Draft

Suggestions for National Rural Livelihood Mission: a review of SGSY

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Content

Executive summary

Introduction

1.1. SGSY was designed on the basis of learning of several anti-poverty programs, which were implemented earlier. It is a credit and group oriented holistic anti-poverty program.

1.2. Because of its several positive features like group approach, credit linkage, involvement of NGOs, line departments, banks, PRIs, etc, it is considered as a wonderful program by many stakeholders. Many feel that if the scheme were implemented properly, there will be no need for another scheme.

1.3. However, it has been chronically encountering numerous problems in the implementation. The success rate is modest at best and successful cases are few and far way in terms of space and time.

1.4. Given the importance of poverty alleviation, the Government of India has been extending all kinds of the support to the program. The Government has been constantly getting reviewed the program with several prestigious institutions and experts and improving the program by incorporating the appropriate recommendations.

1.5. However, as most of the studies and reviews were carried with limited mandate, there was no series review of design of the program, which is more critical for the success of the program.

1.6. The major objective of this paper is to review critically the design of the program and make critical suggestions to improve the design of the program.

SGSY, the program, accomplishments, failures and future directions

2.1. Since inception, the program assisted in formation of 35.7 lakh SHGs; assisted 1.24 Cr. Swarozgaris in establishing their own micro-enterprises. The Government of India released Rs.11,486 Cr under the program; bank credit mobilization is Rs.19,017.

2.2. The programs has numerous and severe failures like - Failed to take off; Failed to mobilize the credit as per targets; Failed to target the real poor and vulnerable sections; Low survival rate of promoted micro-enterprises; Realized additional income from the micro-enterprises is, significantly less than anticipated, incremental income of Rs.2,000 per month.

2.3. To overcome these problems, the Government is planning to redesign the program. There are some very important positive features in proposed redesigning, like more flexibility to the states; promotion of SHG federations; setting up of training institutions; placement; interest subsidy; etc. However, the proposed measures can not address the crucial issues like bank credit, low survival rates of assisted micro-enterprises, etc.

Identifies constraints in implementation and suggestions to overcome them

3.1. Critical limitations of the program are – (a) banks are not enthusiastically participating in the program due to mounting NPA, (b) pilferage in different stages of implementation and (c) the primary stakeholders are not participating whole heartily in the program. These critical limitations manifested in different forms. These limitations were identified in the early 2000s itself. Since then several measures were taken to overcome various implementation related problems, without success.

3.2. The principal reason, for persistence and magnification of these limitations and problems, is the deliberate and strategic behavior by different stakeholders like banks, officials and swarozgaries.

3.3. To overcome these limitations, the design related problems of the program have to be identified and removed, in other words the program has to be redesigned.

Design related issues

4.1. As the SGSY is a macro program with Government of India willing to allocate large sums of money and planning to universal coverage of all BPL families in the country, it has to be consistent with overall development stage and direction of the economy and development theory.

4.2. The assumptions of the program are not consistent with present economic development stage and direction of the economy and international experience. The underlying assumptions of the program are:

- 4.2.1. The poor need a number of employment opportunities to come out of the poverty.
- 4.2.2. Self employment is superior form of employment compare to other forms of employment.
- 4.2.3. By integrating the government subsidy with bank loans the participants can get best of the both.
- 4.2.4. Group approach is better suits for income generating activities.
- 4.2.5. Through cluster approach a number of advantages could be reaped.

4.3. With about 2.6% unemployment rate and about 26% of poverty rate, India's major challenge is ***poverty among working people***. What the poor basically needed is increase in their productivity and remunerations, not additional employment hours and days. Financial inclusion is one of the critical factors for increasing productivity and remunerations of the poor.

4.4. The evidence across the globe suggests that self employment is neither preferred nor superior option for the poor, especially for the poorest of the poor.

4.5. Integration of state subsidy program with bank credit not only adversely affected the SGSY program but also has detrimental effect on regular SHG banking. The participants may be feeling that government/ subsidy and bank/ loan one and same.

4.6. Several studies warned about the negative effect of SGSY on SHG banking, e.g. *SGSY ... is the antithesis of SHG, and a cancerous virus to destroy the long term growth of SHG* (Dasgupta, R 2006).

4.7. SGSY has detrimental effect on repayments even in regular SHG banking. According NABARD data, NPA (1.69%) is least in states, where SGSY groups constitute less than 25% of total groups. It is highest (8%) in the states, where SGSY groups constitute over 75% of total groups. The same pattern could be seen in SGSY and non-SGSY groups. It indicates that where SGSY groups are in large number, they can have negative impact on the repayment behavior of non-SGSY groups also. Without addressing this critical problem, expansion of SGSY program could have devastating effect on one of the India's finest programs – SHG banking.

Suggestions for revamping of SGSY

5.1. The program may be renamed as Program for Rural Prosperity (PRP) and divided into two separate sub-programs viz. (1) Financial Inclusion and (2) Livelihood Promotion or Employment Transformation.

5.2. Financial inclusion proved to be the panacea for poverty alleviation and SHG banking proved to be most effective tool for financial inclusion benefiting not only the clients but also the banks.

5.2.1. Suggestions to promote SHG banking

5.2.2. SHGs have emerged in all parts of the country, but with different quality. Poor quality of SHGs is one of major hurdles in the progress of SHG banking.

5.2.3. Federations at village/ cluster; block/ sub-district and district level may be promoted to strengthen existing SHGs and promote new SHGs to cover so far uncovered poor/ households. Federations could also take up the activities, which the SHGs can not take up independently. Investment may also be made to strengthen existing federations.

5.2.4. Members' education level should be considered as major criterion to get elected as leader of federation.

5.2.5. Wherever, the banking system is not accessible or indifferent to SHGs, the federations could be prepared to take up financial intermediation.

5.2.6. Promoting agencies should be provided adequate financial and capacity building resources and timeframe for promoting quality SHGs and federation.

5.2.7. Promoters should be given 4 to 5 years timeframe to make the federations truly autonomous institutions. The promoter should have clear road map for role transformation and it should be implemented in letter and spirit. Latest by the end of 5th year promoting agency should withdraw completely from the functioning of federations.

5.2.8. However, promoters can play a longer role in the functioning of financial federations.

5.2.9. SHG banking should be allowed to function as regular banking business. The government should restrain from all sorts of interferences including interest rate fixing, giving targets, loan amount, etc. Recent farm loan waivers and some rumors during elections apparently have lead to significant drop in repayment rate of SHG loans. The Government should avoid such wrong signals. Instead if the Government wants to provide relief to any sections, it can provide such relief through 'direct cash transfer' method.

5.2.10. The government could provide interest subsidy, which is being implemented in Andhra Pradesh. It would improve the repayment rate and encourage the banks to increase their exposure to SHG banking as noticed in Andhra Pradesh.

5.2.11. The government may also work on awareness and sensitization of bankers. The government may understand the concerns of banks such as quality of SHGs, political interferences in the functioning of SHGs/ federation and address them.

5.3. To obtain desirable employment transformation and to take full advantage of booming secondary and tertiary sectors, the Livelihood Promotion Division may focus on manufacturing and service sectors. It may promote both: (a) micro-enterprises/ income generating activities and (b) small and medium enterprises in service and manufacturing sectors.

5.4. Suggestions for effective promotion of micro-enterprises/ IGAs

The micro-enterprises/ income generating activities may be initiated along with financial inclusion work, but with different set of families. There may not be common membership in both these programs.

5.5.1. The guiding principle should be that assisted units not only generate direct employment/ income benefits to the participants, they should have large indirect benefits, contributing for revolutionizing of the local economy.

5.5.2. The program may focus on educated persons, as educated unemployment is major problem in the country.

5.5.3. Groups of different sizes could be promoted for different income generating activities. These groups should be completely independent of SHGs nurtured by the Financial Inclusion Division. These groups could be called by different name like swarozgar groups or common interest groups (CIG) or some other name.

5.5.4. After group stabilization and after providing appropriate and adequate training, each group may be assisted to acquire capital assets like transport vehicles auto, jeeps, tempos, agricultural machinery like tractors, threshers, shops – repairs -electrical, electronics, mechanical, ICT centers, phone booths, cell phone services, hotels and restaurants, etc.

5.5.5. These items could be obtained on the basis of own contribution cum subsidy cum bank credit.

5.5.6. As indirect benefits of most of these activities are many times more than the direct employment they create, subsidy could be given more generously.

5.5.7. These activities, especially transport and communications, not only provide direct employment to the group members, but also open up a number of income and marketing opportunities to hitherto cut off areas. Many household could increase their production levels from subsistence level to marketing levels. Many housed can acquire small assets like sheep, goats, calves, piglets, poultry birds on their own and get benefitted if markets are expanded.

5.5.8. Banks may have the ‘qualification certificates’ of participants and ‘acquired assets’ as security. Hence all acquired assets should be suitable to pledge as security.

5.5.9. Wherever, banks are not willing to participate, big MFIs could also be involved. Even financial federations could be involved in these activities as financers.

5.5.10. Corruption could be a big issue, in implementation of this program. To overcome this problem, monthly targets could be fixed. Anti corruption machinery may be strengthen and made more active at least in the initial years of implementation. Wide publicity may be given in media about anti corruption mechanism.

5.5. Small and medium enterprises

The small and medium enterprises may be provided to village/ cluster; sub-district/ block and district level SHG federations, which were promoted/ strengthened under financial inclusion program. To develop a sense of ownership, on the part of the primary members, over their institutions and small and medium enterprises to be developed, a minimum of one year gap may be provided between the withdrawal of 'institutional building' promoting agency and entry of small and medium units providing agency.

5.6.1. The possible units could be agri-processing units like rice mills, juice factories, cotton ginning mills, oil mills, poultry feed making units, etc; rural warehouses, cold storages; bulk milk cooling units, milk processing units, production and marketing of bio-chemicals, readymade garment making units, etc. Federations could also be helped with facility to organize weekly markets.

5.6.2. The advantage of these units are, that they develop entrepreneurship in the federation, provide a large number of regular employment to the members and give a big boost to the local economy particularly to the primary sector.

5.6.3. Federations should be helped to have state of art facilities. Profession consultancy firms could be hired to provide complete package of services from market survey, identification appropriate units, appropriate technologies, building of units, trail run, tie ups with suppliers and marketing of production, etc on a turn –key basis.

5.6.4. These units also could be developed on the basis of own contribution cum subsidy cum bank linkage.

5.6.5. Banks could have acquired/ created assets as security.

5.6.6. These units should be provided only to the non-financial federations, which are of good quality and willing to take up these kinds of units.

5.6. Implementation mechanism should follow the design of the program. It should be kept in mind that proper withdrawal strategy and implementation of the same in letter and spirit is essential for the development of people's institutions.

Suggestions for National Rural Livelihood Mission: a review of SGSY

Chapter – 1: Introduction

1.1. Context

For a multi-pronged and concerted attack on the poverty, the Government of India launched an integrated program for self-employment of the rural poor, with effect from 1 April 1999, known as Swarnajayanti Gram Swarozgar Yojana (SGSY). The scheme is an amalgamation of six earlier programs, viz. (1) Integrated Rural Development Program (IRDP), (2) Training of Rural Youth for Self-Employment (TRYSEM), (3) Supply of Improved Tools for Rural Artisans (SITRA), (4) Ganga Kalyan Yojana (GKY),and (6) Million Wells Scheme (MWS) and (5) Development of Women and Children in Rural Areas (DWCRA). The objective of the scheme is to bring the assisted poor families above the poverty line by organizing them into Self Help Groups (SHGs) through the process of social mobilization, their training and capacity building and provision of income generating assets through a mix of bank credit and government subsidy.

According Chaitanya and Chalana study, many official and non-official functionaries, who are involved in the implementation of the program, feel that with positive features like social mobilization; focus on groups; referring 'beneficiaries' as 'swarozgaries'; involvement of NGOs for promotion and nurturing of SHGs and other vital tasks; involvement of bankers and field officers, line-departments, PRIs, in various aspects of the program; critical role to bank credit, etc, is an excellent program. ***If the scheme is implemented properly, there will be no need for another scheme*** (Chaitanya and Chalana (undated).

However the program has never taken off. It has been progressing at snail pace from the inception. It has been chronically encountering numerous problems in the implementation. The success rate is modest at best and successful cases are few and far way in terms of space and time. Given the importance of poverty alleviation, the Government of India has extending all kinds of the support to the program. To overcome the challenges and to build on the positive gains, the MoRD got the program evaluated, experimented and got studied different aspects of the program through noted institutions like RBI, NIRD, BIRD, NIBM, NIPFP, etc and experts (e.g. Prof. Radhakrishna committee). The MoRD has been constantly reviewing and improving the program based on the findings and recommendations of different studies, experiments and experts' advice. The MoRD planned to cover all the poor households in country in the program. The MoRD is in the process of issuing revised guidelines.

As most of these studies are sponsored and/ or facilitated by the MoRD, the parent organization of the SGSY, these studies focused on implementation problems of the program. There was no serious review of the design of the program its underlying assumption. Further, these studies analyzed in details the external constraints on SGSY program, but almost all of them ignored the hazards of the program on the external environment.

1.2. The present study

In this background, it is proposed to analyze critically the design of SGSY program and suggest modification so that the program accomplish, or made major contribution for, the first Millennium Development Goal, i.e. End Poverty 2015. This study acquired more importance as the MoRD choose the program as major tool to eliminate the rural poverty by 2015 and planning to scaling-up the program to cover all the BPL families by 2015.

1.3. Structure of the report

The salient features of the program, its major accomplishments, its failures and its future directions, as envisaged by the MoRD, are discussed in chapter 2. In chapter 3, the identified problems, which are mostly related to implementation of the program, are discussed. The design issues of the program are covered in the chapter 4. Suggestions for revamping of the SGSY program are given in chapter 5. Finally chapter – 6 covers the summary and conclusions of the study.

Chapter – 2: SGSY, the program, its accomplishments, failures and future directions

2.1. SGSY, the program

SGSY is a, credit based; self employment program basically aimed at below poverty line (BPL) families. The objective of the program is to bring the assisted families (swarozgaries) above poverty line by ensuring appreciable sustainable level of income over a period of time. For this purpose, the rural poor are organizes into self-help groups through a process of social mobilization, training and capacity building and provision of income-generating assets (Tankha, Ajay, et al. 2008*)*. It is a central scheme with cost sharing basis of 75:25 by central and state governments. For the North-east sates the ratio is 90:10. It is being implemented by DRDA through Block Development Office. Banks, other financial institutions, Panchayat Raj Institutions, NGOs and Technical Institutions in the district are being involved in the process of planning, implementation and monitoring of the scheme. NGO's help is being sought in the formation and nurturing of the Self Help Groups (SHGs) as well as in the monitoring of the progress of the Swarozgaris. The assisted families may be individual or group. Emphasis is on the group approach. The Scheme aims at establishing a large number of micro enterprises in the rural areas. The main features of the program are given at Box – 1 below. More details of the program are given at Appendix – 1.

Box – 1: Main features of SGSY

- Emphasis on mobilization of rural poor to enable them to organize into SHGs.
- A credit-cum-subsidy scheme, where credit is critical component and subsidy is only an enabling element.
- Participatory approach in selection of key activities.
- Project approach for each key activity.
- Emphasis on development of activity clusters to ensure proper forward and backward linkages.
- Strengthening of group through Revolving Fund Assistance.
- Training of beneficiaries in group processes and skill development – integral part of the project.
- Marketing support with emphasis on market research, up-gradation/ diversification of products, package, creation of market facilities, etc.
- Provision for development of infrastructure to provide missing critical links.
- Active role of NGOs in formation and capacity building of SHGs.
- Focus on Vulnerable sections, i.e. SCs, STs, Women and Disabilities
- Only one member from a family is eligible in a group.

Source: Adopted from Tankha, Ajay, et al. 2008

It is a flexible scheme; the district administration is free to allocate funds for sub-activities like training and capacity building (maximum 10% of total allocation), revolving fund (RF), subsidy and infrastructure development (maximum 20% of allocation). Many argue that it is well designed scheme after careful review of strengths and weaknesses of earlier scheme. ***It is expected to yield Rs.2,000 additional income per swarozgar per month***.

2.2. Accomplishments

The progress of the program since inception is given at Table 2.1. The program assisted in formation of 35.7 lakh SHGs; assisted 1.24 Cr. Swarozgaris in establishing their own micro-enterprises. The Government of India released Rs.11,486 Cr under the program; bank credit mobilization is Rs.19,017; Total subsidy provided is Rs.9,318 Cr. The program helped many participants in improving their economic conditions. It provided new market infrastructure and new marketing channels for the rural poor. The program developed many interesting development models (successful stories).

Table – 2.1: Progress of SGSY since inception up to December 2008

Indicator	Progress
Total Central Release	Rs.11,486 Crore
Total Investment	Rs.28,336 Crore
Total Subsidy Disbursed	Rs. 9,318 Crore
Total Credit Disbursed	Rs.19,017 Crore
Per Capita Investment	Rs.22,883
No. of SHGs formed	35.7 Lakh
Grade I SHGs	23.04 Lakh
Grade II SHGs	10.65 Lakh
Economically Assisted SHGs	7.74 Lakh
Total Swarozgaris Assisted	123.83 Lakh
Number of SC/ST Swarozgaris	58.15 Lakh
No. of Minorities Swarozgaris	4.24 Lakh
Number of Women Swarozgaris	71.06 Lakh

Source: MoRD 2009a: Prepared from the PPT on the progress of SGSY, MoRD Feb. 2009

As the program financed a large number of livestock units, it helped in establishment of many private enterprises such as, bulk milk cooling units (BMCU), hatcheries, livestock breading units, etc, to serve the micro-enterprises in some of clusters. About 50% assisted swarozgariies in 2007 – 08, took up dairy animals (Government of India 2009). BMCUs, which emerged in large number, not only provided alternative market channel but also pushed up the price of milk in many parts of the country, despite significant increase in milk production in recent years.

Another good accomplishment of the program is that it has adopted SHG strategy. The number of assisted SHG/ group swarozgars has increased from 35,000 in 1999 – 00 to 1.15 million in 2007 – 08. At the same time the number assisted individual swarozgars has declined from 586 thousand in 1999 – 00 to 254 thousand in 2007 – 08 (Table – 2.2).

2.3. Failures of SGSY program

Though it was considered as wonderful program, at least conceptually, by many stakeholders, the program failed on many counts. As the purpose of this section is just illustrates the failures of the program, only an indicative list of failures is provided below.

1. Failed to take off.
2. Failed to mobilize the credit as per targets
3. Failed to target the real poor and vulnerable sections
4. Low survival rate of promoted micro-enterprises
5. Realized additional income from the micro-enterprises is significantly less than anticipated incremental income of Rs.2,000 per month.

2.3.1. Failed to take off

The program supported promotion of 292 thousand SHGs in the first year, i.e. 1999 – 00. The number remains around this level in all subsequent years with wide fluctuations from year to year. Similarly, 214 thousand groups passed Grade – I, in the second year of the program, i.e. 2000 – 01. It remains around this level in all subsequent years. Though there is significant growth in the number of groups passed Grade – II and groups, which have taken up economic activities, in total only 685 thousand groups have taken up economic activities (Table – 2.2). It is a little over one-fifth of groups promoted in the scheme.

Table – 2.2: Physical Progress under SGSY since Inception

(thousands)

Years	Self - help Groups formed	No. of SHGs formed Grade-I	No. of SHGs formed Greade-II	SHGs Taking-up Economic Activities	SHG Swaroz-garis Assisted	Inidvidual Swaroz-garis Assisted
1999-2000	292	125		29	35	586
2000-2001	223	214	74	26	319	687
2001-2002	434	176	54	31	365	573
2002-2003	399	190	95	36	414	412
2003-2004	392	205	91	51	578	320
2004-2005	266	220	106	68	789	327
2005-2006	276	211	92	80	873	278
2006-2007	246	222	156	138	1472	220
2007-2008	306	251	117	181	1154	254
2008-2009 (up to Oct. 2008)	298	201	62	46	557	117
Total	3134	2014	948	685	6869	3772

Source: Adopted from Government of India, 2009

2.3.1.1. Funds allocation and utilization

The allocation of the funds for SGSY scheme by both central and states' governments was Rs.1,472 cr. in 1999 – 00, the first year of the program. In subsequent 7 years, the allocation remained below that of first year. It was nearly half of the first year allocation in 2001 – 02 and 2002 – 03 (Table – 2.3). Total amount allocated for the program during 10 years is Rs.14,467 cr. It is about half of budgetary allocation of Rs.28,000 cr. for NREG in just one year, i.e. 2009 – 10 (as quoted in GoI, 2009). As can be seen in the next two chapters, the principal reason for stagnation in funds allocation is non-cooperation of banks. The allocated meager amounts were not fully utilized even in one year during last 10 years program period. Total utilization is 74% of funds made available. However, the utilization ratios are increasing over the years. It has increased from 49% in 1999 – 00 to 86% in 2003 – 04. It remains well over 80% in subsequent years. Though there is provision for utilizing of 10% of allocated funds for training and another 20% on development of critical infrastructure, utilization of funds in these two activities is quite less (Table – 2.3) and relatively more funds used for providing subsidies and grants to SHGs and individual swarozgaries. As a result the program is often known as subsidy oriented program.

Table – 2.3: Allocation and utilization of funds for SGSY

Year	Govt. (Centre + State) allocation	Total funds available	Total funds utilized	% utilized to funds available	Percentage utilization of Funds on :				
					Subsidy	Revolving fund	Infra-structure Dev.	Training/ Capacity Building	Others
1999-00	1472	1962	960	49	36.79	5.06	22.16	4.65	0.79
2000-01	1332	1608	1118	70	52.67	6.73	24.45	4.32	0.82
2001-02	775	1300	970	75	86.16	8.79	15.79	4.97	1.05
2002-03	756	1178	921	78	65.78	12.58	14.79	4.47	1.76
2003-04	1066	1215	1043	86	68.37	15.14	14.47	4.91	2.34
2004-05	1333	1511	1291	85	66.52	10.79	14.1	5.9	2.06
2005-06	1333	1588	1339	86	67.59	11.08	13.3	6.31	2.16
2006-07	1466	1725	1424	83	68.18	9.86	12.99	7.26	2.15
2007-08	2269	2394	1966	82	65.57	9.52	15.98	9.76	5.48
2008-09 (up to Oct. 08)	2666	1737	930	54	76.42	13.87	14.23	9.24	0.21
Total	14467	16188	11963	74	65.4	10.34	16.23	6.18	1.88

Source: Adopted from Government of India, 2009

2.3.2. Credit mobilization

Failure to mobilize the bank credit is major failure of the program. Because of problems in credit mobilization from banks, the governments at centre and states could not increase the allocations over the years. In total, the target of credit mobilization is Rs.29,831 cr. But little over half of that amount was mobilized during last 10 year. However, the proportion of actual mobilization to target is increasing over the years (Table – 2.4). It is a healthy sign. Because of lower than targeted mobilization of bank credit and allocation of relatively higher proportion of funds to subsidy, the ratio of credit to subsidy was about two during the period and did not vary much from year to year. Thus, credit-subsidy ratio remained much below the target ratio of 3:1 (GoI, 2009). It also resulted in less than planned investment per swarozgar.

Table – 2.4: Credit Mobilization and Disbursement under SGSY since Inception

In Rs.Crore

Year	Total Credit Target	Total Credit Mobilized	Credit Mobilized as % of Target	Credit Disbursed to SHGs	Credit Disbursed to individuals	Total Subsidy Disbursed	Subsidy Disbursed to SHGs	Subsidy Disbursed to individuals	Total Credit + Subsidy	Ratio of credit to subsidy
1999-00	3205	1056	33	187	869	542	125	417	1598	1.9
2000-01	3205	1459	46	257	1202	702	168	534	2161	2.1
2001-02	3201	1330	42	318	1011	666	210	456	1995	2
2002-03	2525	1184	47	459	725	606	283	323	1790	2
2003-04	2129	1302	61	708	594	713	444	269	2015	1.8
2004-05	2508	1658	66	1028	631	859	586	273	2517	1.9
2005-06	2516	1823	72	1275	548	905	671	234	2728	2
2006-07	2869	2291	80	1803	488	971	771	200	3262	2.4
2007-08	3744	2760	74	2091	670	1289	991	298	4049	2.1
2008-09 (up to Oct. 08)	3930	1547	39	1136	412	711	461	250	711	2.2
Total	29831	16412	56	9262	7151	7963	4709	3254	24375	2.1

Source: Adopted from Government of India, 2009

2.3.3. Fail to target the real poor and vulnerable sections

A comprehensive study by BIRD, 2007 on coverage of SCs/ STs in SGSY, which covered 10,848 swarozgaies and non-swarozgaries (control sample), pointed out exclusion of SCs and STs in the following, ways and reasons.

- Physical exclusion – by not being accepted as group members.
- Financial exclusion by denial of their due share either by group leaders or by implementing bank or block officials
- Exclusion because they are already covered under some state government sponsored programs (often implemented by state (ST/ SC corporations) and in many cases are already defaulters of bank loans (BIRD, 2007).

The study also indicated that about 60% of the non-swarozgaris (control sample) were found to be sure about their inclusion in the BPL list (BIRD, 2007). A more dismal picture is provided by a MoRD (2007) briefing, which shows that SGSY covers only 1% of the relevant household population, and only 33% of its beneficiaries are drawn from the poorest quintile, whereas as many as 14% are from the richest and 26% are from the two richest quintiles. Further, the total benefits are even more inequitably distributed with the richest quintile receiving as much as 50% as compared to 8% for the poorest (as quoted in Tankha, et al. 2008). The annual report of MoRD 2002 – 03, reported that in most of the areas, especially in Bihar and Uttar Pradesh, influential persons in the Villages were found to own a group (as quoted in GoI, 2009).

2.3.4. Low survival rate of promoted micro-enterprises

Many assisted swarozgaries are either reluctant to create or acquire the planned assets or disposing them immediately after acquiring. According BIRD's study "*in northern states, the success rate in terms of whether units exists or not in case of units financed to group swarojgaries turned out to be even worse than that in case of individual swarojgaries as only 17.7% units were found to be existing in case of group swarojgaries as against the 31.11% units intact in case individual swarojgaries. The results indicate just opposite pattern to what most of us believe/ perceive that group approach of financing is better than the individual financing. However, in case of southern states, 76.6% units were found to be existing at the time of field visits which shows the better care by the government department as far as monitoring of units is concerned*" (BIRD, 2007). The present author observed that in Andhra Pradesh some groups manipulated acquiring of assets/ livestock. According to the group members that they sent their buffaloes to their relatives/ friends house a day before the transaction. Next day they acted as purchasing of (their own) livestock from their relatives/ friend in front of the officials.[2] The Government of AP noticed these kinds of problems, long ago and converted capital subsidy into interest subsidy in 2004. Now one hardly hears the words like SGSY, subsidy and revolving fund among SHGs in rural areas of Andhra Pradesh. One can only hear words 'Pavala Vaddi' or 4% interest loans. In other states, many studies reported that groups focus is on subsidy. They dispose the capital/ livestock immediately repay the bank loan and distribute the subsidy amount (see e.g. APMAS, 2008; Tankha, et al, 2008; BIRD, 2007).

2.3.5. Low realized incremental income from Income generating activities

The program envisaged that swarozgaries would realize about Rs.2,000 per month from the investment of about Rs.25,000. Except a few case studies, no major evaluation study reported additional income anywhere close to Rs.2,000 per month. In 2002 – 03, only 43% assisted swarozgaries reported increase in their income (as quoted in GoI, 2009). A rigorous study by Pathak and Pant (2006) in Jaunpur district of UP that SGSY has not contributed significantly in the change in level of income of the beneficiary (as quoted in Tankha, et al, 2008). According to NIRD (2008) study, that even in the better performing State of Andhra Pradesh, the income gain to a *swarojgari* from enterprise activities under SGSY was a mere Rs.1,228 per month (as quoted in GoI, 2009). The BIRD presented even grim picture. According to the study that *the poor income generation in both the cases of individual swarojgaries (Rs.9,391) and group swarojgaries (Rs.6,916 in northern states and Rs.11,089 in southern states) per member per annum suggests for serious thinking about implementation of the program in its present format. Certain*

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[2] The group members shared these old stories as it is 6 to 7 years old story, since then they have repaid their loans and every one official got transferred.

success stories, here and there should not be read as final outcome of the program and at the best, these can be documented and evaluated so that the reasons for success can be internalized into the future policy guidelines. The program also breaks the great myth that 'group approach of lending' is always better than the individual approach of financing (BIRD, 2007). Need less to say the above figures are of only surviving units. If failed units also included the average incremental income would be around a hundred rupee or less.

The crucial factors, according to many evaluation studies, for the poor incremental income, among other things, are under investment and low focus on training. But these appear to be not major reasons. According to GoI (2009) the average actual investment is Rs.22,995 per sarozgar vis-à-vis the target of Rs.25,000. Less than 10% less investment may not cause over 60% less incremental income. The same report noted that about 6% funds were invested on training and capacity building. It is less than permissible limit of 10%. Further the government promoted groups got less training and capacity building inputs compare to NGO promoted groups. Similarly the BIRD study also pointed that with no prior experience in livestock rearing and without adequate training, the SC and SC swarozgaries suffered losses. It may be recalled that about 50% swarozgars have taken up dairy. About another quarter has taken up other livestock rearing, including poultry and other primary activities. It is surprising to note that Indian villagers need training in activity like livestock rearing, the primitive and primary occupation in the country.

The structural factors which caused so many critical failures would be discussed in chapter – 4.

2.4. Future directions

To overcome the above described problems and make the program more effective the MoRD got the program studies by many important institutions and experts. It also involved in a wider consultations to revamp the program. Based on the inputs received, the MoRD is planning to redesign the program. Some of the proposed changes are given at Box – 2.

Box – 2: Main features of proposed re-designing of SGSY (extracts from MoRD, 2009a)

- **Demand Driven Strategy:** More flexibility to the States for formulating their own poverty elimination plans and allocation of funds on the basis of the action plans.
- **Universalizing of SHGs:** To ensure that all the poor in the country become a part of the social mobilization process.
- **Setting up of People's Institutions**: Success of a Program like SGSY can be ensured only through peoples' participation. Therefore, states should federate the SHGs at various levels.
- **Setting up of Dedicated Implementation Structure**: It is proposed to have a dedicated professional institutional structure from Sub-district level up to national

level with suitable linkages with the existing network of DRDAs.

- **Special focus on training & capacity building** with dedicated staff/ cells at the state, district and sub-district levels to ensure comprehensive training of SHGs and all other stakeholders
- Setting up of one **Rural Self Employment Training Institutes (RSETIs)** in each district of the country for skill development training. States need to identify land for setting up these Institutes.
- Massive **up-scaling of special projects** for skill development and placement.
- **Subsidy:** Continuation of capital subsidy at enhanced rates and introduction of **Interest Subsidy**
- **Greater Emphasis on Infrastructure and Marketing** through involvement of Private Sector and adoption of PPP model
- **Convergence for technical & other inputs** with programs of different ministries in order to achieve synergies.
- **Improved evaluation and monitoring for** ensuring complete transparency and accountability in the implementation of SGSY through **social auditing** of the scheme and **third party evaluations.** A **national MIS** for SGSY will also be put in place for better and continuous evaluation and monitoring.

DRDA (ADMN.) – Major issues

- On the one hand DRDAs are over burdened with a multiplicity of schemes and on the other more than 40% posts in DRDAs are vacant
- Lack of professionals and specialists from different fields in DRDAs
- The question is whether the DRDA should be an implementing body or an overseeing body for various Rural Development Programs.

Restructuring of DRDA Administration scheme

- The broad structure of DRDAs will consist of core wings like administration, Finance, Monitoring, Training etc. with subject specialists in each wing.
- Implementation of the programs will be through dedicated machineries of the respective programs.
- The cost of Implementation structure would be met out of program funds by earmarking a certain percentage of the allocation for the programs.

There are some very important positive features like more flexibility to the states; promotion of SHG federations; setting up of training institutions; placement; interest subsidy; etc in intended restructuring of SGSY. However, the proposed measures can not address the crucial issues like bank credit, low survival rates of assisted micro-enterprises, etc. Some of the crucial structural issues and contradictions in the program are completely ignored by evaluation studies and expert committee reports and proposed redesign measures (Box – 2). Unless the structural issues are addressed the program success rate would not improve. These issues would be discussed in chapter – 4. Before that, the major findings of the different studies and their recommendation would be discussed briefly in chapter – 3.

Chapter – 3: Identified limitations and recommendations by different studies

Many evaluation studies listed a number of limitations of the program. The RBI (2003) quick study on 'credit gap' provided a comprehensive list of limitations of the program. It also provided a number of suggestions to overcome the identified limitations of the program. The list of limitations and suggestion given in RBI (2003) study is given at Box – 3.

<u>Box – 3: Limitations of SGSY program and suggestions to overcome the limitations</u>
(Extracts from RBI, 2003)

<u>Observations concerning Banks</u>

It was observed that non-receipt of subsidy/delay in receipt of subsidy from DRDA (forming 60% and 40% of the pending applications pertaining to groups and individuals respectively) was one of the important reasons for the inordinate delay in disbursement of loans under SGSY. The other reasons were as under.

- Complex and voluminous documentation.
- Delay in grading the groups on account of their poor performance
- Delay in obtention of 'No Dues Certificate' from other banks.
- Delay in tie-up arrangement in case of dairy activity.
- Cumbersome procedure in the bank such as insistence on the presence of borrowers repeatedly in the branch for various formalities.
- Pressure of work in the banks due to lack of manpower, annual closing, audit and inspection, etc.
- Non-delegation of authority to the bank managers.
- Some of the bank branches have not been conveyed the credit mobilization targets.
- Lack of awareness among the dealing staff about the guidelines of the Scheme.
- Lack of commitment, enthusiasm and participation on the part of banks due to poor recovery performance of loans under the Scheme resulting in mounting NPAs.

Banks have not adhered to the guidelines issued by the Government of India /RBI in implementation of the Scheme as would be evident from the following findings of the study.

- Not maintaining proper Loan Application Register.
- Discrepancies in maintaining the Revolving Fund Account/Cash Credit Account, Subsidy Reserve Account and SHGs Account.
- Not adhering to the time frame prescribed by RBI for disposal of applications.
- Obtaining third party guarantee in several cases, which is in violation of RBI guidelines.

- Linking of assistance under SGSY to subsidy target.
- Charging interest on the subsidy portion and not maintaining the Subsidy Reserve Account group-wise.
- Subsidy portion was kept in SB accounts and beneficiaries were paid interest.
- Giving the full benefit of subsidy to those applicants who have repaid the loan before the lock-in-period.
- Not fixing the repayment schedule as per the guidelines.
- Opening individual loan accounts in the names of group members.
- No proper follow- up of the end use of the funds by the banks.

Observations concerning Sponsoring Agencies

One of the significant observations made was that viable SHGs were not available for bank financing. This was attributed to various reasons, such as, failure on the part of DRDA to mobilize healthy/ active NGOs for the formation of groups. The study has also revealed the following:

- Deficiencies in the project reports submitted by the Sponsoring Agencies for the key activities.
- Bunching of applications by the Sponsoring Agencies and submission of applications at the fag end of the year.
- Forwarding unviable and un-bankable proposals to the banks resulting in rejection of applications.
- Key activities have not been identified and most of the applications pertained to similar type of activity resulting in saturation of activity.
- Lack of awareness of the scheme guidelines among Government Officials.
- Submission of incomplete applications without any scrutiny.
- Obtaining individual applications from the group members instead of one application from the group.
- Not granting the subsidy as per the entitlement of the applicants.
- Lack of co-ordination between Govt. agencies and bank officials.

Observations concerning Beneficiaries

Some of the beneficiaries contacted under the study have stated that it took unduly long time in sponsoring their cases and they had to visit the office of BDO, several times (3-7 times). Some of the reasons for the gap between sanction and disbursement of loans under SGSY attributable to beneficiaries were as under:

- Non-completion of formalities by the applicants due to illiteracy. (Forming 31% and 35% of pending applications pertaining to groups and individuals respectively)
- Groups are not cohesive and not responding.
- Change of activity by the Groups.
- Most of the groups restrict their outstanding under cash credit account to the subsidy portion of Rs. 10000/- under the impression that the activity loan would be granted only when they clear cash credit facility.

- Beneficiaries approaching the banks after considerable delay.
- Delay in asset creation by the beneficiaries.
- Lack of proper training and guidance from the Sponsoring Agencies and Banks has resulted in taking up unviable economic activities by the groups.
- Unawareness among groups and individuals about the benefits of the Scheme.
- Disposing of the assets (Milch animals) by the borrowers.

Suggestions for redress

- Sensitization of the rural and semi-urban branch managers should be undertaken.
- Delegation of authority to branch managers for sanctioning of loans under Government Sponsored Schemes.
- Proper maintenance of Loan Application Register by the banks.
- Involvement of NGOs and Sponsoring Agencies in completing the formalities.
- Sponsoring should be planned/ target fixed.
- Forwarding applications in a phased manner and avoiding bunching of applications in the last quarter of the financial year.
- Introduction of Screening/ Task Force Committee and phasing out of individual applications in favor of groups.
- Timely release of subsidy.
- More effective co-ordination between NGOs, BDOs and bank officials.
- Creation of awareness of the scheme among BPL families and to motivate them to avail the benefits of the scheme.
- Due publicity of the Scheme should be given by the State Publicity Departments.

It may be noted that RBI study is 6 year old study. Almost all subsequent studies provided almost same list of limitations and suggestions with few context specific modifications. But even today these limitations are persisting. E.g. In the 13th meeting of the Central Level Coordination Committee (CLCC) of Swaranjayanti Gram Swarozgar Yojana (SGSY) held on June 4, 2009, it was noted that banks in many states are not releasing the second installment to the swarozgaries (MoRD, 2009). Similarly, the BIRD study noted survival of very small proportion of assisted micro-enterprises in 2007, especially group related swarozgaries in North India. Even today the year end rush is norm in the program (see, e.g. APMAS, 2008).

The principal reason, for persistence and magnification of these limitations and problems, is the deliberate and strategic behavior by different stakeholders like banks, officials and swarozgaries. E.g. banks are not committed and less enthusiastic to participate in SGSY because of poor recovery and mounting NPA (RBI, 2003). This manifests in different forms, such as showing ignorance, citing various procedures, etc. Unless the problem of mounting NPA is addressed, measures like branch expansion, as recommended by Prof. Radhakrishna committee (GoI, 2009) and as discussed in the 13th CLCC meeting (MoRD, 2009), will not yield any positive results. Similarly delays at DRDA level for release of one time subsidy is a major hurdle in the program. Without solving the problem, introduction of release of subsidy in six installments as recommend by Prof.

Radhakrishna committee (GoI, 2009) may aggravate the problem. Same is the case with other stakeholders.

To overcome these limitations, the design related problems of the program should be identified and removed, in other words the program should be redesigned. As most of the evaluation studies and expert committees are sponsored by the MoRD, these studies and reports looked at the program with limited mandate and in almost all these studies, the major focus has been on implementation aspects only. SGSY design related issues were not touched at all or scantly or superficially touched by a few reports. These design limitations of the program is discussed in the next chapter.

Chapter – 4: Design related limitations of SGSY

As mentioned elsewhere in this report that very few studies and reports looked into design/ structural issues of the program. Further their attempt is partial. E.g. dismayed by the poor survival of assisted micro-enterprises and meager incremental income generation by the existing units, the BIRD (2007) study asked for rethink on the program. It seems, as a hint to look beyond 'self-employment' paradigm; the study suggested for renaming of the program as National Program for Rural Poverty Reduction (NPRPR) and should be repositioned as a microfinance program rather than a program for distributing subsidies. Similarly the NIBM and NIPFP (2007) report also asked for redesigning of the program by stopping completely the individual subsidies and recommended to use those funds for human resources development. The report emphasized that while forming SHGs, subsidy or SGSY should not be brought into the picture at all. Thrift, internal lending, normal bank loan and empowerment must be the focus during both formation and nurturing period. Initially, where there is not much development of SHG, focus must be on generation of good SHGs, not on utilization of subsidy (NIBM and NIPFP, 2007). Both these studies appear to be from bankers' perspective. These two studies did not elaborate on measures to boost the demand for bank loans/ microfinance. On the other hand Prof. Radhakrishna Committee did recommend for enlarging of the scope of program by including wide scale training and placement programs. The report recommended for setting of a network training institutions across the country. But the report did not offer any serious solutions to the critical problems like mounting NPA and slipping repayment rates, low incremental incomes, etc.

The serious failures of the program and persistence and magnification of the same set of problems in the implementation of the program over the years warrant a thorough review of the program. As discussed above, that recommendations of different studies and reports and proposed re-designing measures did not address comprehensively the critical design related issues. As the SGSY is a macro program with Government of India willing to allocate large sums of money and planning to universal coverage of all BPL families in the country, it has to be consistent with overall development stage and direction of the country and development theory.[3]In this section, the validity of some of the crucial assumption and strategies of the program are analyzed in the light of national and internal development experience and development logic. From the design of the program, it could be inferred that the program has the following underlying assumptions.

1. The poor need a number of employment opportunities to come out of the poverty.
2. Self employment is superior form of employment compare to other forms of employment.

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[3] As per old saying that theory may not provide solutions to all the problems, but any solution, which is not consistent with theory, may lead to new and complex problems. Mr. T. Vijay Kumar, CEO of SERP, which is implementing one of the most successful anti-poverty programs, i.e. IKP, in India said, in the inaugural session of the national conference on SHG Federation, organized by APMAS and other in Hyderabay in 2008, that **poverty reduction or forming a federation is a science**. Application of scientific principles in building the people's institutions is as important, if not more, as application of the scientific principles in building a building.

3. By integrating the government subsidy with bank loans the participants can get best of the both.
4. Group approach is better suits for income generating activities.
5. Through cluster approach a number of advantages could be reaped.

The validity and implications of these assumptions are analyzed below.

4.1. Fatal assumption of 'self'-employment

According to development theory/ international experience the labor force participations would be inverse 'U' shaped. That is it would be low in subsistence/ low economic activities conditions and increase as the economic activities pick up and start decline after crossing certain economic level. Labor participation rates in different groups of countries are given at Table – 4.1.

In developing countries the men's work participation rate is 77%, vis-à-vis 64% in developed countries. However, the women participation rate is same (49%) in both developing and developed countries. One of the reasons for relatively women's low work participation compare to men in developing countries is the cultural factors. In South Asia, the men's and women's work participation rates are 78% and 34% respectively. Cultural factors are main reason for relatively low women's work participation rate. Because of predominance of self-employment and family enterprises, the unemployment rates are usually low in developing countries compare to developed countries.

Table – 4.1: Proportion of Working-age population that is employed in 2007 in %

Country Group	Women	Men
Sub-Saharan	55	79
Eastern Asia	65	78
South-Eastern Asia	55	78
Southern Asia	***34***	***78***
Latin America & Caribbean	47	74
North Africa	22	70
Western Asia	25	70
CIS	50	63
Transition countries of South Eastern Europe	44	56
Developed regions	***49***	***64***
Developing regions	***49***	***77***

Source: Adopted from United Nations, 2008

In India also the unemployment rate is 2.6% as per 11th plan document. But poverty rate is 10 times of unemployment rate, i.e. about 26% According to 11th plan document, over 20% of workforce, who are gainfully employed, is poor in the country. That is their incomes are below the poverty line. In these conditions what is basically needed is that productivity and income of employed people should be increased. Creation of more working days and hours are not needed. *Because of this reason, many participants/ swarozgaries dispose their assets at the earliest and minimize their time commitment for the program*. For increasing the productivity of the people, technology is always overemphasized and the importance of finance is completely ignored. The role of financial inclusion in poverty alleviation is discussed in the next chapter.

What the poor in India needs most is a significant increased in the returns to their labor, not additional working hours and days. At the same time, it is not suggested that India has no unemployment problem. Unemployment among the educated, i.e. secondary level education and above, categories is as high as 6.5% for rural male and 6.2 for urban male. The same is 18.2% and 17.9% for rural and urban females respectively (Table – 4.2). The program could focus on these categories for 'self' employment promotion.

Table – 4.2: Unemployment rates in India by level of education on current weekly basis in 2004-05 in %

Level of education	Rural areas		Urban areas	
	Male	Female	Male	Female
Illiterates	2.7	2.5	2.8	2.5
Primary level	3.0	3.1	3.7	4.0
Secondary and above	6.5	18.2	6.2	17.9
All	3.8	4.2	5.2	9.0

Source: Adopted from 11th Five Year Plan Document Vol. 1

4.2. Self employment is vulnerable employment

In development literature self employment is include 'own-account workers' and workers engaged in family enterprises. UN organizations like ILO refer 'own-account and contributing family workers' as vulnerable workers. Because, that there is a very high positive correlation between the proportion of 'employed poor' and proportion of 'own-account and contributing family workers' (see Table – 4.3). Table – 4.3 indicates that the proportion of self employed (vulnerable workers) decline significantly in the development process. The proportion self employment in the total employment is as low as 8% and 10% for women and men respectively in developed regions and as high as 64% and 57% for women and men in developing regions.

Table – 4.3: Proportion of working poor and proportion of own account and family workers in different groups of countries

Country Group	**Proportion of employed people living below $1 (PPP) a day in %**		**Proportion of own-account and contributing family workers in total employment in 2007 in %**	
	1997	**2007**	**Women**	**Men**
Sub-Saharan	55.5	51.4	81	64
Southern Asia	***51.5***	***31.5***	***83***	***73***
Oceania	22.9	21.6	75	63
South-Eastern Asia	24.1	13.3	64	56
Eastern Asia	18.8	8.7	60	52
Latin America & Caribbean	11.6	8.0	33	33
CIS, Asia	11.0	5.8	33	30
Western Asia	2.9	5.4	38	26
Transition countries of South Eastern Europe	3.8	2.3	26	27
North Africa	3.0	1.3	41	30
CIS, Europe	5.2	0.0	9	11
Developed regions	***0.2***	***0.1***	***8***	***10***
Developing regions	***20.4***	***20.4***	***64***	***57***

Source: Adopted from United Nations, 2008

4.2.1. Self employment in India

In India already overwhelming proportion of workers are in the self employment category. About 64% of rural and 46% of urban workforce is engaged in self-employment (Table – 4.4). One of the reasons for this high concentration of workforce in self employment is the failure of the organized sector to absorb the growing labor force in the country. Restructuring of the organized sector is beyond the scope of this program. But the program could facilitate the employment transformation by focusing on creation of more employment opportunities including self employment opportunities in secondary and tertiary sectors, which can link the rural areas with booming urban centers. But so far the program has promoted about three-fourths of employment opportunities in low paying primary sector, with dairy alone accounting about 50% of total participants.

Table – 4.4: Percentage distribution of employed persons by category of employment (CDS) in India

	Rural areas			Urban areas		
Category	Male	Female	Persons	Male	Female	Persons
Self-employed	62.91	66.51	63.95	45.86	43.94	45.50
Regular employees	10.25	5.12	8.76	42.39	43.18	42.54
Causal Labor	26.84	28.37	27.29	11.75	12.88	11.96
Total in %	100.00	100.00	100.00	100.00	100.00	100.00
Total in 000	197391	80685	278076	87027	19806	106833

Source: Adopted from 11th Five Year Plan Document Vol. 1

4.2.2. Poverty among self employed

In India 20.51% workforce are living below the poverty level. The proportion is highest (31.9%) among causal labor and second highest (17.17%) among self employed. However, in terms of absolute number, the self employment category has highest number of poor – 45.28 million followed by causal labor – 41.45 million (Table – 4.5). Though the intensity of poverty is more in causal labor vis-à-vis self employed, many hardcore poor may not take up self employment for various reasons. According to Vijay Mahajan, one of the pioneers of microfinance movement in India, the assumption that all the poor want to be self employed is one of fatal assumptions of the microfinance (Mahajan, Vijay 2006). If the broader definition of poverty, i.e. US$2 per day is considered, the number of self-employed poor would be very high. Clearly there is a need for improving the productivity and remunerations of the workers employed in the self employment category. It is possible through provision of social security measures, technology infusion, skill up-gradation, financial inclusion, etc. Innovative approaches are needed to raise the incomes of the people employed in self employment.

Table – 4.5: Working poor in India by category of employment in 2004 – 05 in thousands

Population segment	Self employed	Regular wage/ salaried	Casual Labor	Total
Rural Persons	33139 (16.08)	2273 (9.30)	34125 (30.34)	69537 (20.27)
Urban persons	12141 (22.87)	5302 (11.49)	7321 (41.90)	24765 (21.22)
All Males	29135 (17.17)	5863 (10.24)	27388 (31.85)	62386 (19.94)
All Females	16145 (18.03)	1713 (12.83)	14058 (31.99)	31916 (21.74)
All persons	45280 (17.47)	7576 (10.73)	41446 (31.90)	94302 (20.51)

Note: Figures in brackets are the proportion of poor workers to total workers in that category
Source: Adopted from 11th Five Year Plan Document Vol. 1

4.3. Integration of incompatible programs – Subsidies and bank credit

Whatever the intended benefits, the integration of state subsidy with bank credit proved to be ineffective in the program. As bank loans are linked with government subsidies, it appears that it has given the impression to the participants that government and banks are one and same, hence, there is no need for repayment. Alternatively the participants might be trying to recovery their costs (including transaction costs) of getting the activity/ subsidy from the bank loans. At national level the bank loan repayment rate is 42% in SGSY. It is dismal performance (NIBM and NIPFP, 2007). In the north-east, where the program is implemented with special interest, the repayment rates vary between 14% in Nagaland and 48% in Manipur (Table – 4.6). In Assam, the repayment rate is not only low but also declining over the years. It has declined from 36.54 in June 2005, to 32.20% in June 2006 to 25.21% in June 2007 (APMAS, 2008). Rigidity in the repayment schedule and absence of physical/ financial collateral security apparently, among other things, contributed for this low recovery rate. In response banks started avoidance strategies like inordinate delays, under financing, just releasing subsidy component, etc. It in turn resulted in delays in starting of economic activities; acquiring/ creation of low/ inferior assets; low incomes/ losses and consequently low repayments. The program turned into a vicious circle.

Table – 4.6: Recovery of bank loans under the SGSY in North-East in Rs. Lakh

State	Number of Accounts	Amount Outstanding	Demand Raised	Recovery Account	Recovery %	Overdue Amount
Arunachal Pradesh	3836	9.7.32	422.04		32.00	285.49
Assam	29420	11990.27	3724.80	1429.90	38.00	2294.90
Manipur	1014	290.37	80.89	38.78	48.00	42.11

Meghalaya	NA	NA	428.19	152.99	35.70	275.58
Nagaland	3187	944.92	307.41	44.17	14.40	263.24
Tripura	NA	NA	22.77	6.68	30.00	16.09
Total North East	37457	14132.88	4986.10	1672.52	33.50	3177.41

Source: Adopted from GoI, 2009

Pilferage is widespread in the program. At every aspect of the program, staring from selection of members, grooming them into groups, recognition of groups, grading, release of RF, release of subsidy, selection of NGOs, release of funds/ service fee to NGO, etc; irregularities could be noticed. These irregularities are affecting adversely the program. These pilferages, which are also a cause for low recovery of bank loans, have a huge negative impact on one of the wonderful anti-poverty program in the country, i.e. SHG banking. These issues are discussed below.

4.3.1. Adverse effect of SGSY program on NABARD's SHG banking

With its design related problems and persisting and magnifying implementation problems, the SGSY program has significant adverse effect on regular SHG banking program. Many studies and scholars pointed out this problem. For example R. Dasgupta, in his case study of MOVIB's SGSY groups in Prabhani district writes .." *the present writer, champion of the SHG movement is equally disillusioned with the scheme of SGSY, which according to him is the antithesis of SHG, and a cancerous virus to destroy the long term growth of SHG (Dasgupta, R 2006)".*[4] In her forward to the Chaitanya and Chalana (undated) study, Dr. Sudha Kothari writes that "*SGSY has promotion of Self-Help groups (SHGs) as an inbuilt component. This scheme, therefore, has substantial ramifications on the SHG movement across the country. In Maharashtra, the SHG movement has primarily been led by NABARD and NGO collaboration emphasizing SHG bank linkage. The scheme with subsidy component has given a different meaning to the Self-help group movement throwing up new challenges and dilemmas for the practitioners in the SHG movement*." As mentioned above that studies by BIRD (2007) and NIBM and NIPFP, (2007) asked the program to stop individual oriented subsidies for health financial inclusion. Prof. Radhakrishna committee report also pointed potential adverse impact of low recovery in SGSY on NABARD's SHG banking program (GoI, 2009). Chaitanya and Chalana (undated) study points out that "*ultimately, the overall effect (of integration of subsidy with loan component) is that the poor people remain deprived of the opportunity to come under formal financial sector"*. According to a study by IIBM, Guwahati that "… *large number of groups from the direct bank linkage being poached by the SGSY program. Since the direct bank linkage program was just starting, it had its adverse impact on the program. The impact was larger for the smaller states like Meghalaya and Tripura where this program was launched vigorously in all the places. The fallout is that even today we have a govt. lead microfinance program in these states. The impact is far more serious because, the repayment of SGSY program has been particularly very poor (around 33%). This has already made the banks reluctant and if corrective measures are not taken, we*

[4] Though he started his visit with skepticism, he found the quality of MOVIB promoted SGSY groups in Prabhani is very good. The NIBM and NIPFP, 2007 study also mentioned that the quality of MOVIB promoted SGSY groups in Prabhani is good.

would have the banks losing interest very fast' (Sharama, A 2007). The major finding of APMAS (2008) study is that "*widespread corruption in SGSY program is affecting adversely the repayment to the banks, which in turn is affecting adversely the SHG - banking program. In this way the integration has vitiated the SHG movement in the state (– Assam)*". Some of the processes and forms of adverse impact of SGSY on SHG banking in Assam are elaborated at Box – 4.

Box – 4: Adverse impact of SGSY on SHG banking in Assam (Extracts from APMAS, 2008)

The major reason for the current problems of SHG movement in the state is 'integration of two incompatible programs', i.e. SHG - banking program and SGSY program. The SHG - banking program aimed at financial inclusion, i.e. providing financial services, hitherto un-reached and un-bankable sections, designed to run purely on commercial terms. Whereas the SGSY program is aimed at poverty alleviation through the promotion of entrepreneurship and self employment with capital subsidy, runs on state subsidy. The negative impact of SGSY on SHG banking is outlined briefly below.

As the business of SHGs at the moment in the state involve RF of about Rs.10,000 to Rs.20,000 and subsidy up to Rs.1,25,000, all kinds of manipulations are taking place. E.g. in some parts of the state, some officials take about Rs.1,000 to form and register a SHG in the block office. Registration in the block office is mandatory to get RF and subsidy. In some places, the bank staff also takes about Rs.1,000 to route the RF through the bank. Taking other transaction expenses of the group, to get Rs.10,000 of RF, a group has to spend about one-third of the RF. Some groups wind up after getting the RF and the same members would start a new group with another set of leaders. Similarly to get the subsidy under SGSY, a group has to spend anything between one third and one half of the subsidy amount.

A casual visitor, whose purpose was not to unearth these manipulations, can easily notice them imply that the manipulations are in a noticeable scale. Some of the indicators for the manipulations are: (a) in balance sheets, which were estimated from the available records and oral information given by the members, the total value of assets is significantly less than the value of liabilities in some of the SHGs. Members could not explain or do not want to explain the reasons. (c) In some groups the books of accounts do not tally at all with the oral information given by the group members. E.g. in one group the members said that they are saving at the rate of Rs.20 per month; but in the books, the amount was shown as Rs.50 per member per month. In the same group the numbers of internal loans and repayment, etc are much more, as per the records, than what the members said. It implies that records are being maintained attractively to get large RF and SGSY grant quickly.

To assess the quantum and number of cases of bribes, a direct question was included in the questionnaire. However, one can not get an accurate answer to this question, especially in an on going project and when the facilitators were acting as link between the groups and the research team. Whatever reported cases and amounts are analyzed below.

Total amount of bribes paid by the groups is Rs.89,986. In all 21 groups reported that they paid bribes.

The above described bribe is the amount that the groups said that they paid bribes. There could be much more amount and cases of bribes, which are not admitted by the groups. Many resource persons and stakeholders, who were interviewed by the present research team, revealed that the practice of bribes is widely prevalent in the state. The analysis of balance sheet indicated in as many as 45 out total 109 sample groups' assets value is less than their liabilities. The total deficit amount is Rs.4.59 lakh….. This could be one estimate of bribes in the sample groups. As the groups are earning good interest income, some of it could be used to pay bribes. Actual bribe amount could be even more.

As mentioned above that majority, if not all, groups have to shell out one-third to one-half of the grant/ subsidy amount to get their grant/ subsidy. If the transaction cost of the groups to get the grant/ subsidy amount is considered, the group might not have got any benefit at all. To get their own share of easy money, some groups pocket the loan component and disband the group and start the process with a new set of leaders, often in consonance with local officials. It was noticed that in some groups, books are left totally blank after the group received the grant/ SGSY subsidy.

One of serious repercussions of group disbanding after getting RF/ SGSY grant is low loan recovery in the banks. As per the data given by the State Lead Bank that recovery rate in SGSY is not only low but further declining over the years. The rate has declined from 36.54 in June 2005, to 32.20% in June 2006 to 25.21% in June 2007. ***As a result the banks are reluctant to lend to SHGs and even to open a saving account, which eventually lead to credit linkage or matching loan to SGSY grant.*** In a few banks the manager is just releasing the subsidy component to the group and closing their accounts.

Anther serious repercussion is no/ very few number of repeat credit linkages, which often have larger size loans. As per the NABARD data, in 2005-06, number of new groups got loans is 25,215 and but only 112 groups got repeat linkages. The same at all India level were 6,20,109 and 3,44,502 respectively. While 25,005 new groups in the state were given loans, only 160 already credit linked groups were given loans (repeat linkages) in 2006-07. The same at all India level 6,86,408 was new groups and 4,57,410 was the repeat linkages.

Apart from individual studies, the macro data published by NABARD also confirm the adverse impact of SGSY on SHG banking. According to 2007 – 08, data, the NPA across the states increases as the proportion SGSY groups in total SHGs increases. NPA (1.69%) is least in states, where SGSY groups constitute less than 25% of total groups. It is highest (8%) in the states, where SGSY groups constitute over 75% of total groups (Table – 4.7). The pattern could be seen in SGSY and non-SGSY groups. It indicates that where SGSY groups are in large number, they can have negative impact on the repayment behavior of non-SGSY groups also. Without addressing this critical problem, expansion of SGSY program could have devastating effect on one of the India's finest programs – SHG banking.

Table – 4.7: States' average NPA (%) as per proportion of SGSY groups to all SHGs

% of SGSY groups to total SHGs	No. of states	All groups	SGSY groups	Non-SGSY	Name of the states in the group
Less than 25%	8	1.69	1.97	1.49	New Delhi, AP, Pondicherry, Rajasthan, Kerala, HP, Karnataka, Orissa
25 to 50%	8	2.99	3.81	2.13	TN, Maharashtra, Goa, Gujrat, J & K, Chattisgarh, Tripura and Jharkhand,
50 to 75%	9	6.54	7.82	4.88	MP, UP, Haryana, WB, Assam, Nagaland, Bihar, Uttarakhand Sikkim
75% and above	4	8.00	9.99	6.26	Punjab, Mizoram, Arunachal Pradesh Meghalaya
Average	29	4.42	5.40	3.37	

Source: Calculated from data provided in NABARD, 2009.

4.4. Uniform group approach for Income Generating Activities

It is widely believed that group strategy would yield better result in income generating activities as it proved to be most successful in SHG banking. Because of this belief group approach is overemphasized in the program especially in recent years (see e.g. Table – 2.2). However, the BIRD's (2007) study presented sharply a contradictory picture. In north India the survival rate of group based micro-enterprises is less than 18% compare to over 31% survival in case of individual swarozgaries. Similarly, the group based swarozgaries incremental income is about two-thirds of that of individual swarozgaries. One of the possible reasons could be that different livelihood options require groups of different sizes. But in the program, only one uniform size group has been promoted for all kinds of income generating activities/ micro-enterprises. Perhaps, because of this reason nearly half of swarozgaries have opted one single activity – dairy animal.

4.5. Cluster approach

No doubt that cluster approach, obviously, has a number of advantages such as backward and forward linkages. But the NIBM and NIPFP (2007) indicates that cluster approach may be more effective strategy for area development like district or block, may not be so effective for a single program like SGSY. Another pitfall of cluster approach could be that by design or default it get focused on primary and manufacturing units and neglect completely the service units like, transport, communications, etc. Transport could open up a number of income and marketing opportunities to hitherto cut of interior rural areas.

4.6. Key activities

One of the criteria in selection of key activity should have been 'the potential of the activity to trigger off the local economies'. It was not included in the guideline. As per guidelines, mostly primary activities were chosen. Though one of the criteria for selection of key activity is the participants' skills, a lot of money was spent on training. It is surprise to note that people in rural India need training in primary and traditional activities like livestock rearing, backyard poultry, etc.

4.7. Learning

1. Low paying 'self''-employment creation may not be the best strategy to fight the poverty. Increase the remuneration and productivity of the workers already employed is needed to overcome the serious problem of 'working poor' in the country. It needs, among other things, financial services at affordable costs.
2. Self-employment is also vulnerable employment. Instead of generating a number of low paying self employment opportunities, the program may focus on occupational transformation, improvement of productivity and remuneration of those already in the self-employment category and creation of quality employment opportunities.
3. Integration of subsidy with bank credit proved to be ineffective in the program and has a huge negative impact on normal SHG banking program, in some regions of the country. They should be separated and/ or the whole model needs to be modified.
4. For different micro-enterprises, groups of different sizes may be more appropriate.
5. Income generating activities of service sector may be focused to take advantage of booming sector in the economy and to integrate the hitherto cut of areas with near by markets/ main centers.

Chapter – 5: Suggestions for revamping of SGSY

The previous chapters clearly indicate that the SGSY program not only underperforming but also undermining one of the India's finest programs, i.e. the NABARD SHG- banking program. As the SGSY coverage is going to increase significantly in coming years, it may endanger the SHG-banking program unless the program is redesigned. It would be a major setback for **effective financial inclusion** of the poor. The poor performance of the program and persistence implementation related problems are largely because of the flaws in the design of the program. As the discussion in chapter – 4 suggest that underlying assumptions are either incorrect or inappropriate. Redesigning of the program with incorporation of the following learning would revolutionize India's fight against the poverty.

1. Like many developing countries, overwhelming majority of India's poor are already employed. What they need is an increase in their productivity and higher remuneration for their labor.
2. Financial inclusion could play a critical role in poverty alleviation.
3. Current practice of generating of low paying self employment, mostly in primary sector, goes against development trend of employment transformation and poverty alleviation.
4. The adverse effect of subsidies on bank credit to be minimized if not eliminated completely.
5. Groups of different sizes are needed to take up different kinds of micro-enterprises, including small and medium enterprises.

As the SGSY program is going to be the India's flagship program for poverty alleviation, it could be renamed, as Promotion of Rural Prosperity (PRP) Program. Government role should be more of facilitator rather than direct provider of benefits to individuals. Each of its activity has to have a cascade effect. A large body of evidence from different parts of the country suggests that financial inclusion is one key activity, which can unleash the rural prosperity. The processes are explained briefly below. Similarly a few key interventions like connectivity with markets, setting of agri-processing units like bulk milk cooling units (BMCU), etc could revolutionize rural areas. The PRP Program may be divided into two separate sub-programs viz. (1) Financial Inclusion and (2) Livelihood Promotion or Employment Transformation. Each program should be implemented independently by separate sub-divisions.

To avoid defaults in one program (say financial inclusion) affecting adversely the other program (say livelihood promotion), duel membership in both programs, should not be allowed. Any family could participate in only one program either financial inclusion or livelihood promotion. However, any family can move from one program to another, after repaying all the dues and formally withdrawing from its current program.

As the program aims at rural prosperity, both programs could be extended to non-poor also at least in poorer regions like north-east and eastern India. As participation of non-poor in these programs could boost the local economies, many poorest of poor, who do not want to take up self employment may get regular employment or higher wages or both. The salient features of these two proposed programs are described below.

5.1. Financial inclusion, the panacea for poverty alleviation

There is absolute unanimity of the opinion about the importance of financial inclusion in poverty alleviation. But, some believe that financial inclusion is the necessary but not sufficient condition for poverty alleviation. According to them that without corresponding promotion of appropriate livelihood opportunities the poor people credit absorption capacity would be limited and there would be possibility of misuse of funds, which may lead to indebtedness.

Aloysius P. Fernandez, one of the pioneers of SHG movement in the country, argue that one of the serious problem of all livelihood promotion programs is that they assume that the poor do not have livelihood strategies of their own and they start with zero. In fact that the poor have their own basket of livelihood strategies and financial needs such as education, purchase livestock, land development, working capital needs in agriculture and other family ventures, business, jewellery, medical expenses, purchase of land, house repairs, house construction, LPG connection, etc (Fernandez, 2008). Currently APMAS is studying Self Affinity Groups (SAGs)[5] of Myrada. The research team found that in many SAGs, each member has taken as many as 60 to 70 loans worth Rs.2 to 3 lakh and repaid. The highest number of loans taken by a member, according to the field data, is 111 loans worth Rs.3.75 lakh during last 18 years. It happened without any significant livelihood promotion efforts on the part of Myrada. Myrada promoted very few livelihood activities like training motor driving to the children of a few SAG members. [6] It shows the natural/ existing credit absorption capacity of the poor/ people.

The direct link between financial inclusion and improvement in family income, without creation of any new assets, is illustrated through a case study at Box – 5.

Box – 5: Case study – the relation between financial inclusion and poverty eradication/ economic improvement

The present author came across, once, a SHG of ST community in Medchel of Ranga Reddy district. The traditional occupation of the members is basket weaving. Because of SHG banking, the economic conditions of the members improved significantly even though they did not take up any new income generation activity or created/ acquired any income yielding assets. Prior to joining the group the members used to sell the baskets within the same day, irrespective of market condition, to buy the raw material for next day production and to meet their consumption needs. With bank loans their holding capacity has increased. They can afford to wait for remunerative price, therefore, are realizing better price for their baskets. They also started purchasing the raw material in bulk thus reducing, at least the transaction cost, if not the economic cost of raw material. Previously their daily production is constrained by their labor inputs and availability of

[5] MYRADA calls it's SHGs as SAG to emphasize the importance of 'affinity' and self selection of members by the group.

[6] Personal communications by Dr. K. Raja Reddy, APMAS, the study team leader.

raw material. Now they do not have raw material constraint thanks to SHG banking.

Financial inclusion could work on the other side of poverty also. Poverty could also be the result of high cost of living and production. Prof. C. K. Prahalad pointed out in his celebrated 'Bottom of the Pyramid', that the poor live in costly environment and often pay relatively higher price for comparable services. Most prohibitive price they often pay is to the financial services. One can easily find a widespread usury in the vicinity of the poor and poorer regions and states (see e.g. APMAS, 2008), which is a cause and consequence of the poverty. Earlier studies indicate that one of the first and foremost benefits of SHG banking is that the program frees the members from the clutches of moneylenders/ usury. Families could save significant amounts on interest payments. As money saved is money earned; it resulted in smoothening of the fluctuations in, and improvement in, consumption levels. Recent research by the World Bank suggest that '*evidence of higher consumption—but not income or asset formation by (SHG) participants suggests that at the time of the survey, the program's main economic impact had been through consumption smoothing and diversification of income sources rather than exploitation of new income sources*' (*Deininger, Klaus and Yanyan Liu, 2009).* A comprehensive study by NIRANTAR indicate that the only benefits that the members got from SHG participation are smoothening of consumption and increased ability to cope up with economic emergencies (NIRANTAR, 2007a and 2007b). The above description clearly suggests that financial inclusion could reduce significantly the cost of living and for the poor and also cost of their production. In other words the benefits of financial inclusion are too many and go far beyond new income generation activities and new assets creation/ acquisition or 'self' employment generation.

Macro data also confirms the positive correlation between financial inclusion and poverty reduction. Table – 5.1 shows status of different states in terms of financial exclusion. Andhra Pradesh, which has the highest financial inclusion in the country, experienced a steepest decline in the poverty vis-à-vis national average. The poverty in the state has declined from 29.75% in 1983 to 10.85% in 2004-05. During the same time the poverty rate has declined from 44.93% to 28.27% at national level. Unlike the all India trend, in AP the decline in poverty rate between 1983 and 2004-05 is steeper in rural areas (16.46% points) compare to urban areas (12.08% points) (Dev 2007). Other states also show positive correlation between poverty and financial exclusion.

Table – 5.1: Status of different states in terms of financial exclusion

Extent of financial exclusion	**States**
More than 75%	Meghalaya, Arunachal Pradesh, Mizoram, Manipur, Assamm Uttaranchal and Jharkhand
50 to 75%	Bihar, Chattisgarh, Orissa, Himachal Pradesh, J & K, UP, Nagaland, Tripura and Sikkim
25 to 50%	Karnataka, Kerala, MP, Maharashtra, Punjab, Tamil Nadu and West Bengal
Less than 25%	Andhra Pradesh

5.1.1. SHG banking

SHG banking proved to be the most effective model for financial inclusion, benefiting not only the clients but also the banks (see e.g. APMAS, 2007 and 2008). At the same time it should be kept in mind that SHG banking has not penetrated all the parts of the country evenly. ***It not yet met even a small fraction of credit/ financial needs of the poor***. Hence the SHG banking should be promoted to deepen and widen the financial inclusion in the country. The following measure may be taken to promote SHG banking.

1. Promote SHG banking as core banking business, without any outside interference.
2. SHGs have emerged in all parts of the country, but with different quality. Poor quality of SHGs is one of major hurdles in the progress of SHG banking.
3. Federations at village/ cluster; block/ sub-district and district level may be promoted to strengthen existing SHGs and promote new SHGs to cover so far uncovered poor/ households. If such federations already in existence, investment could be made to strengthen them. Federations could also take up the activities, which the SHGs can not take up independently.
4. Wherever, the banking system is not accessible or indifferent to SHGs, the federations could be prepared to take up financial intermediation.
5. Promoting agencies play crucial role in strengthening of SHGs and federations.
6. The capacity building needs of promoting agencies should be given due importance.
7. Promoting agencies should be provided adequate resources and timeframe for promoting quality SHGs and federations.
8. Promoters should be given 4 to 5 years timeframe to make the federations truly autonomous institutions.
9. The promoter should have clear road map for role transformation and it should be implemented in letter and spirit. Latest by the end of 5th year promoting agency should withdraw completely from the functioning of federations.
10. Members' education level should be considered as major criterion to get elected as leader of federation.
11. However, promoters can play a longer role in the functioning of financial federations.
12. As mentioned above, SHG banking should be allowed as regular banking business. The government should restrain from all sorts of interferences including interest rate fixing, giving targets, determine loan size, etc.
13. Recent farm loan waivers and some rumors during general elections, apparently have lead to significant drop in repayment rate of SHG loans in some parts of the country. The Government should avoid such wrong signals. Instead, if the Government want provide relief to any sections, it can directly provide such relief through 'direct cash transfer' method.
14. The government could provide interest subsidy, which is being implemented in Andhra Pradesh. It would improve the repayment rate and encourage the banks to increase their exposure to SHG banking as noticed in Andhra Pradesh.
15. The government may also work on awareness and sensitization of bankers. The government may understand the concerns of banks such as quality of SHGs, political interferences in the functioning of SHGs/ federation and address them.

5.1.2. Other measures for financial inclusion

The financial inclusion program/ division could also encourage other measures like branch expansion, smart card, etc to increase the financial inclusion.

5.2. Livelihood promotion/ employment transformation

One of the guiding principals of livelihood promotion should be to obtain employment transformation close to that obtained in developed countries. It is obvious choice, as India embraced economic liberalization and moving in the direction of developed countries. The employment structure of different groups of counties is given at Table – 5.2. In developed economies, over 95% of workers are employed in non-primary sector compared to about 50% in the South Asia. Similarly in developed countries over 6% are employers/ entrepreneurs. The same in South Asia is 1%. The proportion of self employed/ vulnerable workers is 9.4% in developed countries and the same is 78.2% in the South Asia.

Table – 5.2: Nature of the employment in different groups of countries (% of total employment)

Country Group	Employer (A)	Wage workers (B)	Own account workers (C)	Family Labor (D)	Vulnerable workers (C+D)	Non-primary workers
World	2.9	46.9	33.0	17.2	50.2	63.9
Developed economies and EU	***6.3***	***84.3***	***7.8***	***1.6***	***9.4***	***95.9***
Non-EU Europe and CIS	3.8	76.6	16.1	3.6	19.7	
East Asia	1.2	42.6	38.2	18.0	56.2	59.1
SE Asia and Pacific	2.1	38.8	35.2	23.9	59.1	54.6
South Asia	***1.0***	***20.8***	***47.4***	***30.8***	***78.2***	***50.6***
Latin America	4.7	62.7	27.1	5.5	32.6	80.4
North Africa	9.6	58.3	16.2	15.9	32.1	65.6
Sub-Saharan Africa	3.0	22.9	48.7	25.4	74.1	34.1
Middle East	5.2	61.5	22.6	10.6	33.2	81.9

Source: adopted from Majumder, Rajarshi (2008)

Needles to say, that India has South Asia's characteristics in terms of employment structure. It has to move in the direction of developed economies. To move, if not to obtain, in the direction developed countries employment structure, the livelihood promotion division should focus on manufacturing and service sectors. It can promote both: (a) micro-enterprises/ income generating activities (IGA) and (b) small and medium enterprises in service and manufacturing sectors.

5.2.1. Promotion of micro-enterprises/ livelihood opportunities

The micro-enterprises/ income generating activities may be initiated along with financial inclusion work, but with different set of families. There should not be common membership in both these programs.

1. The program can focus on educated persons, as educated unemployment is major problem.
2. Groups of different sizes could be promoted. These groups may be completely independent of SHGs nurtured by the Financial Inclusion Division. These groups may be called by different name like swarozgar groups or common interest groups or livelihood groups or some other name.
3. After group stabilization and after providing appropriate and adequate training, each group may be assisted to acquire capital assets like transport vehicles auto, jeeps, tempos, agricultural machinery like tractors, threshers, shops – repairs - electrical, electronics, mechanical, ICT centers, phone booths, cell phone service centers, hotels and restaurants, etc.
4. These items could be obtained on the basis of own contribution cum subsidy cum bank credit.
5. As benefits of most of these activities are many times more than the direct employment they create, subsidy could be given more generously.
6. These activities, especially transport and communications, not only provide direct employment to the group members, but also open up a number of income and marketing opportunities to hitherto cut off areas. Many household could increase their production levels from subsistence level to marketing levels. Many housed can acquire small assets like sheep, goats, calves, piglets, poultry birds on their own and get benefited if markets are expanded.
7. Banks can have the 'education qualification certificates' of participants and 'acquired/ created assets' as security. Hence all acquired/ created assets should be suitable to pledge as security.
8. Wherever, banks are not willing to participate, big MFIs could also be involved. Even financial federations could be involved in these activities as financer.
9. Corruption could be a big issue, in implementation of this program. To overcome this problem, monthly targets could be fixed. Anti corruption machinery may be strengthen and made more active at least in the initial years of implementation. Wide publicity may be given in (electronic) media about anti corruption mechanism.

5.2.2. Small and medium enterprises

The small and medium enterprises may be provided to village/ cluster; sub-district/ block and district level SHG federations, which were promoted/ strengthened under financial inclusion program. To develop a sense of ownership, on the part of the primary members, over their institutions and small and medium enterprises to be provided, a minimum of one year gap should be provided between the withdrawal of 'institutional building' promoting agency and entry of small and medium units providing agency.

1. The possible units could be agri-processing units like rice mills, juice factories, cotton ginning mills, etc; rural warehouses, cold storages; bulk milk cooling units, milk processing units, production and marketing of bio-chemicals, readymade garment making units, etc. Federations may also be helped with facility to organize weekly markets.

2. The advantage of these units are, that they develop entrepreneurship in the federation, provide a large number of regular employment to the members and give a big boost to the local economy particularly to the primary sector.
3. Federations should be helped to have ***state of art*** facilities. Profession consultancy firms could be hired to provide complete package of services from market survey, identification appropriate units, appropriate technologies, building of units trail run, tie ups with suppliers and marketing of production, etc on a turn –key basis.
4. These units also could be developed on the basis of own contribution cum subsidy cum bank linkage.
5. Banks could have acquired/ created assets as security. Apex financial institutions could also be involved in these activities.
6. These units should be provided only to the non-financial federations, which are of good quality and willing to take up these kinds of units.

5.3. Implementation mechanism

Exact nature of implementation mechanism would follow from program design. BIRD's (2007) study elaborated on implementation mechanism. Prof. Radhakrishna committee cited that Andhra and Kerala models as appropriate mechanisms in weak PRI and strong PRI states respectively. As Kerala kind of PRIs can't be found in many states, Andhra model is more applicable in most of the states. Andhra model evolved on its own with very little prior experience. Though there is potential for a number of errors and pitfalls in the evolution, its journey is rather smooth thanks to its visionary leadership especially Mr. K. Raju and T. Vijay Kumar, the former and present Chief Executive Officers of SERP respectively. However, one of the shortcomings of the Andhra Model is that apparently there is no clear role transformation road map. Without clear withdrawal strategy on the part of promoting agencies, the community based organization can never become 'the member owned, member governed institutions serving members' felt needs'. Other states, while adopting AP model could look into this aspect.

Chapter – 6: Summary and conclusions

i. Context

a. Though SHGs proved to be most effective model for financial inclusion, benefiting not only the clients but also the banks, the support for SHGs is reducing in recent years. The potential patrons could be Government of India and state governments. However, the Government of India's SGSY program proved to be antithesis of SHGs.

ii. Purpose of the paper

a. To get redesign the SGSY program so that its adverse impact on SHG banking is eliminated and the government provide constructive support to the SHGs in the country

iii. Major findings

a. Program is stagnated (due to non-cooperation of banks)
b. Very small percentage of units are surviving
c. Low income realization from survived units
d. Not able to focus on poorest and targeted sections
e. Persistence and magnified implementation related problems due to strategic behavior of different stakeholders, such as:
   1. Banks are not cooperating due to mounting of NPA
   2. Pilferage in every stage of implementations
   3. Primary stakeholders not creating assets or disposing the created assets; reason could be that they do not want additional self employment

f. Strategic behavior of different stakeholders is result of design problems of SGSY program
   1. With about 2.6% unemployment rate and about 26% poverty rate, India's major challenge is ***poverty among working*** people. Working poor need increase in their productivity and remuneration for their labor.
   2. As per international experience that self employment is neither superior nor preferred by the poor
   3. Integration of Government/ subsidy and bank/ credit proved to be ineffective to SGSY and detrimental to SHG banking
   4. Other components of the program, viz. cluster approach, key activity and group approach have certain limitations

g. The MoRD's proposed redesign measures do not address the key problems of the SGSY program

iv. Suggestions for redesigning of SGSY

a. The program may be renamed as Program for Rural Prosperity
b. It may be divided into two sub-programs, viz. Financial Inclusion and Livelihood promotion.

c. Rural families may be allowed to have membership in any one of these two programs only at any given time. However, they may be allowed to switchover from one program to another.

d. Suggestions to promote Financial Inclusion

1. SHG banking may be allowed to function as core banking activity without any outside interference like target fixing, interest cape, loan size, etc.
2. The Government may promote quality SHGs through village/ cluster level; sub-district/ block level and district level federations.
3. Wherever banks are not accessible or not responsive, federations may be prepared to take up financial intermediation
4. Promoting agencies play crucial role in developing quality institutions. Promoting agencies may be given adequate financial and capacity building resources and timeframe
5. Promoting agencies should have clear withdrawal strategy and made to withdraw from the functioning of federations at the end of 4^{th} year, latest by the end of 5^{th} year.
6. The Government may provide sensitization to bankers about the commercial value of SHG banking.
7. The Government may understand the banks' concerns such as quality of groups, political interference in functioning of federations, wrong signals like loan waivers, etc and address them.
8. The Government may provide interest subsidy as given in AP.

To obtain desirable employment transformation and to take full advantage of booming secondary and tertiary sectors, the Livelihood Promotion Division may focus on manufacturing and service sectors. It may promote both: (a) micro-enterprises/ income generating activities and (b) small and medium enterprises in service and manufacturing sectors.

e. Suggestions for promotion of micro-enterprises and income generating activties

The micro-enterprises/ income generating activities may be initiated along with financial inclusion work, but with different set of families. There may not be common membership in both these programs.

1. This program may focus on educated members, as unemployment among educated is more serious problem in the country
2. Promote groups of different sizes say 2 to 100 or more for different activities. These groups should be completely independent of SHGs promoted under Financial Inclusion.
3. These groups may be assisted to acquire assets like transport vehicles like 3 or 7 seat autos, tempos, jeeps to run between their villages and near by town/ bus point; agriculture machinery like tractors, threshers, etc; telephone booths; cell phone service centers; repair shops for mechanical, electrical and electronic items; hotels and restaurants; etc.

4. These assets may be acquire on own contribution cum subsidy cum bank credit
5. The criteria to select these items should be that they not only provide direct income/ employment opportunities to the participants but also they should boost the local economies
6. The assets should be suitable to pledge them as security to the banks/ financers
7. Banks could have 'education certificates' of participants and 'acquired assets' as security.
8. If banks are not accessible, large MFIs and financial federations may also be used as financers.
9. Anti corruption drive should be rigorous in implementation of this activity.

f. Suggestions for promotion of small and medium enterprises

The small and medium enterprises may be provided to village/ cluster; sub-district/ block and district level SHG federations, which were promoted/ strengthened under financial inclusion program. To develop a sense of ownership, on the part of the primary members, over their institutions and small and medium enterprises to be provided, a minimum of one year gap should be provided between the withdrawal of 'institutional building' promoting agency and Small and medium units providing agency.

1. After one year of withdrawal of promoting agencies from SHG federations promoted under Financial Inclusion program; the Livelihood promotion program could assist the non-financial federations to have small and medium enterprises.
2. The units could be agro-processing units; milk processing units; common service providing units; cold storages; rural warehouses; market yards to organize weekly markets; etc
3. The federations could be assisted to have ***state of art*** units by hiring professional consultancy firms, who can provide these units on turn key basis.
4. These units could be promoted on own contribution cum subsidy cum loan.
5. If banks are non-responsive, the apex financial institutions like state finance corporations/ SIDBI/ NABARD could be accessed.
6. Acquired units could be pledged as security.
7. These units develop entrepreneurship in federations; provide a large number of regular employment opportunities and boost the rural economies.

Implementation mechanism may follow the design of the program. It may be kept in mind that proper withdrawal strategy and implementation of the same in letter and spirit is essential for the development of people's institutions.

Appendix – 1: Details of SGSY program[7]

1. The Scheme

The SGSY Scheme is operative from 1st April, 1999 in rural areas of the country. SGSY is a holistic Scheme covering all aspects of self employment such as organisation of the poor into Self Help Groups, training, credit, technology, infrastructure and marketing. The scheme will be funded by the Centre and the States in the ratio of 75:25 and will be implemented by Commercial Banks, Regional Rural Banks and Co-operative Banks. Other financial institutions, Panchayat Raj Institutions, District Rural Development Agencies (DRDAs), Non-Government Organisations (NGOs), Technical institutions in the district, will be involved in the process of planning, implementation and monitoring of the scheme. NGO's help may be sought in the formation and nurturing of the Self Help Groups (SHGs) as well as in the monitoring of the progress of the Swarozgaris. Where feasible their services may be utilised in the provision of technology support, quality control of the products and as recovery monitors cum facilitators.

The Scheme aims at establishing a large number of micro enterprises in the rural areas. The list of Below Poverty Line (BPL) households identified through BPL census duly approved by Gram Sabha will form the basis for identification of families for assistance under SGSY. The objective of SGSY is to bring the assisted poor families (Swarozgaris) above the poverty line by ensuring appreciable sustained income over period of time. This objective is to be achieved by interalia organising the rural poor into Self Help Groups (SHGs) through the process of social mobilisation, their training and capacity building and provision of income generating assets. The rural poor such as those with land, landless labour, educated unemployed, rural artisans and disabled are covered under the scheme. The assisted poor families known as Swarozgaris can be either individuals or groups and would be selected from BPL families by a three member team consisting of Block Development Officer (BDO), Banker and Sarpanch. SGSY will focus on vulnerable sections of the rural poor. Accordingly the SC/ST will account for at least 50 percent, Women 40 percent, and the disabled 3 percent of those assisted.

2. Skill Up gradation / Training

Once the person or group of persons has been identified for assistance, their training need also is to be ascertained with reference to Minimum Skill Requirement (MSR). The assessment regarding technical skills would be made by line departments and that of managerial skills by the banker, while scrutinising the loan applications. Swarozgaris possessing skills will be put through basic orientation programme which is mandatory. This programme includes elements of book-keeping, knowledge of market, identification and appraisal, acquaintance with product costing, product pricing, familiarisation with project financing by banks as well as basic skills in the key activity identified. It will be for a short duration of not more than 2 days. BDOs, Bankers and line departments will act as resource persons for imparting the training. The training expenditure incurred by the training institutions for both Basic Orientation and Skill Development Training will be

[7] Extracts from RBI 2008: Master Circular on Priority Sector Lending- Special Programmes- Swarnajayanti Gram Swarozgar Yojana (SGSY), Reserve Bank of India, Mumbai.

met by DRDAs from out of the SGSY Fund. For those beneficiaries who need additional skill development/upgradation of skills, appropriate training would be organized through Government institutions, ITIs, Polytechnics, Universities, NGOs etc. Swarozgaris will be eligible for loans under SGSY when they possess Minimum Skill Requirement, and it will be disbursed only when they have satisfactorily completed the skill training.

3. Activity Clusters, Key Activities

The focus under the scheme should be on development of activity clusters with emphasis on key activities identified in the block, both for group as well as individual assistance. The activity clusters would be in geographic clusters of neighbouring villages within reasonable radius. However assistance is not prohibited for other activities. This is only an enabling provision for exceptional cases and it is expected that the funding of key activities will be the norm. The SGSY Committee will select about 10 activities per block. However, focus should be on 4-5 key activities, which are identified for training and micro enterprise development in a cluster approach for larger number of groups. Care should however be taken that the market is either readily available or there is a potential for market creation for the products. The District SGSY committee is empowered to add or delete any activity in the list of selected key activities with due justification. The DRDAs shall prepare directory of the selected key activities in the District (shelf of projects), which will be consolidated at the State level for preparation of directory of selected key activities. On farm activities to be assisted would include minor irrigation such as open dug well/bore/tube well/lift irrigation/check dam etc. Non-farm activities will include those activities that result in the production of goods/services that have ready market. The unit cost as fixed by the regional Committees of NABARD should be taken into consideration as indicative cost while fixing the unit cost for the farm sector. In regard to loans falling under Industry, Service and Business (ISB) Sector, the responsibility of fixing the unit cost and other techno-economic parameters is of the District SGSY Committee.

4. Self-Help Groups (SHGs)

The Self Help Groups shall be organised by Swarozgaris drawn from the BPL list approved by Gram Sabha. The Scheme provides for formation of Self Help Groups (SHGs), nurturing and their linkages with banks. SHGs may be an informal group or registered under Societies Act, State Co-operative Act or as a partnership firm. The assistance (loan cum subsidy) may be extended to individuals in a group or to all members in the group for taking up income generation activities. Group activities will be given preference and progressively majority of the funding will be for Self Help Groups. Half the groups formed at block level should be exclusively women groups. Self Help Groups go through various stages of evolution viz. Group formation, Group Stabilization, Micro Credit stage and Micro Enterprise Development stage. Under the scheme, generally a Self Help Group may consist of 10-20 persons.

i. However, in difficult areas like deserts, hills and areas with scattered and sparse population and in case of minor irrigation and disabled persons, this number may vary from 5-20. The difficult areas have to be identified by the

State Level SGSY Committee and the above relaxation in membership will be permitted only in such areas.

ii. Generally all members of the group should belong to families below the poverty line (BPL). However, if necessary, a maximum of 20% and in exceptional cases, where essentially required, up to a maximum of 30% of the members in a group may be taken from families marginally above the poverty line living contiguously with BPL families and if they are acceptable to the BPL members of the group.

iii. The Above Poverty Line (APL) members will not be eligible for the subsidy under the scheme. 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. The BPL families must actively participate in the management and decision making, which should not ordinarily be entirely in the hands of the APL families. Further, APL members of the SHG shall not become office bearers (Group leader, Assistant Group leader or Treasurer) of the group.

iv. The group should operate a group account preferably in their service area bank branch, so as to deposit the balance amounts left with the groups after disbursing loans to its members.

v. The group should maintain simple basic records such as minutes book, attendance register, loan ledger, general ledger, cashbook, bank passbook and individual pass books.

vi. In case of disabled persons, the groups formed should ideally be disability specific, wherever possible; however, in case sufficient number of people for formation of disability specific groups are not available, a group may comprise of persons with diverse disabilities or a group may comprise of both disabled and non disabled persons below the poverty line.

vii. In cases where the size of the SHG is large (as in the case of Neighbourhood Groups (NHGs) under the Kudumbashree programme of Government of Kerala where a neighbourhood group can comprise up to 40 members), banks have been expressing difficulty in extending finance to such large groups. Hence sub groups within the large group may be considered for financing by the banks under the SGSY provided they (or the large group) have satisfied the required grading criteria, possess all the characteristics of a viable and sustainable group and are found credit-worthy by the banks In States and Union Territories where the formation of SHGs has not taken root, banks may continue to extend credit facilities to eligible individual Swarozgaris.

5. Revolving Fund

SHGs that are in existence for about six months and have demonstrated the potential of a viable group enters the third stage, wherein it receives the Revolving Fund from DRDA and banks as cash credit facility. The DRDAs may release subsidy, which is equal to the group corpus with a minimum of Rs. 5000/- and a maximum of Rs. 10000/- linked with bank credit. The banks would sanction credit, which would be in multiples of the group corpus and could go up to four times of the group corpus as cash credit facility based on the absorption capacity and credit worthiness of the group. Subsequently, if it is found that the group has not been able to reach the micro enterprise stage and requires further financial support to continue in the micro finance stage for some more time, performance of such groups may be got evaluated. In the evaluation if it is observed that the group has been successfully utilising the revolving fund, they could be considered for sanction of further doses of subsidy fund up to a maximum of Rs. 20000/- inclusive of previous doses linked with bank credit. The subsidy of Rs. 20000/- released by DRDA will be adjusted against the loan at the end of the cash credit period on the request of the group. The group corpus would be defined as the total amount available with the group inclusive of cash with the group, amount in Savings Bank account of the group, loans outstanding against members of the group and interest earned on the loans as well as deposits**.** The revolving fund is provided to the groups to augment the group corpus so as to enable larger number of members to avail loans and also to facilitate increase in the per capita loan available to the members. The revolving fund imparts credit discipline and financial management skills to the members so that they become credit worthy. SHGs that have demonstrated their successful existence, will receive assistance for economic activities under the scheme**.**

6. Lending Norms

The size of loan under the scheme would depend on the nature of project**.** There is no investment ceiling other than the unit cost i.e. investment requirement worked out for the project. The loans under the scheme would be composite loan comprising of Term Loan and working capital. The loan component and the admissible subsidy together would be equal to total project cost. Banks may follow model project report set out in key activities of the districts for finalising the project cost of the Swarozgaris. Under any circumstance under financing is to be avoided. Swarozgaris will be given the full amount of loan and subsidy and they will have the freedom to procure the assets themselves. Disbursements up to Rs.10,000/- under Industry, Service and Business (ISB) sector may be made in cash where a number of items are to be bought.

6.1 Group loans

Ideally, under the group loaning, the group should take up single activity, but if there is a necessity, the group could also take up multiple activities under the group loaning. In either case, loan will be sanctioned in the name of the group and the group stands as guarantee to the bank for prompt repayment of loan. The group is entitled to subsidy of 50% of the project cost subject to per capita subsidy of Rs. 10000/- or Rs. 1.25 lakhs, whichever is less**.**

6.2. Multiple doses of credit

Emphasis is laid on multiple dose of assistance. This would mean assisting a Swarozgari over a period of time with second and subsequent dose(s) of credit enabling him/her to cross the poverty line as also access higher amounts of credit. Subsidy entitlement for all doses taken together should not exceed the limit prescribed for that category. The second and subsequent doses may be granted by the same bank or any other bank during the currency of first/earlier loan provided the bank is satisfied about the financial discipline of the first/earlier dose. Generally, the people who are asset-less and skill-less are poorest of the poor and get left out under the programme. Such category of people may require small doses of multiple credit over a period of time coupled with emphasis on awareness creation, training and capacity building. The activities which are easier to handle and product is easily marketable could be identified for such category of people to ensure sustainable income, so that, they do not fall into debt trap. DRDAs may ensure that anticipated income as stipulated in the project is realized during the project period in order to enable the Swarozgaries to cross the poverty line**.**

7. Subsidy

Subsidy under SGSY will be uniform at 30 percent of the project cost, subject to a maximum of Rs. 7,500/-. In respect of SC/STs it will be 50 percent of the project cost subject to a maximum of Rs. 10,000/-. The group is entitled to subsidy of 50% of the project cost subject to per capita subsidy of Rs. 10000/- or Rs. 1.25 lakhs, whichever is less**.** There will be no monetary limit on subsidy for irrigation projects. Subsidy under SGSY will be back ended. Banks should not charge interest on the subsidy amount. The availability of the benefit of subsidy to Swarozgaris would be contingent on the proper utilisation of loan as also its prompt repayment and maintaining the asset in good condition. The procedure for operation of Subsidy Reserve Fund accounts as detailed in paragraph 4.17 and 4.242 of the SGSY guidelines may please be followed.

Appendix – 2: State-wise Utilization of funds, Credit and Subsidy under SGSY in 2007-08

Regions	Funds Utilized Rs.Crore	Total Funds availble Rs.crore	Share of Utilisation of funds	Percentage of Utilization to Total funds available	Share of Total Credit Disursed	Percentage of Credit Disbursed to Target	Share of total Subsidy Disbursed	Share of total investiment Disbursed	Credit Subsidy ratio	Share of rural poor (2004-05)	credit per Rural Poor Rs.	Credit per Assisted SHG (RS.)
North	**116.3**	**148.4**	**6.0**	**78.4**	**9.5**	**121.9**	**6.3**	**8.5**	**3.26**	**6.1**	**199.0**	**148671**
Haryana	26.8	26.9	1.4	99.8	2.0	123.4	1.6	1.8	2.64	1.0	251.2	102675
HimachalPr	8.5	12.9	0.4	66.2	0.8	117.6	0.4	0.7	4.30	0.3	352.9	216412
J & K	7.2	11.6	0.4	62.6	0.9	106.8	0.5	0.8	3.95	0.2	664.7	64860
Punjab	13.2	13.5	0.7	97.7	1.1	148.5	0.9	1.1	2.68	0.7	208.8	52902
Rajastan	60.5	83.6	3.1	72.5	4.9	120.1	3.0	4.3	3.51	4.0	155.7	258583
North-East	**175.2**	**254.6**	**9.0**	**68.8**	**5.5**	**39.1**	**7.5**	**6.1**	**1.50**	**3.4**	**202.0**	**50487**
Arunachal Pr	1.4	4.2	0.1	33.6	0.0	11.6	0.3	0.1	0.31	0.1	65.8	79542
Assam	150.8	207.8	7.7	72.6	4.8	46.4	6.3	5.3	1.64	2.5	242.4	53148
Manipur	2.2	3.0	0.1	71.6	0.1	8.2	0.1	0.1	1.10	0.2	41.5	-
Meghalaya	3.2	6.8	0.2	46.9	0.1	8.7	0.2	0.1	0.79	0.2	42.9	45757
Mizoram	2.6	3.5	0.1	73.0	0.0	17.8	0.1	0.1	0.72	0.0	86.0	27145
Nagaland	2.4	5.2	0.1	46.1	0.0	2.2	0.1	0.0	0.43	0.2	8.5	10819
Tripura	12.7	24.1	0.6	52.6	0.5	42.7	1.0	0.7	1.10	0.3	238.5	79746
East	**478.8**	**725.4**	**24.5**	**66.0**	**16.8**	**40.9**	**20.2**	**17.9**	**1.78**	**34.7**	**60.3**	**22028**
Bihar	151.1	314.9	7.7	48.0	5.5	32.1	7.5	6.1	1.56	15.2	44.8	21870
Jharkhand	81.4	120.2	4.2	67.7	3.2	50.0	4.2	3.5	1.63	4.7	85.9	15008
Orissa	116.9	133.2	6.0	87.8	6.4	78.5	6.1	6.3	2.26	6.9	116.9	83850
Sikkim	2.8	3.3	0.1	84.9	0.1	37.1	0.1	0.1	1.24	0.1	181.8	18072
West Bengal	126.5	153.2	6.5	82.6	1.6	17.2	2.1	1.7	1.58	7.8	24.9	6098
A&N Island	0.1	0.7	0.0	7.9	0.0	0.0	0.0	0.0	0.00	0.0	0.0	74538
Central	**583.2**	**677.8**	**29.9**	**86.1**	**3465.0**	**91.6**	**38.7**	**35.8**	**1.94**	**33.8**	**127.5**	**106508**

Regions	Funds Utilized Rs.Crore	Total Funds availble Rs.crore	Share of Utilisation of funds	Percentage of Utilization to Total funds available	Share of Total Credit Disursed	Percentage of Credit Disbursed to Target	Share of total Subsidy Disbursed	Share of total investiment Disbursed	Credit Subsidy ratio	Share of rural poor (2004-05)	credit per Rural Poor Rs.	Credit per Assisted SHG (RS.)
Chhattisgarh	65.3	66.4	3.3	98.4	3.6	96.1	3.8	3.7	2.05	3.2	140.3	41740
Madhya Pr	131.8	142.9	6.8	92.3	9.6	118.7	11.9	10.3	1.73	8.0	151.2	82604
Uttar Pr	366.1	445.6	18.8	82.2	20.1	82.1	21.4	20.5	2.01	21.4	117.4	129640
Uttaranchal	20.0	23.0	1.0	87.3	1.1	88.2	1.1	1.1	2.30	1.2	115.8	142406
WEST	**226.4**	**237.3**	**11.6**	**95.4**	**10.2**	**75.4**	**11.2**	**10.5**	**1.95**	**10.7**	**119.0**	**41264**
Goa	0.5	0.9	0.0	53.8	0.0	73.9	0.0	0.0	3.20	0.0	334.8	27450
Gujarat	43.5	47.4	2.2	91.8	2.3	85.1	2.4	2.3	2.07	2.9	99.6	44347
Maharastra	182.4	188.0	9.3	97.0	7.8	73.2	8.8	8.1	1.91	7.7	126.2	41018
D&N Haveli	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0	0.0	-
Daman and Diu	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0	0.0	-
South	**371.2**	**384.2**	**19.0**	**96.6**	**23.4**	**109.0**	**16.3**	**21.2**	**3.10**	**11.3**	**258.4**	**85261**
Andhra Pr	123.8	126.6	6.3	97.8	10.1	140.5	4.1	8.2	5.20	2.9	429.1	65382
Karnataka	98.8	104.2	5.1	94.8	5.6	103.5	5.2	5.5	2.30	304.0	205.8	79509
Kerala	39.3	40.6	2.0	96.8	2.4	97.6	2.2	2.3	2.29	105.0	201.6	110278
Tamilnadu	108.1	110.3	5.5	98.0	5.3	83.1	4.5	5.0	2.49	305.0	189.7	117437
Lakshdweep	0.3	0.4	0.0	66.6	0.0	100.5	0.0	0.0	2.62	0.0	745.2	-
Pondicherry	1.0	2.1	0.1	46.0	0.1	70.5	0.1	0.1	2.62	0.0	222.7	138163
All-India	**1951.2**	**2427.6**	**100.0**	**80.4**	**100.0**	**73.7**	**100.0**	**100**	**2.14**	**100.0**	**124.9**	**57634**
Total (Rs.Crore)			1951.2		2760.3		1289.1	4049.4				

Note: The data for 2007-08 are provisional. Pr denotes Pradesh, J&K denotes Jammu & Kashmir, D*N denotes Dadre & Nagar.
Source: Ministry of Rural Development, GoI

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National Network of Resource Organizations (NNRO)

In India, SHGs proved to be an effective tool for financial inclusions and addressing larger issues like poverty eradication and women empowerment. Though the SHG movement is growing at a phenomenal pace and emerged as the largest microfinance model in the world, it is facing certain serious challenges. These include unequal reach; uneven quality; inappropriate policy environment, unfair competition; inadequate quality human resources and capacity building support; inadequate funding for promotion and on lending; etc. To address these challenges and to strengthen the SHG movement in the country a national network of resource organizations (NNRO) was formed in 2007 with the financial support of the Ford Foundation. Currently NNRO has seven members – APMAS, Hyderabad; Chaitanya, Rajgurunagar/ Pune; Indian School of Microfiance for Women (ISMW), Ahmadabad; Centre for Microfinance (CmF), Jaipur; Reach India, Kolkata; West Bengal SHG Promotion Forum (WBSPF), Kolkatta and Grameena Mahila Okkuta (GMO), Kolar. The vision of NNRO is Vibrant Women SHG Movement in India. The major objectives of the network are: (a) To contribute for the conducive-policy environment through research based advocacy for SHGs and federations; (b) To facilitate flow of funds to SHG & Federation promotion and on-lending; (c) To increase cadre of human resources using standardized training and resource materials for improving quality; (d) To build the profile of the Community Based microfinance model; (e) To promote innovative models for up-scaling and replication. Ford Foundation has been providing core funding since June 2007 and assured support up to December 2011. We are expecting additional core funding from a few other organizations and event specific funds from many other organizations. Major accomplishments of the NNRO include organization of national conference on SHG federation, Hyderabad in 2007; workshop on women leadership, Ahmadabad in 2008; Women sessions in the Microfinance India Summit 2008;National Study of SHG Federations; Seven state specific studies on SHG federations; adoption of financial literacy module in Andhra Pradesh and Maharashtra; launching of six month certificate course in mF development and management in Rajasthan and Maharashtra; etc.

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