



## SUCCESS AND FAILURE STORY OF SGSY IN INDIA

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### Abstract

*This paper shows that the impact of SGSY in rural India, and why it had not been able to make potential impact on the living standards of the rural swarojgaries. In regards to that the Ministry of Rural Development, Government of India, constituted a committee on credit related issues under SGSY to analyze the constraints in the adequate flow of credit to Self help groups of SGSY and to suggest measures and strategies for promoting effective credit linkages to the SHGs and made two strategy of universalization coverage of SHGs assisted by bank credit and providing skills at least to one youth of a Below Poverty Line (BPL) family necessitates restructuring of SGSY.*

**Keywords – Poverty, SGSY, SHGs, Government, Banks, NGOs, Credit Linkage.**

### INTRODUCTION

Poverty reduction has been one of the major goals of development planning since independence and the planning process has been sensitive to the needs of the poor Indian. Accordingly, the development efforts have been directed in creating adequate livelihoods and provision of services for a better quality of life for the Indian BPL families. It is recognized that poverty is an outcome of multiple deprivations and it is not simply a matter of inadequate income but also a matter of low literacy, short life expectation and lack of basic needs such as drinking water, shelters, hygiene foods, etc. Since these deficiencies are inter-related, a comprehensive approach alone can eliminate poverty and ensure optimal utilization of human resources for sustainable development. Thus, multi-pronged and convergent approaches with proper targeting are very much essential for elimination of poverty. It is also recognized that poverty is not only an economic observable fact but also a social one. Well-designed poverty alleviation programmes, if effectively implemented, not only supplement the poverty reduction but also could promote pro-poor growth.

Several poverty alleviation programmes have been taken place. The programmes and schemes have been modified, consolidated, expanded and improved over the periods of time. The targeted programmes fall into four wide categories: (i) self-employment programmes, (ii) wage employment programmes, (iii) direct cash transfers to the targeted groups and (iv) public distribution system. There are numerous centrally sponsored schemes (CSS) under the first three categories which are designed by the Centre, administered by the Ministry of Rural Development (MoRD), but implemented by the States. States generally contribute 25 per cent of total cost. In addition to that some State governments have their own poverty-reduction schemes. There has been multiplicity of programmes on the grounds of multi-dimensionality of poverty, heterogeneity of the poor and inter-state variations in the efficacy of the delivery system.

### SGSY

In April 1999, the Integrated Rural Development Programme (IRDP) was restructured and combined with a single self-employment programme known as *Swarnajayanti Gram Swarajgar Yojana* (SGSY) was put in place. The basic objective of SGSY is to bring the assist poor families below poverty line by providing them income-generating assets through bank credit and government subsidy. Formation of small organizations of the poor at the grassroots level through a process of social mobilization for poverty reduction is central to the programme. The approach of SGSY is based on Self Help Groups (SHGs) that have to act as a financial intermediary and in many cases there are women SHGs which are also expected to serve as vehicle for their empowerment to lead in the society. Non-Government organizations (NGOs) are expected to facilitate the formation of these groups. The



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community involvement as emphasized in SGSY, in contrast to IRDP, is reflected in the mobilization for the formation of SHG groups.

SGSY has been conceived as a holistic self-governing programme covering all aspects of self-employment of the rural poor such as small organizations of the poor into SHGs, their capacity building, selection of key activities, planning of activity clusters, infrastructure build-up, technology and market support. The main views of the SGSY are: (a) key activities, (b) cluster approach, and (c) group method. The first reduces the number of activities; the second minimize the geographical spread to fewer contiguous or selected villages; and the third reduces the number of clients from a large number of individuals to a small number of groups and enables peer group monitoring associated with self-governing institutions. All these are expected to reduce the burden of follow-up and the extension inputs for providing backward and forward linkages. The programme aims at establishing a large number of micro enterprises by the poor in rural areas by augmenting the ability of the poor in a manner appropriate to the potential of each area. Financial assistance under SGSY is given in the form of subsidy by government and credit by the various banks.

### COVERAGE OF SGSY

SGSY covers 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. It will focus on vulnerable sections of the rural poor for assistance, in which the SC/ST will account for at least 50 percent, women 40 percent, and the disabled 3 percent. Nearly 31 lakh SHGs were formed over a period of ten years since 1999-00. Out of them, 20 lakh obtained the status of Grade I and 9.5 lakh Grade II. But only about seven lakh SHGs could obtain credit for undertaking economic activities. Thus the proportion of SHGs taking up economic activities financed by bank credit and supported by subsidy was only 22 per cent. The programme since inception assisted 1.06 crore *swarozgaris*. Social composition of the assisted *swarozgaris* was in favour of the most vulnerable groups, such as scheduled tribes and scheduled castes, which accounted for nearly half of the assisted *swarozgaris* in 2007-08. Women accounted for 66 per cent, disabled 2 percent and minorities 8.4 per cent. The relatively small number of assisted *swarozgaris* indicates the modest scale of the programme when compared with the huge rural workforce in need of livelihoods outside agriculture. The programme has been able to create a productive base among the most disadvantaged persons in rural areas. The efficacy of SGSY could be improved in the years ahead if its experiences are reviewed, lessons are drawn for the future and it is appropriately restructured. The MoRD proposal for universalizing the SHG coverage of all poor households by 2013 and increasing the proportion of assisted persons among *swarozgaris* to 50 per cent from the existing 22 per cent is a welcome initiative in this direction. It is in this context, the proposal of MoRD to cover 1.7 crore BPL households by 2015 under skill development and placement is to be seen as an encouraging step.

For the implementation of a nation-wide centrally sponsored programme like SGSY, adequate resource allocation is essential. In 1999-2000, the first year of launching SGSY, the funds available were Rs.1,962 crore, but it declined to Rs. 1,608 crore in the very next year and varied between Rs.1200 to Rs.1400 crore per year between 2001-02 and 2005-06. Though the fund showed an increasing trend since 2004-05, it could not cross the 1999-00 level till 2008-09. The total fund available for the programme over the ten years of the programme was Rs 16,188 crore but the utilization was only 74 per cent (Rs.11,963 crore) during this period. Clearly, the utilization of funds improved over the years from 49 per cent in 1999-00 to over 80 per cent in recent years. The resource allocation to SGSY has been on a very modest scale, compared to the recent wage employment programme like the NREGP for which a sum of Rs.35,583 crore was released over the last two and a half years and a budget allocation of Rs.28,000 crore for just one year, 2009-10. The under-utilization of available funds could be due to lack of motivation on the part of poor as well as inability to shift from wage employment to self-employment. This suggests that the capacity of the poor to take up self-employment activities needs to be strengthened considerably to pursue viable self-employment.

### DRAWBACK OF SGSY

The ground reality is that only 6 per cent of the total SGSY funds were utilized for training and capacity building during the past one decade. Its share remained at a low level of about 6 percent and only recently it is close to the



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expected 10 per cent. Similarly, only 16 per cent of the total funds were utilized for infrastructure development over the ten year period. Still worse, the overall utilization rates declined over the years. Almost 2/3 of the funds went for subsidy, thus earning an epithet that SGSY is subsidy-driven! In the case of hard core poor, priority should be for providing handholding till they escape from poverty. The failure in the spread of the programme and the limited absorbing capacity kept even the targets of credit more or less at a constant level. It is important to find out the reasons for the persistent wide gap between the credit targets set and the actual mobilization of credit. 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. This is partly due to failure to strengthen the demand side of the credit by improving the capacity of the poor to absorb credit for income generating activities. But it is also due to supply side failures. The financial services did not have the systems and procedures suited to the poor. On the whole, credit and related indicators show that SGSY-bank linkage is yet to take off from the perspective of credit facilitating the growth of micro enterprises. It signifies the failure of both credit delivery systems to reach the poor as well as that of public intervention to promote credit-worthy *swarogjaris*. On the other side there is a lack of better technology which causes low productivity levels of SHGs, so SHGs income is not sufficient to pay back the credit taken from banks.

### **PERFORMANCE EVALUATION OF SGSY**

The experiences of some states show that with proper institutional architecture, the SHG mode of collective action by the poor from the village level to the district level has been successful in mobilizing the poor. SHG federations and their supporting institutions also facilitate more effective interaction with the government and banking agencies. In many states, in the absence of appropriate pro-poor institutions, SHGs are unable to achieve upward mobility with their own initiatives. Further, poverty-reduction programmes such as SGSY often end up in the poor becoming dependent on the government or other external interventions. The test of empowerment of the poor lies in their ability to utilize effectively the programmes meant for their development. Such programmes, collectively, should operate like a conveyor belt receiving the hardcore poor at one end and releasing the empowered poor at the other end.

Results of evaluation of the SGSY show inadequate infrastructure and insufficient capacity building as main constraints. Most of the factors responsible for its poor performance relate to weaknesses in delivery systems. Cluster approach has also been a non-starter in many of the states. DRDAs and the line departments of most of the state governments have failed in providing non-credit inputs to the *swarogjaris*. Above all, the building up of gender perspective in the programme has been conspicuously absent in many parts of the country. While the proportion of about 15 per cent of funds allocate for infrastructure development may not be small, it is the total budgetary allocation made and the funds made available for the scheme which appear to be too large. The budgetary allocation to SGSY will have to be increased and utilized efficiently if significant impact on poverty is to be made. The utilization of six per cent to seven per cent for training and capacity building falls short of the target of 10 per cent. Funds for training and capacity building should be substantially raised along with larger budgetary allocations for the SGSY as a whole. The performance of SGSY was unsatisfactory in the states with high incidence of poverty such as Assam, Madhya Pradesh, Orissa, Jharkhand, Chattisgarh, West Bengal and Bihar. The constraints underline their poor performance mostly relate to the delivery system. In most of the above States, functionaries of DRDAs and BDOs did not possess adequate knowledge of the programme and also banks had little interest in it, line departments were hardly involved in planning, implementation and monitoring of the programme. Consequently, very few *swarogjaris* could avail adequate level of bank credit for investment. The Ministry of Rural Development sponsored study on “Evaluation of Functioning and Implementation of SGSY”, which brings out a number of deficiencies in the delivery system. Those are -

- Delay in sanctioning of loans, non-cooperation of the banks and lack of proper guidance were creating problems
- There was lack of coordination between bank branches and block officials
- No effective monitoring was being made after sanctioning loans
- A number of SHGs were formed with the intension of availing the revolving fund and subsidy and no economic activity was carried out



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- In most of the areas, especially in Bihar and Uttar Pradesh, influential persons in the village were found to own a group

While looking at all those aspects we can say that, for a country like India, no single strategy may be suitable, and alternatives need to be developed where appropriate.

### **RESTRUCTURING OF SGSY**

SGSY should team up with other programmes and development oriented line departments to look beyond its own targets. The experience of the SGSY brings out that with the best of the efforts in social mobilization, organizing SHGs, and building up their capacities and putting in place effective federal organizations of the poor, only about one-fourth of the SHGs could actually undertake self-employment activities. Even among these self-employment activities, the average monthly earnings per *swarajgari* in better performing states of Andhra Pradesh and Kerala is observed to be as low as Rs.2000 per month and there has been an element of self-exploitation among women involved. This draws attention to the fact that poor households depend on multiple sources of income which may include wage-employment and self employment. Creating high productive self-employment opportunities is not only a time taking process but also such opportunities may not exist in all places. Hence, paying attention to only self-employment as a means of poverty reduction will miss a large proportion of poor households. Therefore, there is a strong case for combining skill-based wage-employment with self-employment programmes. SGSY should be restructured so as to include training in skills which enables placement-based wage-employment, in addition to generating self-employment.

### **CONCLUSION**

In India, the success and failure of SGSY is not only in the hand of government (central and state) but also in the hand of local bodies, SHGs and Banks who are directly and indirectly related with the SGSY scheme. Lack of planning, strategy, information and interest towards the scheme from all the aspects is the main cause of its failure. To give success to SGSY everyone's imitiveness and co-operations are require, then only we can build better India.

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