

SWARNJAYANTI GRAM SWAROZGAR YOJANA

GUIDELINES

GOVERNMENT OF INDIA MINISTRY OF RURAL DEVELOPMENT NEW DELHI

I

ACTIVITY CLUSTERS – PLANNING AND SELECTION

Para 1.1 : The objective of the Swarnjayanti Gram Swarozgar Yojana (SGSY) is to bring the assisted poor families (Swarozgaris) above the Poverty Line by ensuring appreciable sustained level of income over a period of time. This objective is to be achieved by inter alia organising the rural poor into Self Help Groups(SHG) through the process of social mobilization, their training and capacity building and provision of income generating assets. The SHG approach helps the poor to build their self-confidence through community action. Interactions in group meetings and collective decision making enables them in identification and prioritization of their needs and resources. This process would ultimately lead to the strengthening and socio-economic empowerment of the rural poor as well as improve their collective bargaining power.

The poverty line varies from State to State. As per the latest (1999-2000) estimates of the Planning Commission, the poverty line in terms of per capita consumption expenditure per month in the rural areas varies from Rs.262.94 in Andhra Pradesh to Rs.367.45 in Himachal Pradesh. The State specific , Poverty lines (1999-2000) in terms of per capita expenditure per month is furnished in the **Annexure-I**

Para 1.2: SGSY lays stress on the cluster approach. What this means is that instead of funding diverse activities, each block should concentrate on a few select activities (key activities) and attend to all aspects of these activities, so that the Swarozgaris can draw sustainable incomes from their investments. These key activities should preferably be taken up in clusters so that the backward and forward linkages can be effectively established. This would facilitate not only monitoring but more importantly provision of various services required by the Swarozgaris.

Selection of key activities

Para 1.3: The success of SGSY will therefore depend, to start with, on the choice of activities. The key element is that the choice of activity should be based on the local resources, the aptitude as well as the skill of the people. It is also necessary that the products have ready market.

Para 1.4: The choice of key activities should not be an arbitrary or an adhoc decision but should be a carefully thought out process. The Block SGSY committee has a very important role to play in it. For

identifying the key activities that can be taken up, the committee should ensure that this selection takes place through a participative process. For selection of key activities, a profile of the poor families, as reflected in the BPL Census should be analyzed. There will be poor families with assets, such as land. Efforts should be made to see that those having a minimum extent of land are enabled to cross the poverty line by making additional investment on their lands, such as wells or other irrigation facilities, pump sets etc. The experience over the years as well as Evaluation Studies have shown that investments on land based activities have resulted in generation of income on a more sustainable basis. The Block SGSY committee should therefore, analyze the potential for farm activities on priority. Care must be taken to see that they also have access to short term credit and other inputs required in the farm sector to supplement the efforts under the Scheme. The next priority may be given to those who have an inherent skill. These would primarily be the rural artisans who form a significant segment of the rural society. Under the SGSY, rural artisans should be covered in a significant manner. Another category would be the unemployed educated youth. A number of them would have been trained under the erstwhile TRYSEM Programme. An inventory may be taken of such people to find out which activities are best suited for the area. Generally, the people who are asset-less and skill-less are poorest of 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.

Para 1.5: The Block SGSY Committee may also look at the potential link plans prepared by NABARD as well as any other survey carried out by various banks, industrial/technical organizations, etc. The local Khadi & Village Industry officials as well as the District Manager of District Industry Centre may also be consulted.

Para 1.6: The Block SGSY Committee must interact with as many sarpanches as possible and also discuss with groups of the rural poor such as the landless labour, the educated unemployed, those rural poor with lands, the artisan groups etc. Where self-help groups are in position, they should also be consulted. In their discussions, the Committee should explore various opportunities that are available (provided credit, technology, skill up gradation and marketing are assured) to enable the poor to cross the poverty line. While conducting this dialogue, the Block SGSY committee should be equipped with information relating to the performance of various activities in the village whether such activities are taken up under government programmes or otherwise. The committee should use that knowledge to supplement the traditional knowledge of the poor households and to facilitate the identification of suitable activities. In this process, the traditional wisdom of the poor families acquires value and the Block committee builds upon the traditional knowledge of the poor families with its knowledge base. It must be ensured that the consultation process is genuine and not perfunctory or token in nature.

Para 1.7: In so far as on-farm activities are concerned, provision of irrigation facilities continues to be important. These facilities can be provided either in the form of open dug wells or bore/tube wells or through lift irrigation or check dams etc. In other words, the nature of source is not important for providing irrigation facilities under SGSY. Effort may be made to bring in as much of the land of the rural poor as possible under irrigation so that they can have sustainable incomes. Minor irrigation investment will include cost of well, lifting device and land development – a composite investment. Working capital requirement can also be considered but would not be eligible for subsidy.

Para 1.8: Minor irrigation projects may be group oriented or individual oriented. It is preferable to adopt as far as possible, a project approach under minor irrigation instead of spreading the investment in a scattered manner. Minor irrigation can also be the basis for activity clusters or formation of SHGs.

Para 1.9: As regards the non-farm activities, care must be taken to identify only those activities which result in the production of goods/services that have a ready market.

Para 1.10: Based on this consultation process, the committee may identify about 8-10 activities, which they may rank in the order of preference. This list should then be placed before the general body of the Panchayat Samiti (Block Panchayat). The Panchayat Samiti should be asked to give its recommendations. The list of selected key activities, along with the recommendations of the Panchayat Samiti, should then be forwarded by the BDO to the District SGSY committee for consideration. Before sending the list to the District SGSY Committee, the Block Committee should prepare a brief project report, keeping in view the guidelines.

Para 1.11: The District SGSY committee will receive the block-wise proposals and will vet them. The 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. In the process, scope for other potential activities should not be excluded. In doing so, the District SGSY committee will ensure that the infrastructure already available in the district – in terms of production, service, training facilities as well as market are utilized and that the choice of activity does not require a new effort in all directions – production as well as marketing. In other words, at least some of the key elements of the economic chain of the selected activity should be present and it is only the missing link that needs to be provided. Secondly, in choosing the activities, the district level committee will also ensure that Swarozgaris taking up the activity can realize appreciable incremental income sustained over a period of time which will help them to effectively cross the Poverty Line. DRDAs may ensure that the anticipated income as stipulated in the project is realized during the project period in order to enable the Swarozgaris to cross the Poverty. Generally, one time assistance /credit injection might not help the Swarozgaris to cross the poverty line. Therefore, multiple dose of credit would be necessary which should be ensured through continuous monitoring and follow up. The Committee will ensure that the views of Line Departments are taken into consideration so that the Line Departments have a commitment to the key activity being taken up in the respective blocks and provide required services to the Swarozgaris.

Para 1.12: The District SGSY committee should scrutinize the proposals for each key activity separately in consultation with the concerned experts including the line department officials. In fixing the unit costs for the farm sector, the costs fixed by the regional committees of NABARD should be taken into consideration. With regard to the loans for various purposes falling under ISB sector of SGSY, the responsibility of fixing the unit cost and other techno-economic parameters is of the committee.

1.13: It must be noted that identification of activities is critical for the success of the SGSY. It is therefore necessary that it should be done in careful manner. Care should however be taken that the market is either readily available or there is a potential for market creation for the products. This may require engaging the services of professionals in the field for market research and survey. A detailed timetable may be drawn up by each DRDA for each Block and the schedule publicized so that everyone is aware of the selection of key activities.

Para 1.14: The District SGSY Committee is empowered to add or delete any activity in the list of selected key activities with due justification. Any of the selected activities can be replaced by a new one, if the scope of the former has been exhausted. The procedure for replacement will be the same as it is for making the original list of key activities. However, the number of selected key activities should not ordinarily exceed 10.. The DRDAs shall prepare directory of selected key activities in the District, which will be consolidated at the State level for preparation of directory of selected key activities.

Preparation of Project Reports

Para 1.15: For each key activity there should be a project report indicating various elements such as training, credit, technology, infrastructure and marketing. The project report should indicate how many people could be covered economically in a block under a key activity. The tendency to provide finance to a large number of similar units must be avoided so as to prevent creation of excess capacity.

Para 1.16: The project report should also include the balancing infrastructure that needs to be provided and the costs involved. The district level committee should ensure that it is well within the limits of the money that is likely to be available under SGSY infrastructure. Care should be taken to avoid any attempt to create infrastructure for line departments without concomitant benefit to Swarozgaris. The test of SGSY will be in additional incomes accrued to Swarozgaris, the additional infrastructure being only an enabling factor. The project report should specifically include a chapter on the levels of investment required at individual Swarozgari's level or by a group. The economics for group lending should be shown distinctly from that of individual lending. The Project report shall be prepared for each activity and for each block separately. The project report should indicate that whether the key activity selected is for individual or group or both. The economics should also be clearly spelt out for each of these. The economics should indicate the details of investment required, the details of returns, the repayment schedule and the net income accruable to the Swarozgari.

Para 1.17: The Committee should undertake the entire exercise in a careful manner and not as a routine exercise. All expenses relating to this exercise will be borne by the DRDA from its administrative expenses, which are provided for separately under the head 'DRDA Administration'.

Para 1.18: The line departments have an important role to play in the entire exercise, for they will be responsible for implementation and monitoring of respective sectoral activities. SGSY would need a very close collaboration between the implementing agencies and the line departments. Presently, this is lacking or at least is not taking place to the desired extent. This collaboration must start with the identification of key activities and preparation of project reports. The line departments will be responsible for planning and creation of the infrastructure required for making the key activities successful. In addition, once the bank has sanctioned the loan, the line departments must ensure that all facilities including technical guidance are provided to the Swarozgris. The line departments may also verify whether the Swarozgaris have the necessary skill requirement and take steps to train them. The line departments should also satisfy themselves about the quality of training that is being imparted. They should assist the DRDAs in ensuring that the Swarozgaris are duly trained in appropriate institutions. It shall be their responsibility to monitor the progress and whether Swarozgaris are able to derive the expected levels of income. In other words, the line departments must recognize that promotion of self-employment in their sector is as much their responsibility as that

of DRDAs/Panchayati Raj Institution/Banks and it should be an integral part of their day-to-day functioning.

Para 1.19: On approval by the District SGSY committee, the list of selected key activities as well as the project report of each key activity in respect of each block should be placed before the governing body of the DRDA. Where no DRDA exists, it should be placed before the Zila Parishad. On approval, it should be circulated to the BDO and all the banks in the concerned blocks as well as the concerned line departments. All the banks in the district would be expected to follow the model set out in the respective project reports. Under any circumstances, under-financing of the key activity should not be allowed. This should be reviewed in the Block SGSY Committee constantly.

Para 1.20: The major share of SGSY assistance will be for the key activities. A minimum of 75%, both by number and funding, will be for the key activities identified in the block both as group assistance and individual assistance. However, assistance is not prohibited for other activities. There may be stray instances where a Swarozgari may like to take up an activity by himself/herself and where the nature of activity is such that its economic return is assured. SGSY allows such activities but subject to a limit of 25% of the total number and funding of Swarozgaris in any given year. It must be noted that this is only an enabling provision for exceptional cases and it is expected that the funding of key activities will be the norm. Therefore, the figure of 25% is only the upper limit and should not be the norm.

Clusters

Para 1.21: The key activities may be taken up for implementation preferably in clusters. It must be noted that the clusters are not mere geographic agglomerations but units where the backward and forward linkages can be effectively established. This will facilitate greater control of the progress of the programme, including setting up of infrastructure, raw-material distribution, technology transfer as well as quality control. It is not essential that SGSY should be implemented in each and every village of the Block. Advantage may be taken of the infrastructure already built up so that the results may be more definite. At the same time, care must be taken to see that maximum number of villages are covered under one or the other of the activity clusters.

Para 1.22: the clusters will be taken up for each activity separately. The idea is to select a few villages every year under a key activity and concentrate the effort so that necessary linkages are available and also the monitoring becomes easy. It is not necessary that if a cluster of villages is taken up in a year, it should be given up the next year. More swarozgaris can be brought each year under the key activity in the identified clusters. However, in doing so, care must

be taken to see that there is no undue concentration of a programme in only a few villages.

Para 1.23 : After the District SGSY committee communicates the list of selected key activities for the Block, the Block SGSY committee will identify the villages to be covered under each activity. This is an exercise that needs to be taken up before the beginning of each financial year. This process is for identification of geographical clusters of neighbouring villages for taking up each activity in a focussed manner. The list of cluster villages so selected may be placed before the Panchayat Samithi, so that members of the Panchayat Samithi are aware of the selection and also the principles that underline the selection of villages.

II

PROGRAMME INFRASTRUCTURE

Para 2.1: Proper infrastructure is essential for the success of micro enterprises. The infrastructure may be either for production, processing, quality testing, storage or marketing. The lack of proper attention to this item has been one of the drawbacks of IRDP. Although provision had been made for expenditure on infrastructure, the investments made did not necessarily correspond to the needs of the self-employed.

Para 2.2: SGSY will seek to ensure that the infrastructure needs for the identified activities are met in full, so as to enable the Swarozgaris to derive the maximum advantage from their investments. Planning for infrastructure will be made in close concert with the banks. As indicated earlier, the project report for each key activity should clearly identify the existing infrastructure and the additional infrastructure that needs to be created. It should be noted that the creation of additional infrastructure should be meaningful and should only be in the nature of providing the missing critical links. The proposals for infrastructure development should be drawn up by DRDA in consultation with Bankers and form part of the Annual Plan of the Block and District.

Para 2.3: the provision of infrastructure is essentially the responsibility of the State Governments. Therefore, the States will strive to provide for necessary investments as part of their plan efforts of the respective departments. Where the plan funds of the line departments do not have adequate provision, recourse may be go to JGSY and EAS. Similarly, any other State or Centrally sponsored schemes can also be used for the creation of infrastructure. Resource to SGSY infrastructure fund should be as a last resort and only critical gaps in investments will be made under the SGSY.

Para 2.4: The District SGSY Committee should review the infrastructure gaps and identify the areas of intervention for financing projects in activity clusters. Infrastructure needs and their fulfillment will be constantly and closely monitored by the DRDA, particularly the Governing Body of DRDA, to ensure that the infrastructure needs are met as per plan. Financing in sectors should be restricted where infrastructure is inadequate.

Para 2.5: It should be noted that the funds available for providing infrastructure support under SGSY are primarily to bridge small gaps in infrastructure which can make the programme implementation more effective and not for creation of an altogether non-existent infrastructure in the area.

Funds for infrastructure development should, in no case be used to augment resources of the State Government for development of general infrastructure.

Para 2.6: In order to meet expenditure on such critical infrastructure, SGSY will provide for a fund, which will be known as 'SGSY-Infrastructure Fund'. 20% (25% in the case of North Eastern States) of SGSY allocation for each district will be set apart for this fund. DRDAs will maintain this fund in a separate account. The DRDAs are advised to utilize this fund to generate additional funding wherever feasible.

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

- (a) The infrastructure activities should enable SGSY Swarozgaris' to make full utilization of their assets. Marketing linkages should be given priority.
- (b) The proposals should emerge out of the specific activities being taken up by the Swarozgaris and the location decisions should be made by the Blocks/DRDAs in consultation with Bankers.
- (c) Only village or block or district level infrastructure should be planned. In no case should the proposals envisage development of infrastructure at the State or regional level.
- (d) Only the fixed cost and not the recurring expenditure should be met out of SGSY funds. There should be an undertaking that the State Government or the organization concerned would meet the recurring expenditure on staff and other items.
- (e) In the case of assistance for development of infrastructure to cooperative societies, it should be ensured that at least 50% of the members are SGSY Swarozgaris.

Para 2.7 : The proposals should clearly spell out the time span envisaged for building up the infrastructure, its impact on the activities of the Swarozgaris in particular and economic environment in general, the agency charged with the implementation of the project and the monitoring system provided to see that projects are executed in given time at the given cost. The funds to the executing agency should be given in phases depending on the progress of the work. The decision on the phasing of the release should be taken by the DRDA.

Other Admissible items of Expenditure under the Programme Infrastructure

- (i) Expenditure on account of premium for insurance and risk fund to cooperatives could also be met under this head.
- (ii) Expenditure on account of commissioning studies for the purpose of local resource and skill based integrated projects, for the SGSY subject to a maximum of Rs.50,000/- per annum per District approved by Governing Body of the DRDA could also be made.

Monitoring of expenditure on infrastructure projects

Para 2.8 : Given the magnitude of funds allocated for infrastructure development, it is imperative that expenditure under this head be monitored more rigorously. Accordingly, suitable formats will be prescribed for monitoring purposes. The Districts are required to send information in this format to the States every quarter. The data will be consolidated for all the districts by the State Government and sent to the Central Government on a quarterly basis.

III

SWAROZGARIS

Para 3.1: Under Swarnjayanti Gram Swarozgar Yojana (SGSY), the beneficiaries are known as Swarozgaris. The Swarozgaris can be either individuals or groups. SGSY lays emphasis on the group approach, under which the rural poor are organized into Self Help Groups. In either case, the list of

BPL households identified through BPL census, duly approved by the Gram Sabha will form the basis for identification of families for assistance under the SGSY. The Self Help Groups should also be drawn from the BPL list approved by the Gram Sabha.

This chapter is about the Swarozgaris and the linkages with the banks. Part 'A' of this chapter is about the SHGs. Part 'B' is about individual Swarozgaris.

A. SELF HELP GROUPS (SHGS)

Para 3.2: SGSY will focus on organization of the poor at grassroots level through a process of social mobilization for poverty eradication. SGSY's approach to organize the poor stems from the conviction that there is a tremendous potential within the poor to help themselves and that the potential can be harnessed by organizing them. Social mobilization enables the poor build their own organizations (Self Help Groups) in which they participate fully and directly and take decisions on all issues concerning poverty eradication. Simultaneously, SHGs have the advantage the assistance – be it in terms of credit or technology or market guidance etc. – reaching the poor faster and more effectively.

Self Help Groups go through various stages of evolution

Para 3.3 : Social mobilisation is not a spontaneous process; it has to be induced. DRDAs are expected to initiate and sustain the process of social mobilisation for poverty eradication by formation, development and strengthening of the Self Help Groups (SHGs). Issues that are key to poverty eradication should become entry points for DRDAs to organise the poor into SHGs. There could be different entry points for different SHGs depending on the local situation. The groups that are formed with thrift and credit as an entry point have demonstrated that the poor can secure greater access to credit and other support services for enhancing their income levels.

The process of SHG formation could be divided into phases . While the process of SHG formation cannot be standardized, a few Guidelines could be useful to the field level functionaries.

Self Help Groups go through various stages of evolution

- **Group formation** (formation, development and strengthening of the groups to evolve into self-managed people's organisation at grassroots level. In our society, members are linked by various common bonds like caste, sub-caste, community, blood relation, place of origin, activity etc. The facilitators must identify these natural groups which are commonly called 'Affinity Groups'. Identification of such Affinity Group is critical for the progress and success of the Self Help Group. This would require staying with the people for some period to facilitate proper understanding and establish rapport with them. Therefore, while forming Groups, facilitators must recognise the natural bonds and affiliations existing within the society.
- **Group Stabilization** through thrift and credit activity amongst the members and building their Group Corpus . The group takes up internal loaning to the members from their Group Corpus . The groups should save regularly and begin to lend to members. This provides the members with opportunities to acquire the skills to prioritize scarce resources, to assess the strength of each member , to time the loans and schedule of repayments and fix interest rates. The group institutionalizes the need to introduce sanctions for deviant behaviour, which could include delay in repayments, arriving late or absenting from meetings etc.

- **Micro credit**, the Group Corpus is supplemented with Revolving Fund sanctioned as cash credit limit by the Banks or the group could also have access to credit under the Self Help Group-Bank Linkage Programme of NABARD.
- **Micro enterprise development**, Group takes up Economic Activity, of their choice for income generation. This phase would include Entrepreneurship Development as well as Skill Development training of the members of the Group to enable them to successfully implement the chosen activity. All the Groups, particularly Groups formed with members who are skill less, asset less, destitute and living under abject poverty might not graduate to the stage of Micro-enterprise with in the time frame indicated in the Guidelines. Such groups may continue to remain in the Micro-Finance stage for a longer period of time and may require intensive training and capacity building inputs to enable them to reach higher levels of income generation.

Formation of Self Help Groups

Para 3.4.: SHG is group of rural poor who have volunteered to organise themselves into a group for eradication of poverty of the members. They agree to save regularly and convert their savings into a Common Fund known as the Group corpus. The members of the group agree to use this common fund and such other funds that they may receive as a group through a common management. The group formation will keep in view the following broad guidelines :

- i) Under the SGSY, generally a self-help group may consist of 10 to 20 persons. 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 be 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. However, if necessary, a maximum of 20% and in exceptional cases , where essentially required, upto 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. This will help the families of occupational groups like agricultural labourers, marginal farmers and artisans marginally above the poverty line, or who may have been excluded from the BPL list to become members of the Self Help Group. However, the 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 APL families. Further, APL members of the Self Help Group shall not become office bearers(Group Leader, Assistant Group Leader or Treasurer)of the Group.
- iii) The group should devise a code of conduct (Group management norms) to bind itself. This should be in the form of regular meetings (weekly or fortnightly), functioning in a democratic manner, allowing free exchange of views, participation by the members in the decision making process.
- iv) The group should be able to draw up an agenda for each meeting and take up discussions as per the agenda.

- v) The members should build their corpus through regular savings. The group should be able to collect the minimum voluntary saving amount from all the members regularly in the group meetings. The savings so collected will be the group corpus fund.
- vi) The group corpus fund should be used to advance loans to the members. The group should develop financial management norms covering the loan sanction procedure, repayment schedule and interest rates.
- vii) The members in the group meetings should take all the loaning decisions through a participatory decision making process.
- viii) The group should be able to prioritise the loan applications, fix repayment schedules, fix appropriate rate of interest for the loans advanced and closely monitor the repayment of the loan instalments from the loanee.
- ix) 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.
- x) The group should maintain simple basic records such as Minutes book, Attendance register, Loan ledger, General ledger, Cash book, Bank passbook and individual passbooks. The sample proforma for maintenance of above records by the group is in the Annexure II for guidance. These could be used with necessary changes/ modifications wherever required.

Para 3.5: 50% of the groups formed in each block should be exclusively for the women. In the case of disabled persons, the groups formed should ideally be disability-specific wherever possible, however, in case sufficient number of people 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.

Para 3.6: By and large, the SHG will be an informal group. However, the groups can also register themselves under the Societies Registration Act, the State cooperative Act or as a partnership firm. The SHGs can be further strengthened and stabilized by federating them at, say village or cluster of villages or block or District level depending upon the number of Self Help Groups and their spatial distribution. DRDAs may facilitate in planning of network of SHGs by federating them at appropriate level, once SHGs have reached the stage of maturity and have stabilized. This would facilitate regular interaction, pooling of surplus with the groups, exchange of experiences including flow of information from DRDAs and other departments, bulk access to Credit from various Micro- Finance Institutions and help them to plan for desired backward and forward linkages including marketing of their products.

Para 3.7 : Social mobilization and community organization is a process oriented approach as different from target oriented approach. The group formation should not be driven by any targets but lend itself to a 'process approach'. The members of the SHGs should fully internalise the concept of self help.

A large number of DWCRA groups have been formed and assisted by DRDAs in the past. Likewise, there are a number of Self Help Groups formed by NABARD, other Banks, Rashtriya Mahila Kosh (RMK), Non-Government Organisations (NGOs), Women and Child

Development Department under the Swa-Shakti and Swayamsidha etc. The DRDAs should put in concerted efforts to strengthen and consolidate these groups as some level of synergy already exists and then take steps to form new groups. Further, there is a need to develop data base on the Self Help Groups formed and existing under various programmes in the district. The DRDAs may act as nodal agency for developing the data base, which should include Self Help Groups formed under all the schemes. This would ensure convergence of various Scheme as well as better planning for training and other requirements of SHGs.

Role of NGOs

Para 3.8: The experience across the country has shown that group formation and development is not a spontaneous process. A facilitator working closely with the communities at grassroots level can play a critical role in the group formation and development. The quality of the groups can be influenced by the capacity of the facilitator. The facilitator may or may not be an official. In some cases, NGOs can not only work as the facilitator but also help in training and capacity building of facilitators being used by DRDAs. DRDAs may support such sensitive support mechanisms in the shape of NGOs or Community Based Organisations(CBOs) or Network of Community coordinators / Animators or a team of dedicated functionaries of the Government who are fully engaged in the task of initiating and sustaining the group development process. The Community coordinators / Animators could be from the community or may be from outside the area. They could be leaders / members of SHGs, or persons having experience or training in the field of community organisation and social mobilisation. The selection of Facilitator / Community Coordinator and their training and capacity building for involvement in formation , development and training of SHGs is critical for the success of the Programme. The District SGSY Committee may therefore select suitable Organisations / Societies / Individuals as facilitators/Community Coordinators in the Programme based on their past experience in SHG formation, community organisation or any other similar work involving participatory approach, communication skill, ability to stay with the people in the rural area etc. They would have to stay for a period of 2-3 years with the Group to ensure continuity as well as to enable the Groups to mature into a self managed peoples organisation. Facilitators involved in the process of group formation and development should have a well defined exit policy and by which time community should either become self reliant or be willing to pay for their services for further continuance and management of the Group. The emphasis should be to form groups in geographical clusters to facilitate better training and management. A community coordinator / Animator could take up the responsibility of managing 10-15 SHGs in a geographical cluster consisting of 4-5 villages with in a radius of 4-5 Kms. The DRDAs may organise training and exposure programmes for the facilitators and should interact with them regularly to get feed back about groups.

The DRDAs may devise a Memorandum of Understanding (MoU) or contract to be used for entering into an agreement with NGOs / CBOs / Community Coordinators / Animators being involved as facilitators for group formation, development and training. The MoU should clearly define the role of facilitator in group formation and development. Further, payment to the facilitator should be specifically linked to the stage of development of the group and overall performance. The DRDA shall regularly monitor the progress of groups through periodic evaluations. The involvement of facilitators in the programme will be purely on contractual basis and DRDAs shall take all precautions to ensure that there are no legal obligation on the Government in future. A detailed instruction on operationalization

of involvement of facilitators in the process of social mobilisation and group formation is being issued separately.

Para 3.9: Whether the support machinery (SHG promotion institutions) is offered by NGOs or DRDA itself, what is critical is the capacity of the support machinery. DRDAs will have to play a very crucial role in facilitating development of the capacity to nurture and strengthen the groups.

Linkage with the Banks

Para 3.10: During the stage of group formation, the SHG should be brought into contact with the local banks through opening of savings Bank account preferably in their service area branch. This has a dual purpose. The SHG begins to realise the opportunities and also the mode of dealing with the banks. Likewise, the bankers get to familiarise themselves with the SHGs. Establishment of these linkages at the early stages will ensure the formation of strong SHGs, which will be mutually beneficial. Further, the group could also avail credit from the Bank as per their requirement under the Self Help Group – Bank Linkage Programme of NABARD. The BDO and the banker may visit the SHG as often as they can and explain to the members the opportunities for self-employment. They may also explain to them about the process of graduation into taking up full-fledged self-employment activity. Training and capacity building programmes for the SHGs in different stages of development may be organised periodically on a continuous basis at different levels(i.e. at the village, cluster of village, Block and District) . For this ,besides inviting experts in the relevant field from outside, the District should have their own team of trained resource persons taken from different fields. The DRDA should involve the Bank functionaries also in the training programme of SHGs.

Grading of the Self-Help Groups

Para 3.11. The formation stage may last for about six months or more depending upon the literacy, awareness levels, socio- economic background of the people being organised, as well as the capacity of the facilitator involved in the process of social mobilization and Group formation. At the end of the formation stage, which may be about six months or more, it is necessary to subject each Self Help Group to a test to assess whether it has evolved into a good group and is ready to go into the next stage of evolution. This is done through a grading exercise. The objective of this exercise is to identify the weaknesses, if any, and help the group to overcome the same through training and capacity building inputs, so as to develop into a good group. Grading exercise thus should help to focus attention on weak groups so that DRDAs can assist them to overcome weaknesses and graduate into good groups. Grading of the group should also enable the DRDAs to establish linkages for the good groups with the Banks. In case the Self Help Group has been in existence prior to the SGSY under other Programmes and have completed six months from the date of formation and it is being brought under the SGSY, such groups may be subjected to first grading immediately, without waiting for another six months.

Para 3.12: The DRDAs will have to play an effective role in grading exercise. The capacity of DRDA personnel will have to be enhanced to take this exercise professionally. Grading of the Self Help Groups could be done by the same agency that is involved in the promotion and development of SHGs or any independent agency contracted to undertake the grading exercise. The cost incurred for conducting grading exercise through an independent agency may be incurred under the Scheme. It is desirable that the grading exercise is undertaken by an independent agency as it will have objectivity and acceptance by financial institutions etc.

Para 3.13: A number of Government and Non-Government Organizations, working with SHGs across the country have evolved very effective strategies for grading the SHGs. The grading criteria should be consistent with the characteristics that are agreed to be essential for strong, self-managed and vibrant SHGs. In other words, clarity on the features to be promoted in an SHG should become the starting point for any grading exercise.

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

- Development of exhaustive list of characteristics of a good group by DRDA in consultation with its partners if any, involved in promotion and development of SHGs.
- Development of criteria for grading of the groups with appropriate weightage for various parameters.
- Identification of a suitable agency to undertake the grading exercise.
- Intensive training to the investigators who will interact with the members of the group to assess the group on various parameters. This training can either be conducted by the agency identified for grading or by DRDA.
- Facilitate the agency to visit the groups for assessing the status of the groups.
- Obtain SHG-wise reports with the rating awarded and the reasons.
- Develop an appropriate SHG-wise action plan for strengthening the groups identified as 'weak' or average.
- Pursue with bankers for securing SHG linkage with such SHGs that are rated as 'good'.

Para 3.14: Grading exercise should not be a questionnaire-oriented exercise where the members become passive participants. It should provide an opportunity for the members to assess their own performance to a participatory approach and the investigator assumes the role of the facilitator to the process.

Para 3.15: DRDAs should ensure active participation of the bankers in the grading exercise. In this context, NABARD and local banks will have to be involved very closely right from the development of criteria for grading the groups. The criteria, the strategy and operational details of the grading exercise should be discussed in the District SGSY Committee.

Para 3.16: Right from the beginning, it is necessary that the SHGs should be nurtured carefully. The grading exercise must therefore be carried out at different stages. To start with, the objective of the SHG in the first six months is to evolve as a viable group. Accordingly, the grading at the end of six months should be with reference to the objectives in the first stage of the evolution of the Self Help Groups. Grading exercise should be undertaken every quarter till such time that all the groups obtain good grade.

Capacity building of the Self Help Groups

Para 3.17 : SHGs that are in existence for about 6 months and have demonstrated the potential of a viable group enters the third stage, wherein it receives the Revolving Fund of Rs.25,000 from bank as cash credit facility and also embarks on further capacity building of its entire team. DRDAs will arrange to provide the revolving fund to such groups, meeting their share from out of the SGSY Fund. Of this a sum of Rs.10,000 will be given to the Bank by the DRDA. Banks may charge interest only on the sum exceeding Rs.10,000. The subsidy of Rs.10,000 released by DRDA will be adjusted against the

loan at the end of cash credit period on the request of the group. In case of default in the payment of loan or the group becoming defunct or dissolution of the group and in case the Bank fails to recover the entire dues inspite of all possible measure i.e. personal contact, organisation of joint recovery camps with district administration, legal action etc. the process of forfeiture of subsidy for adjustment against dues may be taken up. After getting the approval of District SGSY Committee the concerned Bank may adjust the subsidy against the Swarozgaris dues. If the Bank is able to realise any amount subsequently over and above the amount due to it, the same may be returned to the DRDA.

The groups shall keep the following principles in view concerning the management of the Revolving Fund:

- The revolving fund is provided to the groups to augment the group corpus so as to enable more number of members to access loans and also to facilitate increase in the per capita loan available to the members.
- As the revolving fund become part and parcel of the group corpus, the groups should follow same norms for utilization as in the case of their own saving fund.
- The group should discuss the credit requirement of the members and advance loans from out of the corpus (savings + interest + revolving fund) to a few members and fix repayment schedule and interest rates. From the amounts recovered from the loanees, new members could be covered.
- The revolving fund imparts credit discipline and financial management skills to the members, so that they become creditworthy and bankable in the eyes of the bank.
- On receipt of the revolving fund, the group shall utilise the fund in the manner and for purposes it deems fit. The idea is that the group should develop the capacity to utilise funds it has received from outside. The revolving fund can be used by the group for purchase of raw materials, marketing or infrastructure support for income generating activities. It can alternatively be used for lending to individual members for their own purposes. The members shall inculcate the habit of prompt and full repayment of the loans taken by them from the revolving fund.

Para 3.18 : Those groups that have received fund under DWCRA or any other programme shall not be eligible to receive the revolving fund under the SGSY. However, there is no bar on such groups receiving credit and subsidy under group loaning under the SGSY, after they have demonstrated their functioning as a viable group.

At the end of six months from the date of receipt of the revolving fund the SHG will be subjected to another grading test to see if it has been functioning effectively and is capable of taking up an economic activity through higher levels of investment. However, for Minor Irrigation Schemes, relaxation of time for the second grading could be allowed if the group is found creditworthy and the project is viable. The decision in regard to the relaxation may be taken by the Block level SGSY Committee. In case the Self Help Group has been in existence prior to the SGSY under other programmes and has completed one year from its date of formation and it is being brought under the SGSY, the group may be subjected to second grading directly to assess its eligibility for economic activity without subjecting it to first grading. It is important that the Bank should be satisfied about the grading of the SHG at this stage. Therefore, the choice of the agency carrying out the grading as well as the criteria should be to the satisfaction of the bank. In fact, it would be desirable that Bank functionaries are involved in the grading exercise of groups functioning in their service area.

At the end of the third stage, the SHG is broadly expected to demonstrate the following attributes :

1. The per capita loan amount availed by its members increases gradually over the years.
2. There is a shift from consumption loans to production loans.
3. The group is able to clearly identify its training needs to the members and give value to the training input received by its members.
4. The members are able to investigate into their poverty situation and are able to articulate clearly the opportunities for overcoming their poverty.
5. The group is able to develop a portfolio of opportunities (investment opportunities) for the members and has a clear plan of action for meeting the credit requirement of its members.
6. The group acquires the capacity to undertake participatory monitoring of assets created from the loans advanced to its members.
7. The group has implemented some community action programmes and is capable of continuing to do so independently.
8. The dependency on outside facilitating agency or matters related to group management would gradually come down and the groups emerge as self-managed in terms of managing various aspects of group and financial management.
9. All members have total clarity on the activity, including the economics of the activity.
10. The members have clarity on the responsibility of each and every member and the management of the common activity.
11. The members have clear assessment of their training needs.
12. The members have evolved effective strategy for participatory monitoring of the common activity.

Taking up of economic activities

Para 3.19: Once the SHG has demonstrated that it has successfully passed through the second stage, it is eligible to receive the assistance for economic activities. This is in the form of loan and subsidy. There are two ways in which a SHG can receive this assistance:

- 1) Loan-cum-subsidy of SGSY to the individuals in a group, provided the prospective Swarozgaris in the group are capable of an willing to take up income generation activities under these sectors.
- 2) Loan-cum-subsidy to the group where all the members in the group want to take up a group activity. 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.

Loan-cum-subsidy to the members of the Group

Para 3.20: Through a few individuals are identified as beneficiaries under loan-cum-subsidy, it is essentially the group that is standing guarantee for the promote repayment of the loan to the bank. The group also undertakes responsibility to closely monitor the asset management and income generation. The group also is expected to access services from the line departments concerned to enable the members to derive the expected income from the activities undertaken. Since the groups are constantly interacting with the banks, their initiatives to secure continuous line of credit to the Swarozgaris to access multiple dose of loan become critical. In any case, the members of the group who are assisted under SGSY's loan-cum-subsidy assistance want to avail the back-end subsidy nothing should prevent the members to do so. Considering multifarious support services Swarozgari is receiving by being member of a group it is natural that the group may like to charge a part of the subsidy provided to the Swarozgaris as individual contribution to the group corpus. The Swarozgari is expected to repay all the loan instalments to the banks through the group and the group may keep to itself part of subsidy component. In any case, this is an issue that has to be left to the decision of the group.

Loan-cum-subsidy for the Group Activity

Para 3.21: Group activities stand a better chance of success because it is easier to provide back up support and marketing linkages for group activities. The SGSY will primarily follow the group approach. The groups should demonstrate minimum levels of group dynamism, as detailed above, before considering for assistance with the loan-cum-subsidy for the group under the SGSY. The group is entitled to Subsidy of 50% of the project cost subject to per capita subsidy of Rs.10,000/- or Rs. 1.25 lakhs, whichever is less. DRDAs should conduct training programmes to the members and the representatives of the groups so that the groups become fully self-managed and evolve into strong self managed groups .The cost of the group formation and development should be met from the funds provided under the SGSY. Considering the experiences of the NGOs involved in the development of SHGs in the country , it is estimated that an amount of Rs. 10,000/- per group would be the investment required over 3 –4 years. Rs.10,000 per group as mentioned above for formation and development of Self Help Group, is the maximum ceiling, however, the actual amount may be decided by the District Level SGSY Committee based on the local prevailing situations.

Payment of the amount to the NGOs/ CBOs/ Community Coordinators /Animators will be made in four installments in the manner given below :

- a) 20% of the funds at the beginning when the formation of Self Help Group is commenced by the NGO/ CBOs / Community Coordinator / Animator. This money could be utilised during the formation stage. During this period the group should open an account in the service area Bank Branch and they should be imparted Basic Orientation training on the concept of Self Help Group, Group dynamics, maintenance of records and books of accounts, conducting group meetings and financial transactions.
- b) 30% after the group qualifies for Revolving Fund or get linked to the Bank by way of availing Credit and continue to work satisfactorily.
- c) 40% after the group take up an economic activity and

- d) 10% after the start of economic activity by the group and adherence to repayment schedule of the loan sanctioned by the Bank.

B. INDIVIDUAL SWAROZGARIS

Identification and selection

Para 3.22: In the case of individual Swarozgaris, their selection will be as follows: Once the list of villages is finalized by the Block SGSY Committee every year, the concerned Sarpanches should be intimated. The individual Swarozgaris are to be selected in the Gram Sabha. It is possible that the Gram Sabha held at the Panchayat headquarters may not have the participation of all the BPL families. Therefore, in order to afford the maximum participation for the poor, a 3-member team consisting of the BDO or his representative, the banker and the Sarpanch should visit each of the habitation in the Panchayat according to a schedule drawn up for this purpose and duly published. In each habitation, the team must then ascertain from the BPL families, the persons who can be covered under the designated key activity. This process of identification of the potential Swarozgaris should be done carefully.

Para 3.23: The selection of the Swarozgaris must be done in an open and transparent manner. The poor should have the confidence that if they fulfill the requisite conditions they would be able to avail of the facilities under the programme. It is possible that the number of such potential Swarozgaris would be more than the programme available to the bank/BDO. In such a case, the fact may be made known and the best of the potential entrepreneurs can be taken up for the final say. While SGSY is not a programme that targets only the poorest of the poor, it should be the endeavour of the committee to cover the relatively poorer among the BPL families provided however they are otherwise eligible.

Para 3.24: In case the Committee is not sure of sufficient number of potential Swarozgaris being sanctioned the loan, it is open to the Committee to select a higher number and leave the final selection to the bank. The effort in this exercise is two-fold. On the one hand, while the bank is to be free to choose the swarozgaris, the effort is also to see that this is done in a transparent manner.

Para 3.25: After the selection is made, the BDO shall arrange to have the applications filled by the selected persons. Since most of the potential Swarozgaris are illiterate and some of them would be very poor, it is necessary that the proforma prescribed by the banks should be simple, while, however satisfying the legal requirements. It should also be in the local language. The DRDAs should particularly look into the matter and also take steps to familiarize the BPL families with the loan sanction process and the proforma so that the poor are not overawed by the process.

Para 3.26: Once the banks have received the applications, they should sanction the application normally in 15 days and at any rate not later than one month. Every year the process of sanction by the banks should normally be over by July. Further details are given in Chapter-IV.

Para 3.27: The list of Swarozgaris finally selected (for the year) should be got printed by the BDO and the copies made available to the Gram Panchayat for placing it before the next Gram Sabha. This list shall also be made available to the DRDA, other block officials, bankers and all other concerned agencies.

Para 3.28 : Safeguards for the weaker Section : The SGSY will particularly focus on the vulnerable groups among the rural poor. Accordingly, the SC/STs will account for a minimum of 50%, women for 40% and disabled for 3% of the total swarozgaris assisted during the year.

IV

FINANCING THE INVESTMENTS – BANK CREDIT AND SUBSIDY

Para 4.1: Financial assistance to Swarozgaris under SGSY comprises of two components viz. loan and subsidy. SGSY is a credit-linked scheme and credit is the key element. Subsidy is only a minor and enabling component. The major part of investment consists of bank credit from financial institutions comprising commercial banks, cooperative banks and regional rural banks. This chapter deals with the various aspects of the flow of credit and subsidy to the Swarozgaris.

Norms of Lending

Para 4.2: The size of loan for project depends on the nature of project. The loan should, however, be a composite loan comprising both fixed and working capital. **SGSY has not investment ceiling other than the unit cost (i.e. investment requirement) worked out for the project.** The loan amount would be equal to the total project cost including the amount of subsidy admissible to the Swarozgari. Interest rates for SGSY loans will be as notified by RBI/NABARD from time to time.

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

Sanction of Loans by the Banks

Para 4.3: As indicated in Chapter III & IV, the BPL families that are best suited for taking up a particular key activity are identified each year. From the date the applications are received in the bank, the bank shall not take more than fifteen days to sanction the loan. The Bank will thereupon communicate this list to the Gram Panchayat, which shall place it before the Gram Sabha in its next meeting. The bank shall also communicate this list to the BDO as well as the concerned line department.

Para 4.4: The bank will also consider the Groups for lending for a given activity. In such case too, the bank shall communicate the name of the selected group to the Gram Panchayat and others for action as above.

Para 4.5 : While sanctioning projects, the Bank Managers should ensure that the unit costs, terms of the loan and repayment schedule are as indicated in the project profiles for the concerned key activity. Part-financing and under financing should not be resorted to under any circumstances. However, where the nature of the activity is such that the loan is to be released in stages, the disbursement may

be made accordingly. If some cases are rejected, the reasons for rejection should be clearly recorded on the application form itself and the relevant application should be returned to the sponsoring authority immediately for their information and further action as they deem necessary.

Para 4.6: As soon as the selection is made and the list communicated to the line departments, the latter will proceed to test whether the Swarozgari has the necessary skill or not (refer to Chapter VI).

Para 4.7: As soon as the Swarozgari completes the basic orientation or the skill-training programme, the bank shall proceed to disburse the loan and subsidy amount to the Swarozgari. This shall invariably be done immediately, so that the money is available to him/her for purchase or creation of the asset. The entire amount sanctioned shall be disbursed unless the amount is to be disbursed in designated instalments. The Bank shall disburse the subsidy amount also as per the guidelines governing the back-ended subsidy.

Asset creation by Swarozgaris

Para 4.8: Swarozgaris will be given the full amount (Loan and Subsidy) and they will have the freedom to procure the asset themselves. The Swarozgari shall procure the asset within one month from the date of release by the bank of the money. He/she shall inform the BDO and the Bank of the fact of procurement of the asset. The Swarozgari should subsequently furnish to the bank a receipt of the items purchased. The assets procured should be of standard quality, and at economic prices. Both DRDA and banks should ensure through proper monitoring and verification that that quality assets have been procured.

Para 4.9: In the case of Swarozgaris under the ISB sector, when a number of sundry items are to be bought, disbursement upto Rs.10,000 may be made in cash. This can be done either in one lump sum or in stages depending upon the items to be purchased. This will give the Swarozgaris requisite freedom to negotiate and settle the price for the asset and will also give him the satisfaction that he has purchased goods of his own choice. In all cases, necessary documents relating to acquisition of assets should be obtained by the bank and also followed up through visits by the field staff of bank within one month of disbursement.

Para 4.10: In the event the Swarozgari does not inform the bank of the fact of procurement, the bank shall inform the BDO who shall enquire into the reasons. If the non-procurement is due to the negligence of the Swarozgari, the bank, in consultation with the BDO, shall afford him reasonable opportunity of doing so after which the bank shall be free to cancel the loan and recover the money. The Swarozgari will be liable for civil as well as criminal proceedings that are likely to arise in such a case. In case of the SHGs, all the members will be liable.

Para 4.11: On receipt of the news of procurement, the line department as well as the Bank shall verify the asset and satisfy themselves of its quality. Thereafter, the assets should be marked to check the misutilization or transfer of the assets. This is also necessary in the eventuality of filing insurance claim and physical verification of assets etc.

Para 4.12: While providing for a key role to the Gram Panchayats, SGSY accords certain discretion to bankers in the selection of Swarozgaris. The bankers are, therefore, expected to associate themselves in the entire gamut of activities so that development banking concept is taken to its logical end. The aptitudes of the Swarozgaris and their endowments should be weighed properly while selecting them for credit support. The Subsidy-Credit Ratio proposed by the Ministry from time to time should be taken as a floor ratio rather than an upper limit for credit sanction. In fact, SGSY guidelines do not

provide for any ceiling for investment. The investment requirements have to be assessed based on the unit cost and the Swarozgari's needs and viability of the scheme.

Multiple Credit and Multiple doses of Credit

Para 4.13: SGSY will seek to develop close linkages with credit mechanism in such a manner as would promote multiple credit rather than a one time credit injection. Multiple doses of credit would mean assisting a Swarozgari over a period of time with a second and subsequent dose(s) enabling him/her to access higher amount of credit. The Swarozgari should have the confidence that so long as he/she proves her credit worthiness by way of proper utilization of the asset and prompt repayment, the bank will stand by him/her and will provide additional credit, whether or not this is backed by subsidy. As already indicated, while SGSY is a credit-cum-subsidy programme, the subsidy is only an enabling element and credit is the key component. The Swarozgaris will be allowed to stabilize and improve their credit absorption capacity and to increase their credit intake over the years either for the same activity or a new activity. The second/ subsequent dose can be given even during the currency of first/earlier loan provided the bankers is satisfied about the financial discipline of the first/earlier dose. Subsidy entitlement for all doses taken together will not exceed the limit prescribed for that category.

Further Loan to inadequately Assisted beneficiaries under IRDP

Para 4.14: As already indicated, assistance under the SGSY should be on multiple doses and not a one-time activity. This will facilitate gradual improvement in the income earning capacity of Swarozgaris. Such second and subsequent doses of credit can be extended to IRDP beneficiaries if they have failed to cross the poverty line because of no fault of theirs. The second and subsequent loans may be granted by the same bank that gave the initial loan or any other bank.

Principles and Procedure for Disbursement of Assistance

Para 4.15: The funds received by the DRDAs will be kept in saving bank accounts. The DRDAs can open these accounts with the principal participating bank branches in the field. The funds deposited in the savings bank account will earn interest at the usual rates till the amount is disbursed to the Swarozgari. After assistance is disbursed to the Swarozgari, the participating bank will provide the particulars of the Swarozgari, the project and the amount of subsidy adjusted in his/her favour for the record of the Block/DRDA. These details should be made available in the monthly report on the adjustment of subsidy prepared by the bank and sent to the Blocks/DRDAs. While computing the figures of advances and recoveries, the banks are to exclude the amount of subsidy received so as to reflect the factual position. The banks are to report separately the amount of recoveries under SGSY. The accounts of the Blocks/DRDAs with the participating banks should be reconciled every three months and a bank reconciliation certificate should be issued by the Chartered Accountant in this regard at the end of the year.

Subsidy

Para 4.16: Subsidy under SGSY will be uniform at 30% of the project cost, subject to a maximum of Rs.7500/-. In respect of SC/STs, however, these will be 50% and Rs.10000/- respectively. For groups of Swarozgaris (SHGs), the subsidy would be at 50% of the project cost subject to per capital subsidy

of Rs.10,000/- or Rs.1.25 lakhs, whichever is less. There will be no monetary limit on subsidy for irrigation projects.

Back-end Subsidy

Para 4.17: Subsidy will be back-ended. Banks would disburse the full project cost including subsidy to the Swarozgaris as loan. The benefits of subsidy will also be available to Swarozgaris who prefer to avail themselves of required working capital in the form of cash credit. The operation of subsidy amount by the bank will be as follows:

- a) The subsidy admissible to the Swarozgaris under SGSY should be kept in the Subsidy Reserve Fund Account Swarozgari-wise instead of in term deposit in the name of the Swarozgari. Banks should apply no interest on the Subsidy Reserve Fund Account. In view of this, for the purpose of charging interest on the loan, the subsidy amount should be excluded. The balance lying to the credit of subsidy Reserve Fund Account will not form part of DTL for the purpose of SLR/CRR.
- b) In the case of Working Capital advances also, subsidy may be kept in the Reserve Fund Account as stated above without any interest being offered. However, the amount standing to the credit of the account should be withdrawn and credited to a Cash Credit Account of the SGSY Swarozgaris after a period of 5 years.

Para 4.18: The repayment schedule of loan would be drawn in such a way that the subsidy kept under Subsidy Reserve Fund would be sufficient for adjustment towards that last few instalments. Swarozgaris will not be entitled for any benefit of subsidy, if the loan is fully repaid before a certain fixed period specified by NABARD depending upon the activity. The availability of the benefit of subsidy to SWarozgaris would be contingent on their roper utilization of loan as also its prompt repayment and maintaining the asset in good condition.

Para 4.19: Banks will issue loan passbooks to Swarozgaris. These pass books should, inter-alia, contain details such as the date of sanction of loan, amount of loan sanctioned, subsidy to be adjusted in the final instalment of repayment, rate of interest, amount due under each instalment, due dates of instalments, etc. The banks may issue loan books to Swarozgaris in regional languages. Banks should ensure that the branch mangers fill in all the columns in the passbooks, as otherwise the purpose of issuing the passbooks will be defeated.

Repayment of Loan

Para 4.20: All SGSY loans are treated as medium term loans with minimum repayment period of five years. Loan instalments will be fixed as per the unit cost approved by the NABARD/DLCC and there will be a moratorium on repayment of loan during the gestation period. Repayment instalments should not be more than 50 per cent of the incremental net income expected from the project. Number of instalments will be fixed in accordance with the principal amount, the interest liability and the repayment period.

Para 4.21: Swarozgaris will not be entitled for any benefit of subsidy if the loan is fully repaid before a certain fixed period known as the lock-in period. The lock-in period for various activities under SGSY can be categorized broadly into three categories depending on the loan repayment period for 5, 7 and 9 years. The lock-in period corresponding to these repayment periods would be 3,4 and 5 years

respectively. If the loan is fully repaid before the currency period, the Swarozgaris will be entitled only to pro-rata subsidy.

Measures for Affecting Recovery

Para 4.22: Prompt recovery of loans will be an important aspect of SGSY, not only to ensure a discipline but more importantly as it reflects the success of the self-employment programme. All concerned must therefore ensure that the recovery is hundred per cent. To ensure this, the following measures shall be undertaken:

Para 4.23: The Block SGSY Committee shall monitor, every month, the progress of different Swarozgaris. In particular, it should be seen whether the schemes have been grounded and whether they are giving the Swarozgari the

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

Para 4.24: The banks would take all possible measures, i.e., personal contact, organization of joint recovery camps with District Administration, legal action, etc. In case, even after this, the bank fails to recover the entire dues, the process of forfeiture of subsidy for adjustment against dues will be taken up. For this purpose, a notice will be issued to the Swarozgaris and he/she will be provided reasonable opportunity to show cause why his/her subsidy should not be forfeited. Thereafter, the concerned banks will place before the District SGSY committee a complete report on action taken and a proposal for forfeiture and adjustment of subsidy. After getting the approval of the Committee, the concerned bank will adjust the subsidy (including interest earned) against the Swarozgari's dues. However, if the bank is able to realize any amount from the Swarozgaris subsequently over and above the amount due to it, the amount will be returned to the DRDA.

Para 4.25: Constant flow of information about every Swarozgari is necessary to ensure full recovery. Since the banks are also understaffed, they may engage the services of NGOs or individuals (other than government servants) as Monitor-cum-recovery facilitators, on a commission basis. A processing cum monitoring fee of 0.5 per cent of the loan amount may be charged to the Swarozgaris to meet this expenditure.

Para 4.26: In order to ensure recovery discipline, with effect from 1.1.2001, any Panchayat that registers a recovery of less than 80% under SGSY will not be eligible for consideration under SGSY. Likewise, any Panchayat Samithi registering a recovery of less than 80% will see the further programme suspended in the Samiti.

Para 4.27: In order to ensure that Panchayats/Panchayat Samithis do not meet with such a situation, they shall keep a close watch over the situation. The report of the Block SGSY Committee shall be placed by the BDO before the

Panchayat Samiti. The District SGSY Committee shall also review the recovery position every month and ensure that steps are taken to recover the loans.

Incentives and Disincentives for Recovery Performance

Para 4.28: In order to promote credit discipline among Swarozgaris and also to bring about a sense of accountability of the community, the following incentive and disincentives system is introduced.

- a) At the Swarozgari's level, prompt repayment will entitle him/her to waiver of the 0.5% processing cum monitoring fee.
- b) At Gram Panchayat level and block level – a minimum of 80% recovery should be ensured by Panchayats and block. Those Gram Panchayats and blocks that do not fulfill the required recovery performance will not be eligible for any allocation under SGSY in the subsequent year.

Observance of Non-banking Day

Para 4.29: Banks are required to observe one day in a week as non-banking day to enable the bank officials to go to the field and attend to the problems of Swarozgaris.

Risk Fund fro Consumption Credit

Para 4.30: To meet the small consumption needs of weaker sections of society, a Risk Fund for Consumption Credit can be created with (one per cent) (1%) of SGSY fund at District level. The scheme is intended to enable Commercial Banks, Cooperative Banks and Regional Rural Banks to provide consumption loans, not exceeding Rs.2000 per Swarozgaris from weaker sections of society. "Weaker Section" means all SGSY Swarozgaris, small and marginal farmers, landless agricultural workers, rural artisans and other people of very small means like carpenters, barbers, washermen etc. who form an integral part of the village community. Under this scheme, risk fund assistance is provided to the banks to the extent of 10% of the total consumption loans disbursed by them during the year to the above mentioned target groups.

Refinance for SGSY Loans

Para 4.31: Commercial banks (including Regional Rural Banks and Cooperative Banks) are eligible to get refinance from NABARD for the loans disbursed under SGSY, as per their guidelines. The eligibility for refinance is related to the recovery position of the banks. In addition, insurance cover to Commercial Banks and Regional Rural Banks is also available through the Deposit Insurance and Credit Guarantee Corporation.

Service Area Approach

Para 4.32: The RBI has introduced Service Area Approach with effect from 1.4.1989. It is applicable to rural and semi-urban branches of Commercial and Regional Rural Banks. Under this scheme, each Bank branch has a designated service area comprising certain villages in which it will concentrate its activities for productive lending. The financing for SGSY in those villages is, therefore, to be done by the Bank Branches to which they have been allocated.

Para 4.33: RBI has clarified that if some RRBs are not in a position to sanction the applications sent to them on account of constraint of funds, inadequacy of staff, etc., the designated branch of the Commercial Bank should extend financial assistance in such cases.

INSURANCE

Marking of Assets

Para 4.34: The assets should be marked to check the misutilization or transfer of the assets. This is also necessary in the eventuality of filing insurance claim and physical verification of assets etc.

Insurance Cover for Various Assets

Para 4.35: Insurance Cover at present is available for livestock assets given under IRDP (now SGSY). The General Insurance Corporation has agreed to provide this cover on the terms and conditions as reflected in the specimen Master Policy and Long Term Master Policy Agreement signed between the GIC and the State Government.

(I) Livestock Insurance

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

(ii) Scope of Cover

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

(iii) Sum Insured

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

(iv) Claim Procedure

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

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

(v) Adjustment of Insurance Claim Money

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

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

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

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

(vi) Other facilities

The General Insurance Corporation of India have informed that if any IRDP (now SGSY) beneficiary has other milch animals where not loan or subsidy is involved, such milch animals could also be insured at the concessional rates of premium i.e. 2.25% per annum or 1.69% for three years. It has also intimated that IRDP (now SGSY) beneficiaries who have closed their loan account can insure the animals acquired by them through loan and subsidy at the concessional rates of premium for a further period of three years after closing the loan account it animals do not exceed the insurable age limit.

Expenditure on Premium

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

	When the banks do not	When the bank agrees to
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	participate	participate
Swarozgaris	1.25%	1.00%
Government	1.00%	0.75%
Bank	Nil	0.50%

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

Group Life Insurance Scheme

Para 4.36: A group life insurance scheme for Swarozgaris aged not less than 18 years and not more than 60 years was introduced w. e. f. 1.4.1988. This scheme is operative from the date on which the asset is disbursed to the Swarozgari till the Swarozgari completes the age of 60 years or a period of 5 years from the date of commencement of the cover, whichever is earlier. A sum of Rs.5000 shall become payable by LIC to the nominee of the deceased in case of natural death. In the event of death due to accident a sum of Rs.10,000 shall become payable by LIC.



SKILL UPGRADATION

Para 5.1: It has been well recognized that for success of self-employment endeavours and also for their sustainability, the required skill to successfully run the enterprise is a pre-requisite. SGSY proposes a number of measures for upgrading the capacity of Swarozgaris both in individual as well as group oriented activities.

Para 5.2: While developing the project profiles for the identified key activities, the District SGSY Committee should in consultation with concerned technical personnel determine the Minimum Skill Requirement (MSR), in terms of both the technical and managerial skills. Once the person or group of persons has been identified for assistance, their training needs also should be ascertained with reference to MSR. The assessment regarding technical skills may be made by the line departments while that of the managerial skills may be made by the banker while scrutinizing the loan application. Such an exercise along with the Swarozgaris will help in identifying those who have the MSR and therefore need only a basic orientation and those who need skill training. Keeping this in mind two types of training are contemplated under SGSY.

Basic Orientation Programme

Para 5.3: Where the Swarozgari possesses the required skills, he/she may be put through a basic orientation programme after the loan is sanctioned and before it is disbursed. This mandatory

programme may be organized at the block headquarters, not far from the place of residence. This basic orientation programme will seek to familiarize the Swarozgaris with SGSY and its objectives, the responsibilities of the Swarozgari, as well as the behavioural aspects. It will also seek to infuse confidence in the Swarozgari by drawing his/her attention to the success stories in the given key or allied activity, as well as alert him/her to the possible risks. This programme will include elements of book keeping, knowledge of market, identification and appraisal, acquaintance with produce costing and product pricing, familiarization with project financing by banks as well as some basic skills in the key activity identified. It will be of a very short duration, and should not normally be more than two days. BDOs, Bankers and line departments can act as resource persons for this training. Training expenses like training material, honorarium to resource persons, travel and food expenses of Swarozgaris can be met by DRDA from SGSY Training Fund. No stipend will be admissible.

Skill Development Training

Para 5.4: For the identified activities, Swarozgaris who need additional skill development/upgradation of skills appropriate training may be identified and suitable training programmes organized. Government institutions like engineering colleges, it is, Polytechnics, Universities and NGOs may be approached to imparting training. The objective of this training is to ensure that the Swarozgaris possess the Minimum Skill Requirement (MSR). Swarozgaris will be eligible for assistance only when they possess MSR and loans will be disbursed only when they have satisfactorily completed skill training.

Para 5.5: For this training, Swarozgaris will be entitled for financial assistance if they require to undergo training for more than a week. The rate of assistance may be fixed locally. The bank will give this money to the Swarozgaris as a soft loan.

Identification of training institutions

5.6 Data on the available training Infrastructure should be collected so as to make an optimal use of the existing Infrastructure facilities at the District as well as the block levels. The facilities may include institutions such as it is, Polytechnics, Krishi Vigyan Kendras, Khadi and Village Industries Boards, State Institutes of Rural Development, Extension Training Centres, reputed voluntary organizations and any departmental facilities available in that area. Private institutions shall not normally be used for training, unless they are well known and have excellent infrastructural facilities that are otherwise not available. There is however no bar to utilize the private sector industrial units for appropriate training. The selected training institutions should have adequate facilities in terms of faculty, buildings, etc. The DRDA will be entitled to meet the expenses, incurred by the training institution for conduct of the training programme, from out of the SGSY- Training fund, but such expenses should not exceed Rs.15 per trainee per day.

SGSY Training Fund

Para 5.7: Upto 10% of SGSY funds will be set aside as training fund and will be utilized to provide both orientation and training programmes to the Swarozgaris, as indicated above. A separate Head of Account should be opened for this purpose.

Para 5.8 : The DRDA will be entitled to meet the expenses, incurred by the training institution for both Basic Orientation and Skill Development Training from out of the SGSY Fund. The Basic Orientation Training may include topics on concept of Self Help, group dynamics, conflict resolution, conduct of group meetings, maintenance of records, awareness about social and family welfare programmes etc. The training for skill development may include skill upgradation through exposure to latest tools and technology, value addition and diversification of products, entrepreneur development, marketing skills, packaging, labeling etc.

The DRDA will be entitled to meet the expenses, incurred by the training institution for both Basic Orientation and Skill Development Training from out of the SGSY Fund in the following manner:

- i) The Institutional training cost may be fixed at Rs.15/- per day per trainee only for imparting training, if no boarding and lodging facility is provided to the participants, and at Rs.35/- per day per trainee in case the Institution provides boarding and lodging also with training.
- ii) If the Institution does not provide boarding and lodging then the participants may be paid Rs.25/- per trainee day to meet the cost of boarding and lodging.
- iii) Swarozgaris may be allowed one time to and fro travelling cost from their place of residence to the Training Institute.

Further, DRDAs may incur an expenditure of Rs.200/ per trainee per month for payment of honorarium to master craftsman engaged for imparting skill development training to Swarozgaris identified and selected for economic activity and Rs.100/- per month per trainee, as allowance for raw materials required for the training.

However, the total expenditure on Basic Orientation and skill development training will not exceed Rs.5,000 per trainee.

Duration of Skill development training will be decided by the State Government depending upon the activities and in order to ensure uniformity of the duration of training for all the Districts.

VI

TECHNOLOGY

Para 6.1: The effort under Swarnjayanti Gram Swarozgar Yojana is to ensure the development of sustainable micro enterprises. The self-employment referred under SGSY is moving away from provision of some additional income generation to a well-defined goal in terms of output, incomes and the time within which the assisted family comes above the poverty line. For any successful enterprise, appropriate technology of paramount importance.

The issues involved in technology management are primarily as follows:

- (a) what technologies to be identified.

(b) Who will be responsible for technology management, including issues of technology transfer, technology upgradation and