme should be treated as a joint programme with all agencies being conscious of their respective roles. In order to ensure the coordination the following committees are constituted under SGSY.

Block Level SGSY Committee

4.10.10 There shall be a Block Level SGSY Committee in each block. Its
The composition will be as follows:

1. Project Director - DRDA - ChaUman
2. Project Officer (Self-employment)- Member
3. Branch Managers of all implementing bank branches in Block-Members
4. Block Level/Sub-Division level officers of the concerned line departments - Members.
5. NGO representative (one) – Member+
6. Block Development Officer - Convenor

The meetings of this Committee shall be convoked by the BDO. The Lead Bank Officer, DDM, NABARD and the Lead District, RBI may attend the meetings as special invitees. They may attend as many meetings as possible in each block, so that they are familiar with the ground level problems and can help in sorting them out.

The main functions of Block Level SGSY Committee are:

a) Selection of key activities at the beginning of the programme;

b) Selection of villages and number of Swarozgaris to be covered each year;

c) Distribution of the work among the bank branches;

d) Monitoring of the performance by different agencies;

e) Co-ordination issues in respect of infrastructure, credit, technology and marketing;

f) Review of incomes being earned by Swarozgaris;

g) Review of the recovery performance; fixing dates for recovery camps etc;

h) Conduct of sample checks for verification of assets.

i) Drawing up of the monthly report (the monthly report may be drawn by BDO based on information furnished by the banks. A review of the report in the monthly meeting will help the block level committee in identifying different problems. It is, however, not necessary to hold up the preparation of the report in the absence of this monthly meeting).

j) Review of progress of Swarozgaris in crossing the poverty line.

The block level committee shall meet between 5th & 10th of every month. It must be ensured that meetings are held regularly. Branch Manager of financing institutions should report in a pre-determined format about the SGSY financing in the Block and the same should be compiled by BDO. The proceedings of the Block
Level SGSY Committee shall be sent to Panchayat Samiti for information and necessary action, if any. A copy should also be sent to the PD, DRDA and to the Lead Bank Officer.

**District Level.**

4.10.11 At the District Level, there shall be a District SGSY Committee under the Chairmanship of the District Collector/Chief Executive Officer. This Committee meets every month to review the progress of SGSY and suggest corrective action wherever necessary. The composition of District Level SGSY Committee will as under:

<table>
<thead>
<tr>
<th></th>
<th>District Level SGSY Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>District Collector/Chief Executive Officer</td>
</tr>
<tr>
<td>2.</td>
<td>DDM of NABARD</td>
</tr>
<tr>
<td>3.</td>
<td>LDO of RBI</td>
</tr>
<tr>
<td>4.</td>
<td>District level Coordinators of the implementing banks</td>
</tr>
<tr>
<td>5.</td>
<td>Concerned Heads of district level line dents</td>
</tr>
<tr>
<td>6.</td>
<td>General Manager, DIC</td>
</tr>
<tr>
<td>7.</td>
<td>District KVIB Officer.</td>
</tr>
<tr>
<td>8.</td>
<td>Project Director, DRDA</td>
</tr>
<tr>
<td>9.</td>
<td>2-3 NGO representatives</td>
</tr>
<tr>
<td>10</td>
<td>Lead Bank Officer</td>
</tr>
</tbody>
</table>

The functions of the District SGSY Committee include:

(i) Review of SGSY Plan
(ii) Monitoring and review of the overall progress in physical and financial terms
(iii) Sorting out inter-agency differences and to prepare items for consideration of State Level Committee.
(iv) Assessing training needs of Swarozgaris and also to review the arrangements for training including identification of appropriate institutions and also
(v) Monitor the recovery position bank-wise and block-wise so as to initiate corrective measures where necessary.
Table 6

State level SGSY Committee

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of the post</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Chief Secretary / Development Commissioner</td>
<td>Chairman</td>
</tr>
<tr>
<td>2.</td>
<td>Secretary, D/o institutional finance</td>
<td>Member</td>
</tr>
<tr>
<td>3.</td>
<td>Secretary, D/o Planning</td>
<td>Member</td>
</tr>
<tr>
<td>4.</td>
<td>Secretary, In-charge of women’s development</td>
<td>Member</td>
</tr>
<tr>
<td>5.</td>
<td>Concerned Heads of the Line Department as &amp; when Required</td>
<td>Member</td>
</tr>
<tr>
<td>6.</td>
<td>Secretary, in charge of welfare of SC/STs</td>
<td>Member</td>
</tr>
<tr>
<td>7.</td>
<td>Representative of NABARD (local head of Regional Office)</td>
<td>Member</td>
</tr>
<tr>
<td>8.</td>
<td>Representative of RBI</td>
<td>Member</td>
</tr>
<tr>
<td>9.</td>
<td>Representative of concerned implementing banks at the State Headquarters</td>
<td>Member</td>
</tr>
<tr>
<td>10.</td>
<td>A representative of Govt. of India, not below the rank of Deputy Secretary</td>
<td>Member</td>
</tr>
<tr>
<td>11.</td>
<td>Director, SIRD</td>
<td>Member</td>
</tr>
<tr>
<td>12.</td>
<td>Convener, SLBC</td>
<td>Member</td>
</tr>
<tr>
<td>13.</td>
<td>Secretary, in charge of Rural Development</td>
<td>Member, Secretary</td>
</tr>
</tbody>
</table>

Functions of the State Level SGSY Committee are as under:

- To provide leadership and guidance in the planning, implementation and monitoring of the programme.
- To review the district-wise progress under SGSY and suggest remedial actions.
- To monitor and evaluate the implementation of the programme with reference to the objectives of the programme.
- To review the involvement of reputed NGOs in the SGSY and provide directions if necessary.
- To provide a forum for a meaningful dialogue between the policy makers at the State level and the implementers at the field level as well as the Bankers.
- To discuss any other issue relating to SGSY.

Central Level

4.10.13 The Department of Rural Development in the Ministry of Rural
Development, Government of India, New Delhi has the over-all responsibility of policy formulation, monitoring and evaluation of the programme and for release of central share of funds. A Central Level Coordination Committee (CLCC) has been constituted as under to assist the Department. The CLCC will meet once in six months.

Table 7
Central Level SGSY Committee

<table>
<thead>
<tr>
<th></th>
<th>Secretary, Ministry of Rural Development Chairperson</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Deputy Governor, Reserve Bank of India Member</td>
</tr>
<tr>
<td>3</td>
<td>Secretary, Dept. of Agricultural &amp; Co-operation Member</td>
</tr>
<tr>
<td>4</td>
<td>Secretary, Department of Expenditure Member</td>
</tr>
<tr>
<td>5</td>
<td>Special Secretary, Banking Division, Ministry of Finance Member</td>
</tr>
<tr>
<td>6</td>
<td>Secretary, Department of Women and Child Development Member</td>
</tr>
<tr>
<td>7</td>
<td>Secretary, Department of Small Scale &amp; Agro-related Industries Member</td>
</tr>
<tr>
<td>8</td>
<td>Secretary, Department of Science &amp; Technology Member</td>
</tr>
<tr>
<td>9</td>
<td>Secretary, Ministry of Welfare Member</td>
</tr>
<tr>
<td>10</td>
<td>Managing Director, NABARD Member</td>
</tr>
<tr>
<td>11</td>
<td>Advisor, (Rural Development), Planning Commission Member</td>
</tr>
<tr>
<td>12</td>
<td>Additional Secretary &amp; FA, Ministry of Rural Development Member</td>
</tr>
<tr>
<td>13</td>
<td>State Secretariat of Rural Development Member</td>
</tr>
<tr>
<td>14</td>
<td>Chairman – cum – Managing Director of all commercial sector banks Member</td>
</tr>
<tr>
<td>15</td>
<td>Director General, CAPART Member</td>
</tr>
<tr>
<td>16</td>
<td>Director General, NIRD Member</td>
</tr>
<tr>
<td>17</td>
<td>Chairman, Indian Banks Association Member</td>
</tr>
<tr>
<td>18</td>
<td>Joint Secretary (IRD), Department of Rural Development Member</td>
</tr>
</tbody>
</table>

Other Officials/non-officials may be invited to the meetings of this Committee if their presence is felt necessary.

The functions of CLCC are as under :-

1. To review and ensure effective implementation of the programmes.
2. To review linkages for support services for SGSY.
3. To review progress of these programmes in physical financial and qualitative terms including credit assistance.
4. To consider concurrent evaluation reports.
5. To provide a forum for a continuous dialogue with the State Governments and Bankers and
6. To review the credit arrangements and recommend changes and improvements as and when necessary.
Setting up of SGSY Cells in Banks

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

4.11 - FUNDING PATTERN AND FINANCIAL PROCEDURE

Criteria for Allocation of Funds to the States

4.11.1 Swamjayanti Gram Swarozgar Yojana is a centrally sponsored scheme and the financing of the programme will be shared between the Centre and the State in the ratio of 75:25. The central allocation earmarked for the States will be distributed in relation to the incidence of poverty in the States. However, additional parameters like absorption capacity (based on past trend in utilisation of SGSY funds) and special requirement will also be taken into consideration during the course of the year. Devolution of funds to the districts will be indicated by the States and approved by the Government of India. Government of India will release the funds directly to the DRDAs. Devolution to the Blocks may be decided by the Governing Body of the DRDA based on level of poverty and other local factors. Re-allocation may be made by the DRDA within a district. This can be made during January for the remainder of the financial year.

Eligible Items of Expenditure

4.11.2 Each DRDA may incur expenditure on the following items only from the funds provided for SGSY :-

1. SOSY Training Fund (10% of the allocation)
2. SOSY Infrastructure Fund. (20% of the allocation; 25% in case of NE States)
3. Provision for Revolving fund to SHGs (10% of the allocation)
4. Subsidy for economic activities.

For administration, separate funds through a district’s Centrally sponsored scheme of DRDA Administration will be provided.

Release of Funds

4.11.3 The Centre releases funds in two installments. In the case of cold snow bound
Districts viz., Lahul and Spiti, Leh and Kargil where the working period is limited to a few months, the entire central share of assistance can be released in one installment. These releases should be immediately followed with the releases by the States.

**Release Procedure for Central Share of SGSY Funds**

**A. NORMAL AREAS**

(I) **Release of First Installment:**

The release of first installment of SGSY subsidy amount can be made without any formal request if the second installment in the previous year had been released without any condition. If this installment was not released at all or was released with some conditions, formal requests for release of first installment are required from the DRD As after the conditions have been fulfilled/reasons for non-release of the second installment have been met. The release of the first installment should ordinarily be completed by the end of the second month of the financial year.

(ii) **Release of Second Installment:**

The second installment of Central funds is released on the request of the DRDAs in the prescribed proforma fulfilment of the following conditions:

1. Budget provision for the current year may be indicated by the State Governments. The Central release will not exceed it proportionately.

2. The State Government should have released its contribution during the previous year. Deficiency in release of its share will be deducted from the second installment.

3. The opening balance of the DRDAs should not exceed 15% (20% for the year 1999-2000) of the allocation of the year in which funds are being released. In case, the opening balance exceeds this limit, the Central share of the amount by which it exceeds this limit will be deducted at the time of release of second installment.

4. Available funds including carry forward funds should have been utilised at lease to 60%.

5. Audit reports, utilisation certificates for the previous year should be furnished.

6. Annual Plan should have been approved by the Governing Body of the DRDA.

7. Any other terms and conditions imposed at the time of the last release should
have been met.

8. The States should ideally get the release of second installment latest by the end of December. The quantum of second installment releases while seeking the second installment will be made dependent on the time of reporting of utilisation. Depending on the receipt of complete proposal for second installment, the quantum will be governed as follows:

**Proposals received:**
- by the end of December: 50% of allocated funds
- by the end of January: 40% of allocated funds
- by the end of February: 30% of allocated funds
- in March: 20% of allocated funds

**B. COLD DESERT DISTRICTS**

Funds will be released in one installment but the following conditions should be satisfied before next release:

a) Conditions laid down at the time of release of funds during the previous year should have been satisfied.
b) Budget provisions for the current year should have been indicated and Central releases should not exceed it.
c) State Government should have released its share during the previous year. Deficiency in the release of the State contribution would be deducted from the current year's release.
d) Carry forward balances should not exceed 15% (20% for the year 1999-2000) of the last year's allocation. Excess carry forward would be deducted from the current year's release.
e) 75 percent utilisation of available funds including carry forward funds.
f) Annual Plan should have been approved by the Governing Body of the DRDA
g) Audit Report, utilisation Certificate and Bank Reconciliation Certificate for the previous year should have been received.

**4.12 MONITORING**

4.12.1 For ensuring that Swarozgari crosses the poverty line, it is not sufficient to provide him assets through subsidy and loan. The progress of management of his assets for generation of incremental income has to be continuously followed up monitored and evaluated.
4.12.2 The follow-up on the projects given to the Swarozgari should be done by the DRDA/Block officials, and bankers to see that the Swarozgari is properly managing his assets and is able to generate the projected income. AU. efforts should made to remove any difficulties that the Swarozgari may be facing. Every Swarozgari should be given Vikas Patrika. Two copies of this document should prepared of which one copy should be given to the Swarozgari and the other should be kept at the Block headquarters. Both the copies should be kept continuously updated regarding the health of the project

4.12.3 An annual physical verification of assets may also be undertaken on a drive basis at the end of every year. The results of such verification should be incorporated in the Annual plan for the next year.

4.12.4 Follow up and monitoring will also be done at the different levels and agencies like DRDA, BDO, Panchayat_Bank branches etc.

4.12.5 The performance of the implementation of SGSY is to be monitored continuously at all levels. At the Block and District levels this is done through reports and physical verification of the assets. At the Central Government level, the programme will be continuously monitored on the basis of monthly progress report. The States will send district-wise information received from the DRDA to-the Centre as under

(a) Monthly Progress Report

Monthly Progress Report should be sent so as to reach the. Centre by the 20th of every succeeding month. The proforma for submission of above monthly progress report will be communicated to the States.

(b) Annual Progress Report

The monthly progress report for the last month of the financial year i.e. March will be treated as the final Annual Progress Report for that year.

This annual progress report. should be sent along with an analytical note -on the implementation of the SGSY in the State particularly, on the following points:

(i) The physical and financial progress during the year
(ii) The linkages provided and availed of for various activities
(iii)General comments on the implementation of the programme including suggestions, if any.

Quantitative Monitoring of SGSY at Block/DRDA Level

4.12.6 For effective implementation of the programme, physical monitoring through
field inspections is important. Officers dealing with SGSY at the State headquarters shall visit districts regularly and ascertain through field visits that the programme is being implemented satisfactorily and is in accordance with the prescribed procedures and specifications. Likewise, officers at the district, sub-division and block levels must closely monitor all aspects of the programme through visits in the interior areas.

4.12.7 In order to develop a consistent system of monitoring the implementation of SGSY at Block/DRDA level through field visits and physical verification of assets as well as progress of the swarozgaris towards income generation the following schedule of inspection of families by the various levels of officers is suggested:

District Magistrate/Chairman DRDA 10 per month
(i) Project Director, DRDA 20 per month
(ii) Project Officer & Project Economist 40 per month
(iii) SDMs 20 per month
(iv) BDOs 20 per month
(v) ADOs 20 per month

4.12.8 District Collector/Chairman DRDA should prescribe suitable number of field visits for the officers of the line Departments and obtain their inspection reports. On the basis of these inspection reports the Monitoring Wing at DRDAs will prepare a consolidated report. These reports should be discussed in the meetings of the Governing Bodies of DRDAs. Necessary corrective action should be taken wherever necessary. DRDAs will also send consolidated report on quarterly basis to States along with summary of comments on salient observations and follow up action taken on these issues.

4.12.9 The State Level SGSY Committee, should review quarterly the findings emerging out of qualitative monitoring of the programme as a standing agenda. Selected Chairmen. Project Directors Should be invited to such meeting.

Evaluation Studies

4.12.10 The States/UTs should conduct periodical evaluation studies on the implementation of the programme.

4.12.11 Evaluation studies may be given to the reputed institutions and organisations, on issues thrown up by the concurrent evaluation meriting detailed studies. These
studies may be given by the centre as well as the States/UTs. Copies of the evaluation studies conducted by the State should be furnished to the Central Government.

4.12.12 Remedial action shall be taken by the States/UTs on the basis of the observations made in these evaluation studies and also in the conclusion Evaluation conducted by Government of India.

4.13 - SPECIAL PROJECTS

Introduction

4.13.1 Under SGSY, funds are released to the DRDAs and are utilised as per decisions taken at the local level. Sometimes, the poverty reduction efforts require coordinated action by different departments and it may call for planning and coordination which may extend beyond the individual districts. There may also be occasions when the different departments or DRDAs or State Governments might want to try out new initiatives which are in the nature of pioneer projects, capable of triggering much needed growth impulses. Such projects would be indicators of possible alternative strategies. In order to take up such projects, 15% of the funds Wider SGSY will be set apart by the Ministry for such initiatives in conjunction with other departments, semi-government organisations such, the Khadi & village Commission, Development Commissioner, Handicrafts, Commodity Boards, etc., or international organisations. This would include initiatives to be taken in the individual districts or across the districts. If during the course of the year, such funds cannot be fully utilized, the balance funds will be distributed among the States along with the programme funds whose redistribution during the year will keep in view the absorption capacity of different States.

Objective

4.13.2 The objective of each special project would be to ensure a time-bound programme for bringing a specific number of BPL families above the poverty line through self-employment programmes. As per the programme guidelines, every assisted family must be brought above the poverty line in three years. The projects may involve different strategies to provide long term sustainable self-employment opportunities either in terms of organisation of the rural poor, provision of support infrastructure, technology, marketing, training etc., or combination of these.
Approval of Special Projects:

4.13.3 The State Governments or semi-government organisations at the National level or international organisations may pose projects under this component. To consider the proposals received, there shall be a two-tier committee system.

a) Project Screening Committee
b) Project Approval Committee

(a) Project Screening Committee:

The projects submitted would be examined and considered by the Screening Committee before they are submitted to the Approval Committee with its recommendation. The composition of the Projects Screening Committee would be as under:

Table 8

<table>
<thead>
<tr>
<th>Projects Screening Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint Secretary (IRD), D/o Rural Development</td>
</tr>
<tr>
<td>Director / Dy. Advisor (RD), Planning Commission</td>
</tr>
<tr>
<td>Deputy Director (IFD), D/o Rural Development</td>
</tr>
<tr>
<td>Director/Deputy Secretary/Joint Director dealing with the subject</td>
</tr>
</tbody>
</table>

The Screening Committee would also be responsible for periodical review and monitoring of the projects sanctioned under the scheme.

The composition of the Projects Approval Committee would be as under:

Table 9

<table>
<thead>
<tr>
<th>Projects Approval Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secretary, M/o Rural Development</td>
</tr>
<tr>
<td>AS&amp;FA, M/o Rural Development</td>
</tr>
<tr>
<td>Advisor (RD), Planning Commission</td>
</tr>
<tr>
<td>Joint Secretary (IRD)</td>
</tr>
</tbody>
</table>

A project being forwarded to Government of India under special projects of SGSY should inter-alia include the following details:
1) Likely beneficiaries/families of beneficiaries and year-wise details of long term and short term benefits (financial & in the nature of assets created and self-employment) expected to flow to the beneficiaries.

2) An analysis of the activities proposed to be undertaken and the possibility of its replicability elsewhere.
   a) The approach proposed to be adopted for achieving the objective and the activities selected under the project proposal in relation to the available resources.
   b) Details of integration with other on-going rural development programmes in the area and arrangements for dovetailing funds from non-SGSY resources.

Special projects should be distinct from the normal projects schemes given to the individual group prepared and taken up by the implementing agencies under SGSY.

**Period of Implementation of Project**

4.13.4 The period of implementation should not normally exceed three years.

**Releases under the Special Projects**

4.13.5 Releases under the projects shall be made as per schedule of releases approved for each programme. Recurring expenditure such as creation of posts or vehicles or maintenance expenditure shall not be admissible in the projects.

4.13.6 The reports and returns will be submitted to the Central Government by the implementing agencies as prescribed generally or for specific projects.