PROMOTING SELF-EMPLOYMENT AMONG THE RURAL POOR: EXPERIENCES AND LESSONS FROM INDIA

V.M. Rao*

This paper reviews the performance of the Swarnajayanti Gram Swarozgar Yojana (SGSY) during the first decade of its operation, that is, 1999-2008. The purpose of the paper is to gather the experiences and lessons gained over this period for future guidance. SGSY was focused on the hardcore rural poor in India and, for this reason, it was an ambitious development initiative, deserving a careful study of its achievements and failures. While the performance was modest in terms of self-employment livelihoods created by supporting them with credit and subsidy for selected individuals and members of Self-Help Groups (SHGs), it must be borne in mind that the hardcore poor—the group targeted by SGSY—would need a prolonged process to acquire the aptitude and capability to handle modern self-employment activity. The process of social mobilisation of the poor through SHGs also needs a fresh approach based on the experiences of states like Andhra Pradesh. SGSY will be a critical programme during the Eleventh Five Year Plan. The Planning Commission has recently spelt out in some detail the part that SGSY has to play in realising the goal of inclusive growth. This paper seeks to make a concrete contribution to this process of review and re-orientation of the strategy of promoting self-employment among the hardcore rural poor.

I. INTRODUCTION

The Poverty Line concept and the measure of poverty it provides (BPL population) give rise to a simplistic perception of poverty, which misses several relevant dimensions and runs the risk of seriously under-estimating the scale of resources and efforts needed for the elimination of poverty. It is not surprising that in recent years, there has been a noticeable shift among both academics and policy-makers towards the much broader concepts of human development and empowerment in assessing poverty and formulating a strategy for poverty elimination. Viewed from this perspective, poverty elimination is seen as a process rather than a one-point event when a poor person becomes non-poor the moment he crosses the poverty line. The view of poverty elimination as a process still remains somewhat implicit and the policy-maker is not yet completely free from the sway of BPL numbers in monitoring changes in the poverty level. The assessment of SGSY, in particular, needs to be embedded

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in the process view of poverty elimination for one to fully understand the challenge posed by the goal of creating productive and viable self-employment on a scale that is large enough to bring about the reduction and eventual elimination of poverty.

For locating SGSY within the view of poverty elimination as a process, it is useful to consider the process of poverty elimination as consisting of three phases. Poverty elimination begins with the hardcore poor on the brink of subsistence. Lacking assets, skills and a viable livelihood, they often get trapped into debt bondage with their landlord/trader/employer. Long periods of such bondage make them passive leaving them with weak motivation and capacity to break out of their bondages. The first step in poverty elimination is to get them released from the trap and to nurture in them an urge to improve their economic conditions and social status. The Public Distribution System (PDS), National Rural Employment Guarantee Scheme (NREGS) and Minimum Needs Programmes form a consolidated package giving them food security, employment security and access to inputs like schooling and primary healthcare to help them meet their basic needs. It is important for this package as a whole to converge on the poor household in order to ensure that the bondages get eroded and the motivation of the poor household gets strengthened. An essential complementary component to the programme package is membership in a group like an SHG engaged in helping the poor to get organised for collective action. The main handicap of the poor households vis-à-vis the mainstream is that while the mainstream consists of organised groups with political clout, the poor households remain unorganised and get relegated to the periphery, wherein they are neglected by both the market and the government.

The SGSY belongs to the second phase, which focuses on giving the poor economically viable livelihoods. The emphasis in the second phase is on the provision of assets, skills and institutional services to help the poor with credit, input supplies, marketing, insurance and adjustment to fast changes that are typical of a globalising economy. It is important to realise that making the poor economically viable is an extremely complicated task. The task involves overcoming three barriers. First, the poor belong to the relatively closed traditional village economies, which are now disintegrating. The poor have to be helped to enter and function in the wider globalising economy. Second, the traditional village economy was based on a system of barter in a face-to-face community. The large and distant organised markets are very different entities, which are indifferent, and even hostile, towards the poor. Third, the transition from a face-to-face community with settled and ingrained rules of behaviour to the wider world, governed by complicated rules and sophisticated procedures, would pose a formidable challenge to the poor. The point is that making the poor economically viable has two inter-related dimensions: programmes like the SGSY to reach to the poor the ingredients needed to achieve economic viability and reforming the institutions of the wider world like the credit channels to adjust them to the requirements of the poor. It is easy in policy-making to focus on the former dimension and neglect the latter. Decentralisation is often perceived as delivering development to the grassroots without realising that the larger objective of decentralisation is to integrate the poor into the mainstream and not to insulate them from the mainstream. An essential pre-condition for success in the second phase is
to ensure that the poor are effectively covered by the programmes of the first phase. If this pre-condition is not met, programmes like SGSY to promote economic viability of the poor would not have the thrust needed for achieving their objective. When beneficiaries are selected for the second phase programmes, it is necessary to ensure that they are free from their traditional dependence on their oppressors and that they have the motivation and urge to improve their economic viability.

The dynamics of poverty elimination in the third phase would depend chiefly on the poor located at the end of the second phase—economically viable and capable of participating in the mainstream institutions and networks. They would cease to be poor in the third phase when they establish themselves as organised entities in the mainstream. The focus of this paper is on the second phase. Its main concern is with SGSY experiences and lessons with particular reference to the provision and management of credit to the poor in order to help them in their efforts to become economically viable. If these experiences and lessons are carefully analysed, it will be possible to obtain useful clues towards making SGSY a much more effective instrument for promoting self-employment among the poor than what it has achieved so far. The objective of the Eleventh Five Year Plan is to bring about inclusive growth, which is only another name for growth with social justice and the equitable sharing of the fruits of development. SGSY will be a critical component in the Eleventh Plan strategy in the sense that it is the success of SGSY which would provide a strong and secure foundation for inclusive growth, participatory development and empowerment of the poor. The plan of this paper is as follows. Section II outlines the emerging rural self-employment scenario. Section III sketches the trajectory of SGSY so far with help of selected indicators. Section IV reviews the experiences, which have been mixed and underline the need to take a careful look at the results of SGSY, particularly its credit component. This section also describes some successful cases and highlights the lessons they suggest for the future. Section V outlines the thinking in the Planning Commission to make SGSY an effective component of the Eleventh Five Year Plan strategy.

II. RURAL SELF-EMPLOYMENT: THE EMERGING SCENARIO

For long decades since Independence, the overall policy regime remained unfriendly towards rural self-employment. Vakil and Brahmananda (1957) argued as early as in the mid-1950s that the Mahalanobis model, which dominated the development strategy adopted during the period of the Second Five Year Plan of the country, would disfavour the small producers and enterprises in both rural and urban areas. A recent assessment of growth in employment by T.N. Srinivasan points out: “During the six decades since Independence,…the industrial structure of employment in the economy … changed extremely slowly… the industrialisation strategy that emphasised investment in capital-intensive, heavy industry, on the one hand, and promoted small-scale industry (SSI) through reservation of many products for production by SSI only, on the other, has failed to substantially increase employment. This failure is seen from the stagnation in the share of the secondary sector as a source of employment of rural males since 1977-78 and an alarming fall in the share of manufacturing in both rural
and urban areas.” (Srinivasan, 2008). A study by the United Nations indicated that over the period 1981 to 1991, the share in employment of the secondary sector declined from 12.9 per cent to 12.1 per cent, while that of the tertiary sector increased from 17.6 per cent to 20.5 per cent (UNFPA, 1997). Srinivasan warns in his study that “any expectation that India can leap-frog the stage of manufacturing growth and shift less educated and unskilled workers employed in agriculture and other primary activities with lower productivity to employment in high productive service activities is extremely unrealistic.” (Srinivasan, 2008, p. 66).

Interestingly, there appears to have been a favourable shift in the employment scenario during the first decade of the twenty-first century (see Tables 1 and 2).

### Table 1

<table>
<thead>
<tr>
<th>NSS Round</th>
<th>Period</th>
<th>Primary</th>
<th>Secondary</th>
<th>Tertiary</th>
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<tbody>
<tr>
<td>54</td>
<td>January-June 1998</td>
<td>76</td>
<td>10</td>
<td>14</td>
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<tr>
<td>56</td>
<td>July 2000-June 2001</td>
<td>69</td>
<td>14</td>
<td>17</td>
</tr>
<tr>
<td>61</td>
<td>July 2004- June 2005</td>
<td>66</td>
<td>16</td>
<td>18</td>
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**Source:** Handbook of Statistics on the Indian Economy, Reserve Bank of India, Mumbai, 2007, Table 170, p. 292.

It is seen that over a period of just seven years, the share of the primary sector declined from 76 per cent to 66 per cent while those of the secondary and tertiary sectors increased, respectively, from 10 per cent to 16 per cent and from 14 per cent to 18 per cent. It is worth noting that the increase was sharper in the share of the secondary sector. A remarkable feature of the sectoral shift in employment is that the trends have been similar for rural females too, indicating that it was not a case of females replacing males in the primary sector.

### Table 2

<table>
<thead>
<tr>
<th>NSS Round</th>
<th>Period</th>
<th>Primary</th>
<th>Secondary</th>
<th>Tertiary</th>
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<tbody>
<tr>
<td>54</td>
<td>January-June 1998</td>
<td>88</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>56</td>
<td>July 2000-June 2001</td>
<td>82</td>
<td>13</td>
<td>5</td>
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<tr>
<td>61</td>
<td>July 2004- June 2005</td>
<td>83</td>
<td>10</td>
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**Source:** Same as Table 1.

Another piece of evidence comes from Bhaumik (2007): “Both the absolute number and incidence of rural non-farm employment expanded rapidly since early 1990s. The expansion has been particularly high during the period 1999-2000 to 2004-05; rural non-farm employment increased by 4.53 million per year as against 1.58 million per year during 1993-94 to 1999-2000.” (Bhaumik, 2007).

Equally interesting are the findings obtained at the field level. Consider, for example, the following findings of a large field investigation completed in the Centre for Economic and Social Studies on self-employment programmes (CESS, 2007):
The annual total income per household for participants recorded a substantial increase (39 per cent) as against that for non-participants (12 per cent).

The composition of income has undergone a change, that is, income from self-employed activities against wage employment has increased considerably for the participant households.

The influence of vulnerability as a constraint in converting productive assets into income has been reduced for the participant households.

Dependency on SHGs and formal groups has increased among participant households.

Interventions by the project have helped the most vulnerable sections of the poor to cope by adopting different strategies (resorting to more borrowing and use of savings rather than mortgaging/selling the assets) that enabled them to withstand the distress events as compared to non-participants.

What are presented above are only indicators. It would be prudent not to take them as indicating a firm trend towards an increase in self-employment in the rural areas. The limited comfort one can draw from these indicators is that programmes like SGSY have a better chance of being effective now than in the past. At the same time, there are also constraints that persist and could weaken the positive trends. The principal constraint is credit. *Deccan Herald* of 24 July 2008 reports an index of financial inclusion prepared by Indian Council for Research on International Economic Relations (ICRIER). This index reflects the low extent of availability of and usage of banking services. According to the *Deccan Herald* report, the index “assumes considerable significance at the present juncture in India as a major goal of the 11th Five Year Plan is to work for financial inclusion and extend the reach of micro-finance to meet credit needs of approximately 80 per cent of the population not directly covered by the banks”. The CESS (2007) study echoes a similar concern about slow progress in financial inclusion: “Nearly one-third of the groups surveyed got bank linkages which indicate a need for accelerating the process of linking SHGs with the banks”.

A little reflection would show that when the credit constraint is operative, other constraints like market-cum-price uncertainty, sudden and large changes in demand, and the growing threat from competitors arriving with new technologies and better products would remain dormant. This means that any large expansion in self-employment would not be smooth or automatic once the credit constraint is relaxed. In fact, even making credit productive and self-liquidating would be a formidable challenge in the fast-spreading malaise of loan melas and waivers.

Conceptually, reaching bank credit to the poor needs an institutional intervener enjoying a good rapport with the poor to ensure that the credit is effectively targeted, is timely and adequate, and that it is productively used and repaid in time. It is pertinent to take note here of the observations made in the report by the Reserve Bank of India (RBI, 2007).

“Empirical studies in the 1980s revealed that a very large number of the poorest of the poor continue to remain outside the reach of the formal banking system. It was realised
that the existing banking policies, systems and procedures and deposits and loan products
were not well suited to meet the credit needs of the poor. Apart from the existing banking
network, with a view to developing a supplementary credit delivery system that is cost-
effective and user friendly for both the banks and the poor, micro finance initiatives were
encouraged in India. These initiatives have been centred around two models, i.e., the SHG-
Bank Linkage Programme and the Micro Finance Institutions (MFIs) model” (RBI, 2007,
p. 152). The progress in the SHG-Bank Linkage Programme has been “phenomenal”. By
March 2007, 2.92 million SHGs were linked to banks and the cumulative bank loan disbursed
to SHGs was worth Rs.18,041 crore. More than 41 million poor households gained access
to microfinance from the formal banking system, registering a growth of 24 per cent over
2005-06. However, RBI estimates that only 20 per cent of the low income group population
has access to financial services!

III. SGSY TRAJECTORY: SOME INDICATORS OF SCALE,
COVERAGE, INVESTMENT AND IMPACT

This section is based on the data covering the period 1 April 1999 to 31 March 2006, accessed
from the website of the Ministry of Rural Development, Government of India.

1. Objectives of SGSY

The Department of Panchayat and Rural Development is the administrative department for
all the programmes of employment generation and poverty alleviation in the rural areas
including the Wage Employment Programme and the Self-employment Programme. The
major Self-employment Programme implemented by the Department is the Swarnjayanti
Gram Swarozgar Yojana (SGSY), which was launched on 1 April 1999. The beneficiaries of
this programme are families living below the poverty line (BPL). This programme replaces
the earlier self-employment and allied programmes like the Integrated Rural Development
Programme (IRDP), Training of Youth for Self Employment (TRYSEM), Development of
Women and Children in Rural Areas (DWCRA), Ganga Kalyan Yojana (GKY) and Million
Wells Scheme (MWS), which are no longer in operation. SGSY is an innovative and carefully
thought-out programme. It takes into account all the strengths and weaknesses of the earlier
self-employment programmes. Its main objective is to bring the assisted poor families
above the poverty line in three years by providing them income-generating assets through
a mix of bank credit and government subsidy. SGSY is, therefore, a holistic programme
covering various aspects of self-employment such as organisation of the poor into self-help
groups (SHGs), provision of training, disbursement of credit, and updating of technology,
infrastructure and marketing strategies.

2. Scale

The funds available for the programme were nearly Rs. 2000 crore during the first year,
that is, 1999-2000. They declined to Rs. 1600 crore during the second year and varied
between Rs. 1200 to Rs. 1400 crore per year between the years 2001-02 and 2005-06. The
total funds available over the first seven years were Rs. 10,000 crore but the fund utilisation
was only 67 per cent (Rs. 7500 crore) over this period. However, fund utilisation improved over the years from an average of 49 per cent to 89 per cent. Allocations from the Central Government accounted for over 80 per cent of the total allocations for the programme. Thus, SGSY was a Central programme implemented on a very modest scale as compared to the other wage employment programmes with allocations of over Rs. 50,000 crore per year. As even the available funds are not being fully utilised under the SGSY, it is likely that most of the poor who are supposed to be its beneficiaries, are still stagnating in the first phase of the programme, and, hence, lack the motivation and ability to shift from wage employment to self-employment. This has two implications. First, the programmes of the first phase need to be expanded and made more effective to raise the poor to the level needed to gain entry into the second phase. Second, the capacity of the poor to take up a self-employment activity needs to be considerably strengthened to make them viable entrepreneurs. A telling indicator of the ground yet to be covered is that less than 5 per cent of the funds earmarked for training and skill development have been utilised. Similarly, the fund utilisation was as low as 13 per cent over the seven-year period in the case of funds provided for infrastructure development. In sharp contrast, the fund utilisation was 67 per cent in the case of subsidies and, during the years preceding the Parliament election year (2004-05), the utilisation was over 80 per cent, and it was as high as 148 per cent during the immediately preceding year, viz. 2003-04! It is important to guard against populism as it would damage self-employment programmes much more than the wage employment programmes. A dole-disbursing SGSY would be a severe handicap in achieving the Eleventh Five Year Plan goal of inclusive growth. In the case of the programmes to be implemented in the first phase, the priority is towards providing income support to the hardcore poor, to give them food and employment security, and to help them meet their basic needs so that they can be taken out of the poverty trap. Relaxing economic norms would be justifiable in the case of these programmes as long as they serve their priority objective of getting the poor out of the poverty trap. However, self-employment programmes need to be judged more strictly by the economic norms of productivity and viability. If they are treated like the first phase programmes, the process of poverty elimination will remain stalled in the first phase.

3. Coverage

Nearly 19 lakh SHGs were formed over the seven-year period of implementation of the SGSY. Half of them were formed in 2002-03 or later. Thus, they were in existence for a short period. SHGs go through two rounds of assessment to determine their eligibility to receive funds from the programme and banks. In the first round, the programme itself carries out the assessment, and those found eligible are designated as Grade I SHGs and receive an amount of Rs. 5000 as a revolving fund to meet their credit needs. In the second round, the assessment is stricter and carried out by a team including bankers. Those found eligible are designated as Grade II SHGs and qualify to receive credit and subsidy from the banks. In 2005-06, out of nearly 19 lakh SHGs, 6 lakh obtained Grade I and only 1 lakh obtained Grade II. The remaining 12 lakhs were not found eligible to receive either the revolving fund or bank credit. They depended only on pooling their own savings. If
the test of taking up economic activities is applied, only 69,000 out of one lakh Grade II SHGs passed this test during the last year of the period covered by the data used in this article, viz. 2005-06. The SHGs taking up economic activities were only 30,000 out of nearly 3 lakhs formed in the first year, viz. 1999-2000 and, over the seven-year period of the programme, this number increased only to 69,000 out of 19 lakh SHGs formed during this period! A hopeful indicator is that the percentage of Grade II SHGs, which took up economic activities, increased from 26 per cent in 2000-01 to 66 per cent in 2005-06. The number of SHG members who were provided assistance in taking up economic activities increased from 3 lakh to 6 lakh over the period, while individuals who were not in SHGs but who received help decreased from nearly 6 lakh to 3 lakh over the period. Scheduled Castes (SCs) and Scheduled Tribes (STs) accounted for 85 per cent of those assisted by the programme, while women constituted 58 per cent and the disabled 25 per cent of the total beneficiaries, On the whole, SGSY helped a little less than a million workers during the first seven years of its operation. This again indicates the modest scale of the programme when compared with the huge rural workforce in need of livelihoods outside agriculture. However, the programme has been able to establish a base among the most disadvantaged in the rural areas. It is reasonable to expect that it would perform much better in the years ahead in achieving its objectives if it reviews its experiences over the initial years and draws lessons for the future. Before these themes are expounded, the indicators of investment and impact of the programme are briefly discussed below.

4. Investment
The total investment in SGSY over the six years covered in the data here was Rs.15,000 crore, consisting of Rs. 9800 crore of credit and Rs. 5200 of subsidy. The annual investment increased from Rs. 1600 crore in 1999-2000 to Rs. 2700 crore during the last two years. The per capita investment was less than Rs.10,000 in most of the years as compared to the target of Rs. 25,000. During the latter half of the period, it was less than what it was during the first half; thus, instead of an improvement, the per capita investment saw a decline over the period. The ratio of credit to subsidy was nearly 2 over the six-year period and did not vary much from year to year. It may be mentioned here that the target ratio was 3:1, which remained much above the ratio achieved. While during the initial years, the funds for investment were dispersed to individuals, towards the end of the period, over two-thirds of the funds for investment were received by SHGs. The target for credit increased from Rs. 3200 crore to over Rs.10,000 crore during the last two years, viz. 2004-05 and 2005-06. But the credit that was actually mobilised was only Rs. 1000 crore in 1999-2000, which rose to Rs. 1800 crore during the last two years. The percentage of credit mobilised to the credit target declined over the period from 33 to 17. It is important to identify the reasons for the growing gap between the credit target and the credit mobilised. One possible interpretation for this gap is that this was the result of low credit-worthiness among the poor on whom the SGSY was focused. This, along with a low credit/subsidy ratio, could be indicative of the strict economic norms adopted in the programme. The implication then is that the first-phase programmes need to be scaled up to improve the credit-worthiness of the poor.
An alternative interpretation could be that the delivery process did not have the requisite systems and procedures suited to covering the poor. The implication of this interpretation is that there is a need to streamline the supply side of credit. On the whole, investment and related indicators show that SGSY is yet to take off, as a wide gap continues to persist between its major targets and its actual performance.

5. **Concurrent Evaluation of SGSY**

In order to evaluate the functioning and implementation of the SGSY in terms of the aims and objectives deliberated in the guidelines of the scheme, the Centre for Management Development (CDS), Thiruvananthapuram, carried out a detailed study of the scheme. The major findings of the study are summarised below.

(i) **Utilisation of Funds**

On the basis of the parameters of coverage of BPL families to the total BPL families, the proportion of funds utilised out of the total funds available, proportion of receipt of funds to the total allocation, preference given to groups in fund utilisation, etc., the study tried to establish the provisional ranking of States/UTs on the performance under SGSY. Among the major states, Tamil Nadu, Punjab and Andhra Pradesh were the top three whereas among the group of Other States/UTs, Himachal Pradesh, Tripura and Goa were among the top three. The performance of SGSY in Assam, Madhya Pradesh, Orissa, West Bengal and Bihar was the lowest among the major states. The utilisation of funds for SHGs was higher than that of individuals in only six states/UTs. As far as the utilisation of funds is concerned, apart from economic assistance for *swarozgaris* (self-employed beneficiaries), infrastructure development constituted as much as 17.61 per cent of the total funds.

(ii) **Economic Upliftment**

(a) The average income generated by the sample individuals and groups was found to be steadily increasing through the years 1999-2000 to 2001-02. The average annual incremental income obtained by the individuals was Rs. 8,673 and that of groups was Rs. 40,442.

(b) The average cost of the various projects taken up under SGSY in different states varied from Rs. 15,970 to Rs. 37,965.

(c) SGSY activities helped satisfy the desire of self-employment in a majority of the beneficiaries, viz. 56.35 per cent.

(d) Among the SHGs, 46.39 per cent achieved an increment in their income through SGSY activity.

(e) An increase in savings in SHGs was reported in 39.88 per cent of the cases; 57.29 per cent of the SHGs were involved in primary type of micro enterprises and 8.57 per cent had invested in land development activities.

(f) While 85.18 per cent of the SHGs performed thrift and credit activities, 84.7 per cent had developed financial management skills.
While 65.83 per cent of the SHGs were provided with the Revolving Fund, only 54.16 per cent of these used it for inter-loaning purposes.

The project cost of the groups ranged between Rs. 2,07,000 and Rs. 2,83,076 in Puducherry and Meghalaya, respectively.

The average loan amount of the group in different states varied from Rs. 54,095 in Nagaland to a maximum of Rs. 3,31,099 in Madhya Pradesh.

(iii) Training, Skill Development, Product Design and Product Development

(a) Although 20 states have identified state level agencies for training purposes, yet only 12 were able to organise state level training programmes.

(b) Only 10 States took steps for ensuring exclusive mechanisms for providing product design and product development.

(c) Among the individual beneficiaries, 66.50 per cent did not undergo any kind of skill development.

(d) Among the sample group swarozgaris, 53.36 per cent did not undergo training for skill development.

(e) The products produced by the swarozgaris were found to be of inferior quality due to non-adequate training and skill development facilities.

(iv) Problems with Banks

(a) The major complaints of the swarozgaris were non-co-operation from the banks, delay in bank procedures, and delay in disbursement of loans.

(b) More than half, that is, 52 per cent of the swarozgaris reported that the loan amount was provided to them in a single dose.

(c) Delay in sanctioning of loans, non-co-operation of the banks and lack of proper guidance have been creating problems in the smooth development of group activities.

(d) The credit portion of the revolving fund was found to have been postponed in certain cases.

(e) Lack of co-ordination between banks and Block officials was also noted.

(f) No effective follow-up was being made after sanctioning of loans to the swarozgaris.

(v) Social Upliftment

(a) Of the total sample, 67.44 per cent of the beneficiaries were women, 46.79 per cent were from the SC and ST category, and the physically challenged constituted 2.45 per cent.

(b) Of the total swarozgaris, 60 per cent were found to be illiterate and 50.92 per cent were agrarian.

(c) Of the sample beneficiaries, 93.37 per cent participated in the group decision-making process.
(vi) **Assets under SGSY**

Most of the assets (45.52 per cent) created under the SGSY were livestock assets.

(vii) **SHGs**

(a) A number of SHGs were formed with an eye to avail of the revolving fund and subsidy, without carrying out any economic activity.

(b) The SHGs that were getting active support from the Non-governmental Organisations (NGOs) and other community-based organisations were found to be doing better in their selected economic activities.

(c) In most of the states, especially the northern states, the influential persons in the village were found to own a group.

(d) The grading of the group was found to be time-consuming.

(e) SHGs/swarozgaris from the same village were found to be engaged in similar types of micro enterprises, thereby reducing the demand for their produce and lowering their profitability.

(f) Only 2.5 per cent of the total groups participated in trade fairs/exhibitions organised by the Governments/Non-governmental Organisations (NGOs).

(g) The formulation and evolution of SHGs were observed to be slow in most of the districts surveyed.

(h) The district/block officials were found to be unaware of the approach to rural development through organising the rural poor into SHGs, nurturing them and providing them initial guidance.

(i) Keeping in view the problems faced under the SGSY, the study makes certain recommendations. These are delineated below.

(viii) **Banks**

(a) Efforts should be made to motivate the banks to take active interest in the project and reduce the time taken for processing the applications and disbursing loans. Active involvement is also sought in the selection of key activities, formation and grading of the groups, and the requisite follow-up action after the disbursement of loans.

(b) The loan should be given immediately after the swarozgari completes the training for skill development as envisaged in the SGSY guidelines.

(c) The banks should expand their area of operation to un-serviced areas so as to cover more BPL families.

(ix) **Facilitating Agencies**

(a) Appropriate agencies have to be identified for providing assistance in product design and product development.

(b) Professional agencies with an expertise in identifying key activities need to be appointed for the purpose. The key activities have to be identified keeping in view
the local demand, availability of raw materials and aptitudes as well as the skill of the people.

(c) The services of efficient NGOs with a good track record must be ensured for the successful implementation of the scheme.

(d) The facilitating agency must assess the swarozgaris’ absorption capacity and help them in managing and deciding the quantum of loan and the scale of the project to be undertaken by them.

(x) Monitoring and Evaluation

(a) Monitoring and evaluation activities need to be given more importance for improved performance under SGSY. In order to develop a consistent system of monitoring the implementation of SGSY at the Block/DRDA level through field visits and physical verification of assets as well as the progress of the swarozgaris towards income generation, a schedule of inspection of families by various levels of officers is a must.

(b) There is a need for the installation of strong follow-up, reviewing and monitoring systems apart from identification of committed manpower and resource persons at all levels to take the scheme forward and to augment its outreach and efficacy.

(xi) Gram Panchayats

(a) Gram Panchayats may be given a greater role in the recovery of loans along with the bank and Block officials to facilitate the smooth recovery of loans. Wilful defaulters should be identified and dealt with strictly.

(b) An extensive awareness campaign needs to be launched with the help of Gram Sabha and Block officials in order to impart proper awareness regarding the scheme.

(xii) Marketing

(a) The marketing of SGSY products may be tried through special co-operatives formed for the purpose in each village by organising melas and exhibitions.

(xiii) Training and Skill Development

(a) More emphasis needs to be given to skill development and other training programmes. Banks may also be closely associated with and effectively involved in these training programmes.

IV. SGSY: EXPERIENCES AND LESSONS

It may seem a puzzle that while non-farm employment is spreading in rural areas and at a brisk pace since 1999, SGSY performance has been rather disappointing. The key to the puzzle is to be found in the groups covered by SGSY. They consist of the hardcore poor and the lowest and most suppressed sections in the rural society. As argued in Section II of this paper, giving them viable livelihood in self-employment activities is an extremely challenging
and time-consuming task. Viewed from this perspective, SGSY can be regarded as having made some commendable progress in establishing a base, howsoever modest, among the hardcore poor. The programme should now move forward with a two-pronged strategy of extending the base and activating the economy of the hardcore poor to integrate it with the mainstream economy. Extending the base is relatively easy, particularly in target-driven programmes. Integrating the economy of the hardcore poor with the mainstream by offering them viable livelihoods with the potential for upward mobility is a far more challenging task. If the SGSY remains confined to its schematic agenda of organising SHGs, grading them, releasing funds to them and linking them with banks, little progress can be expected in promoting self-employment though the physical targets of the programme might be achieved. The SGSY should thus team up with other programmes and development agencies to look beyond its own targets towards achieving the following three critical development objectives:

(i) Raising the poor to the eligibility level for self-employment;

(ii) Fully activating the SHG mode of collective action by the poor from the primary level (the SHGs at the village level) to the regional and state level (the SHG federations) to mobilise the poor, to interact with the government and banking system to serve the interests of the poor, and to organise the economic activities of the poor to obtain economies of scale and collective bargaining; and

(iii) Helping the poor to become upwardly mobile with their own initiatives and enterprise. Poverty programmes like the SGSY often end up making the poor dependent on the government or other external interveners. The test of empowerment of the poor instead is their ability to operate without any dependence on the programmes meant for the poor. 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.

These objectives are taken up for discussion below. The discussion is based on the following three recent evaluations of SGSY:

(i) The National Institute of Rural Development (NIRD) carried out a study covering 695 women SHGs and 2674 women members, which was published in 2006 (Prasad, 2006).

(ii) The second evaluation drawn on here is a study undertaken by the Bankers Institute of Rural Development (BIRD, 2008). The sample for this study included 2816 individual swarozgaris, 5826 SHG member swarozgaris, and 2206 SC/ST non-beneficiaries.

(iii) The third study is entitled Micro-credit for Self-employment by (Purushotham, 2008). This study covered 1116 SHGs, and 1111 SHG members from 9 states. In addition, the sample included 131 official agencies and their functionaries.

1. Raising the Poor to the Eligibility Level for Self-employment

As is well known, there has been very wide coverage of women in SHGs during the last decade. Women also form the priority category for the SGSY as a group bearing the brunt of distress caused by poverty. SCs and STs constitute another priority category for SGSY.
It is hoped that assessing the problems of eligibility brought out by these evaluations will provide a good benchmark to design the steps needed to improve the eligibility and to check the progress in this direction during the years ahead.

(i) Women

(a) Out of the total sample of 2674 women SHG members, 34 per cent did not borrow at all over a period of 2–3 years from the group, and 42 per cent borrowed only to meet expenses on food and health. It would seem that dependence on moneylenders has not been eliminated (Prasad, 2006).

(b) This impression gains further weight when the borrowing by members for economic activities is considered. The average amount of loan received from all sources was Rs.14,655, which, according to Prasad (2006), is inadequate for taking up any viable enterprise to generate regular employment and create adequate income to help the poor to move above the poverty line in a period of five years.

(c) Prasad (2006) found that officials and activists connected with SGSY perceive their own limitations and acknowledge the need to improve their capacities and performance for facilitating the economic, social and capacity building aspects among the groups. She urges that greater care must be taken in selecting members for self-employment activities by taking into consideration various indicators like minimum education, willingness to take risks, family support with some assets, better negotiation skills, aptitude to work hard for achievement, and readiness to be more mobile.

(d) Prasad (2006) has assembled enough evidence to show that while the women members of SHGs have made good progress in acquiring habits of saving and thrift, and taking the first step towards becoming entrepreneurs, they still need to cover a lot of ground. An implication for the SGSY is that a careful watch needs to be kept on the credit absorption capacity of the SHG members. Merely mobilising and distributing more of loans and subsidies will not achieve the objective of raising the poor in the phase of hardcore poverty to the level required for the adoption of self-employment activities. A valuable part of Prasad (2006) includes the detailed analyses of progress being made in education, health, social mobilisation and empowerment. Not all these aspects fall within the realm of the SGSY, but SGSY has to move in conformity with the progress being achieved in these aspects. Simultaneously, it should also add its own efforts to increase the pace of improvements in the ability and willingness of women to operate in the still nascent field of small modern enterprises in rural areas with the producers organised for collective action and co-operation.

(ii) Scheduled Castes and Scheduled Tribes (SCs and STs)

(a) While rural areas are peripheral to the modernised mainstream urban economy, SCs and STs are peripheral within the rural areas. In a rural community, SCs usually live in separate areas away from the main community. They face discrimination and open or concealed hostility within the community. Official development agencies and
other development interveners find it difficult to reach them and establish adequate rapport with them to enable them to participate in development programmes and to benefit from these programmes.

(b) The core findings of BIRD (2008) is that SC/ST families got excluded from the programme because of the following reasons: (i) Physical exclusion by not taking them as SHG members; (ii) Financial exclusion by denying them their due share, either by group leaders or by implementing bank/Block officials; (iii) Exclusion because they are already covered under some state government-sponsored programmes and in many cases are defaulters of bank loans; (iv) Inclusion of only a few SC/ST members in a majority of SHGs, apparently to complete the target without considering possible group dynamics or social/economic homogeneity; (v) Supporting of a large number of SC/ST persons as individual swarojgaris (even in the predominant ST districts) as nurturing the SHGs of poor SC/STs requires more dedication and efforts; and (vi) Adoption of a casual approach in the grading of SHGs—It has been found that the first grading of SHGs is a mechanical, questionnaire-oriented exercise, wherein a few parameters are ticked to arrive at a satisfactory score for declaring the group as having passed the first grading and becoming eligible for receiving the revolving fund assistance. The second grading is also done in a casual manner. No group has been given additional revolving fund assistance if it failed the second grading.

As a result of these factors, most of the groups—according to BIRD (2008)—are not able to take up sustainable economic activities and, after the second grading, the term loan often becomes defunct. Many groups stop saving immediately after disbursement of the term loans. The groups repay the loan portion and distribute the subsidy portion among the members.

In view of the above, it would be reasonable to assume that the task of raising the poor to the eligibility level for self-employment is yet to be addressed with the required degree of earnestness and commitment. This should be a matter of serious concern as, according to Prasad (2006), SCs, STs, Backward Castes (BCs) and Other Backward Classes (OBCs) accounted for over 80 per cent of SHG members. Nearly one-third of the SHG members were illiterate and another one-third did not cross the primary education level. Only 19 per cent were self-employed outside agriculture while over 30 per cent were casual labourers in agriculture or non-agricultural activities. Thus, while the task of raising the poor to the eligibility level for self-employment is gigantic in scale, the situation with respect to SCs/STs indicates that the SGSY has not even been able to establish a base among them. No amount of reforms of rules, procedures and guidelines can compensate for this weakness in the very foundation of the programme. This weakness pervades most of the development programmes for the rural poor. This gives rise to the paradox that while most schemes achieve their formal targets, poverty and deprivation persist, and development interveners appear to benefit much more from the wide-ranging schemes than the poor for whom the schemes are actually intended!
2. SHGs for Social Mobilisation and Collective Action

If the SHG members are much below the eligibility norm for taking up self-employment activity, it follows that this will be a factor weakening SHGs as the intervening link between the banks and SHG members in the delivery of micro-finance. The statistics bear this out. Out of the nearly 19 lakh SHGs functioning on 31 March 2006, only a little over 6 lakh had obtained Grade II status and less than half of them had taken up an economic activity. Purushotham (2008) found, on the basis of a multi-indicator maturity index, that the SHGs in high poverty districts ranked much lower than the average maturity index for the study region, as a whole, covered by them. More interestingly, the study team concludes: “A high correlation (0.69) exists between the level of maturity of SHGs and the quantum of bank credit availed. The accessibility of institutional credit was more dependent on the maturity levels of SHGs”, Again, “the banks involved in SHG-bank linkage were not really satisfied with the nature and level of capacity building imparted to the members of SHG in their operational zone…. many banks were resorting to under-financing just to meet the targets. ...SHGs have been formed to avail the subsidy and not with the objective of building up of a gradual and larger group corpus to avail higher doses of bank loans...The loan recovery rate under SGSY ranged from 3 per cent to 42 per cent with a median of 25 per cent in the study region. Almost two-thirds of bank branches interviewed complained of lack of cooperation from rural development officials in loan recovery”. The SGSY has to seriously rethink its present target-driven-cum-subsidy approach to the expansion of self-employment among SHG members without checking their eligibility to participate in the programme. Purushotham (2008) has recommended a comprehensive reform agenda for this purpose. It would serve no purpose to repeat it here. According to Purushotham (2008), fundamental to this agenda are the following two sets of basic measures to establish SHG-bank linkage on a sound footing:

(i) “For the illiterate rural poor, a series of confidence building measures should precede their seeking sizeable amounts of bank credit”. These include adequate experience of internal lending of their own pooled savings, maintaining records and credit history of members, dealing with wilful defaulters, making the group cohesive, assessment of credit needs to help negotiations with banks and effective use of government support (revolving fund, subsidy, training and infrastructure).

(ii) “The next step is to provide exposure to SHG members to the work culture of the bank.”

The study by Purushotham (2008) is categorical in its position that “building the capacity of SHGs to acquire the threshold level maturity and stability is the pre-condition for accessing institutional credit. This is a long and continuous process with no shortcuts”.

According to Prasad (2006), looking at an SHG as only a conduit for micro-finance is to miss its broader development potential in relation to the poor. It makes out a strong case for recognising SHG as a powerful instrument for the social mobilisation of the poor:

“The access to credit can be seen as the motivational factor behind the formation of SHGs... However, SHGs have a potential that goes beyond mere economics of loan management”.

Prasad (2006) describes social mobilisation as “a participatory process where people are educated, organised, motivated and enabled to undertake social enquiry and analyses for understanding their life situations, and taking decisions and actions to change for a better quality of life and well-being…In the context of self-help groups, social mobilisation has a vital role to play… (it enables) the poor to realise their own potential, as well as develop linkages and partnerships with the wider society”. As regards SGSY, Prasad (2006) finds that the present perspective and approach of SGSY is inadequate to develop the full potential of SHGs. It compares the approach of SGSY with that of NGOs and those adopting the mission approach to argue that SGSY should use a combined approach looking much beyond the micro-finance role of SHGs. It is instructive to have a look at the comparative analysis of three approaches done by Prasad (2006):

(i) **The SHG Movement Approach**: This has been largely confined to the three southern states—Andhra Pradesh, Tamil Nadu and Kerala. It began in the 1980s as an offshoot of poverty eradication programmes, expanded through the 1990s, and became a movement. In the next phase, during the late 1990s, these SHGs started to consolidate, building up their federations at the sub-district and district levels. This has spectacularly mainstreamed the marginalised, hitherto un-reached and under-represented persons in taking up their economic, social and political agendas.

(ii) **The Mission Approach**: This is a way of scaling up the SHG movement without diluting its objectives and thrust. Andhra Pradesh, Karnataka, Kerala and Orissa have moved along the mission approach. It is gaining momentum and is facilitating an enabling environment for a pro-poor policy.

(iii) **The Programme Approach**: This approach strictly follows the guidelines of programmes under the SGSY and other schemes. Their implementation is overseen by the concerned departments like District Rural Development Agency (DRDA)/Department of Women and Child Development (DWCD). A majority of the states follow this approach.

Prasad (2006) argues that the programme approach is distorted by subsidies as it leads to dependence on the government, remains confined to collective interventions for economic aspects, and not co-ordination and partnership to bring about social change, neglects the convergence of resources and services from different sectors, pursues targets rather than promotes processes, and lacks orientation for a long-term objective of setting a path towards empowerment of the poor by creating an enabling environment and providing opportunities for decision-making.

A programme like the SGSY may have limitations in adopting the mission approach. However, a detailed study of the movement and mission approaches could provide useful clues as to how the government departments and programmes could team up with activists, NGOs and other interveners to make SHG an institution for promoting empowerment. There are rich experiences on how what begins as a few poor women getting together to practice thrift and pool their meagre savings in tiny villages grows into an impressive and effective organisation of the poor themselves to protect and promote their own interests, if necessary
through struggles. This is a unique phenomenon reminding us of the Gandhian approach to human development, which languished and almost disappeared in post-Independence India. Programmes like SGSY interacting with the hardcore poor will find themselves under increasing pressure in the coming years to deal with groups of poor, who are no longer passive and silent sufferers of the past and do get angry enough to challenge the wielders of power. Working for the empowerment of the poor is now a compulsion and not an option that can be postponed from one five-year plan to the next!

3. Empowerment of the Poor: The Economic Barrier

The direction in which ShGs are moving could lead to a confrontation between the poor and the government if, simultaneously, the economic space for the poor does not expand. For a programme like the SGSY to succeed, social mobilisation and expansion of viable economic activities have to be developed through mutual support. In the absence of social mobilisation, the poor will remain on the periphery, bearing the costs of development of the mainstream. If social mobilisation occurs without adequate expansion of the economic space, there can be serious and damaging political turbulence. India is now in the Eleventh Five Year Plan period. Inclusive growth is its signature theme but, ironically, Indian agriculture is in a prolonged state of stagnancy. While the way out of this crisis may not be easy to find, the priority target for the SGSY in the Eleventh Five Year Plan would obviously be matching social mobilisation with the adequate growth of viable non-farm self-employment activities.

This is probably the weakest area in SGSY. The report (Purushotham, 2008) cautions that primary activities like dairy development, agriculture and land development remain the activities preferred by swarozgaris and groups. Manufacturing and processing and the tertiary sector of trade, business and services have few takers. As those with land find it easy to take up primary activities, it is clear that the landless belonging to the hardcore poor remain out of reach of the SGSY. Particular attention needs to be paid to observations by Purushotham (2008) on the formidable barriers, which the swarozgaris and groups face in taking up modern activities:

“Poor managerial competence, lack of skills, lack of proper development support from officials and inadequate access to capital were the roadblocks in taking up non-traditional and non-farm enterprises. At the same time, lack of physical as well as social infrastructure, particularly electricity and road access to network, were the formidable challenges which disappointed whoever nursed an ambition to build their entrepreneurial career in modern activities...After the non-availability of timely credit, lack of assured market was the second largest constraint expressed by the swarozgaris in pursuing self-employment. This was followed by lack of opportunities for exposure, training and capacity building...the swarozgaris expected a great deal of institutional support towards building their entrepreneurial capacity, skill development and exposure to external markets.” As against this, “in terms of implementation, the SGSY is no different from the earlier largely ineffective self-employment programmes, except the group approach for availing bank credit”. Referring to the “phenomenal success of women SHGs in Andhra Pradesh in handling Minimum Support Price (MSP) procurement operations for maize”, Purushotham (2008)
recommends promoting “the networking of SHGs for scaling up the enterprise capacity of SHGs through federations and encourage micro-enterprise development innovation and market study. The present DRDA/Zilla Parishad (ZP) set up in the country should be thoroughly restructured so as to bring in the required professional competence for micro enterprise development”.

While Purushotham’s analysis and prescription deserve careful consideration and action, there is a lot of scepticism about the SGSY doing much better in, say, the next decade as compared to its modest record in its first decade. The poor will find it relatively easy to get socially and politically mobilised. Consider, for example, the recent spectacular performance of Mayawati (the current Chief Minister) in Uttar Pradesh and the emergence of strong regional leaders of lower and intermediate castes in many states. The strong farmer lobby has also been able to bend the government to acquiesce to its wishes. Not too long back, the farmer was the meekest character in the rural landscape, who suffered without even protesting. However, the poor will find the economic barrier far more formidable to break through. Purushotham’s observations on the lack of success of the SGSY in modern activities should serve as a warning against too optimistic projections for the future. While continuing the SGSY and reforming and strengthening it as much as possible, the Ministry of Rural Development (MORD) in charge of the programme should think of adopting a dual approach of facilitating the growth of self-employment and its generation by the government’s own schemes. A balanced combination of the two approaches would hopefully work better than the approach adopted so far of laying an emphasis only on the generation of self-employment opportunities by the government itself.

(i) Facilitation

(a) Building a bridge between wage employment and self-employment
   
(i) Rural employment programmes can have a component offering continuous unskilled employment over a long period during which the labourers can learn skills and acquire the ability to get better jobs outside. Some of them with the required attitude and aptitude can later choose to shift to self-employment activities. This will make the transition from unskilled wage employment to skilled self-employment a gradual step-wise process with the choice left to the poor. Dandekar and Rath (1971) suggested a similar approach over two decades back without any response from the policy-makers.

(ii) With the larger villages growing into urban habitations, the urban boundaries are shifting out and along with that, secondary and tertiary activities typical of urban areas are acquiring a wider spread. For an increasing number of villages and rural people, such activities would be within commuting distances. Improved roads and communications and access to market-driven training facilities could open up substantial opportunities for the rural poor. The government can play a facilitating role to make these processes smoother and faster, and to link the poor with them.
(b) Linking up with rural growth processes

A priority task to be taken up in the Eleventh Five Year Plan is to operationalise district planning based on the bottom-up approach of planning at the village and (Panchayati Raj Institution (PRI) levels. This would give an opportunity to the SGSY to map the loci of rural growth processes at the micro level. As noted earlier, there has been a relatively fast growth of rural self-employment during the first decade of this century. An interesting document prepared by the Club of 55 (a group of retired IAS officers)—titled ‘Resurgent Bihar’—describes the success stories of creating growth foci in Bihar, a state which often finds itself at the bottom in the ranking of states in India by the development indices.

“Litchi Cultivation: Increase in cultivation in the last decade has been impressive particularly in Muzzaffarpur. This change seems to have occurred almost entirely due to market forces with no concerted effort or planning by either the government or any organized institutional mechanism. About 2000 farmers in Muzaffarpur grow litchis having small orchards of about a hectare...The two factors behind growth are—first, an increase in demand from external non-traditional markets, which has sparked off the interest of local traders and entrepreneurs looking for export opportunities; second, fairly stable prices and income potential has made investment in litchis attractive to local farmers”. The document mentions that further expansion is possible if cold storage and canning facilities improve, roads are in a good state of repair and refrigerated transport becomes available. “Well targeted support could accelerate growth and productivity”.

“Makhana Production: Bihar produces 85 per cent of the all-India makhana production. Makhana pop has been marketed in urban Indian and export markets as branded, packaged snacks, high-protein drinks, pharmaceuticals, and protein and mineral supplements. Production is concentrated among small and marginal landholders and among fishermen with commercial linkages to traders and processors.”

“Honey Production: Anita Kushwaha, a teenager from a nondescript village in Bihar has become a successful honey-maker. She adorns UNICEF posters as ‘the honeybee girl....She began at 14 with a single wooden box for rearing honeybees...Today Anita manages over 150 beehive boxes, each with 30,000-35,000 bees and collects 15 kg. of honey every season. She comfortably saves Rs. 1 lakh every year. Her father, who was once a share-cropper, now moves around with helpers helping Anita... At 17, Anita has inspired her family and over 50 per cent of the girls and women of the village to follow [in] her footsteps”.

It needs to be remembered that each of these success stories would have given rise to further expansion of wage and self-employment through forward and backward linkages and the multiplier effect of increased income. Mapping of such growth processes could help SGSY in supporting and broad-basing them to make growth more inclusive and poor-friendly.
(c) Meeting the Manpower Needs of Decentralisation and PRIs

If the full range of activities implied in the role of PRIs as the third tier of government and micro-level planning from village upwards get operationalised, villages across the country would have a computer-cum-Internet-wielding modernised group of young workers. Their relevance to the SGSY lies in developing monitoring and mapping procedures to match the much-expanded requirements of SGSY in terms of the analyses of growth and the changing composition of employment. These workers would empower the village community, as a whole, in the sense of providing continuous and almost instantaneous contacts with the world outside and help the community-based organisations like SHGs to interact with their counterparts near and far. The MORD can establish the convention that these workers will be selected and trained from among the young people belonging to the village. This should be a revolving group with each working on a contract for 3/5 years and succeeded by fresh young people from the village.

The intention here is to suggest that the MORD/SGSY should fully explore the opportunities to facilitate the growth of both wage employment and self-employment. The opportunities described above are only illustrative and not exhaustive.

(ii) Generation

The SGSY should continue to provide the lead in organising SHGs and helping individuals and group members with subsidy and credit to take up modern self-employment activities. However, the generation of self-employment should be integrated with facilitation and the activities should be chosen by a careful scanning of the inputs provided by monitoring and mapping. It is necessary to have targets for setting up SHGs, individuals and groups assisted in taking up self-employment activities and the quantum of subsidy and credit provided to them. However, individuals and groups should be selected after strict assessment of their attitude, aptitude, skills and capacity for taking entrepreneurial decisions and risks. The ultimate criteria to assess the SGSY should be the number of poor who become viable and upwardly mobile. Self-employment activity is not like a pensionable job. A member may revert to wage employment or change his self-employment activity. The test is whether he stands on his own feet and improves his status. Monitoring of those helped to take up self-employment activity should cover a period of, say, five years after adoption of the activity to permit a fuller assessment of the impact, benefits received and viability of the member. Besides the member himself, the impact should take into account the increased employment generated by the member by expanding the scale of his operation. The goal should be to make employment generation a self-sustained process and not permanently resting on the largesse provided by the government and other interveners. Pushing a large number of poor into subsistence type activities by using subsidy and populist support measures will only bring a bad name to the programme. An SGSY that fails will be more harmful than no programme at all as it will demoralise both the programme personnel as well as the potential beneficiaries. The SGSY will thus
do well to bear in mind the requirements that the banks consider essential for extending credit to swarojgaris. The following is an extract from an education campaign launched by the State Bank of India (SBI):

**Presenting the First Step to Take Your Business to the Top**

When you are starting your small scale industry or business and desire to get a bank loan for the same: (a) Make a business plan; (b) Assess the resources required—like power, water, labour, etc.; (c) Get the licences and other approvals from relevant agencies; (d) Make a simple project report of your venture; (e) Discuss the proposal with the bank officials concerned before submitting the same; (f) Find out whether you are eligible for any subsidies or are covered under any guarantee scheme.

At the moment neither the swarojgaris nor the banks seem to comply with this basic procedure to check the credit-worthiness of the venture and of the applicant.

**V. SGSY IN THE ELEVENTH FIVE-YEAR PLAN**

The emerging context promises to be favourable to the SGSY, provided the latter modifies its perspective and approach to make itself more effective in achieving its goals. The economy is on the verge of maintaining its high growth rate. Rural self-employment is expanding at an increasing rate. The Prime Minister himself has pledged support at the highest level to roll back agricultural stagnation and raise the productivity and viability of rain-fed agriculture and of the small and marginal cultivators. The NREGS now covers the entire country. There is likely to be substantial growth in wage employment triggered by both markets and government programmes to take the hardcore poor several more steps towards employment and income security. There is a recognition that the social sectors of education, health, nutrition and assistance to disadvantaged groups need the highest priority and much more funds. All these constitute a favourable environment for inclusive rural growth. The SGSY would be confronted with both challenges and opportunities in the years to come.

This paper concludes with glimpses of how the Planning Commission, the premier think tank in the country, visualises a major role for SGSY in the Eleventh Five Year Plan. For this purpose, an unpublished report of the Planning Commission (2007), is drawn upon.

The Planning Commission (2007) notes: “The SGSY is, by design, meant to create widespread income-generating activities, through the empowering mechanism of SHGs, where group dynamics are expected to compensate for the basic weakness of the individual poor and present them as credit-worthy and financially accountable units. Thrift, multiple lending, participatory process of identification and pursuit of economic activities have succeeded in states like Andhra Pradesh, Tamil Nadu and Kerala substantially because the basic processes had been grounded. The higher performance has been achieved in states like Andhra Pradesh due to the SHGs having been federated at different levels, SHG network acquires dynamism and versatility in activity base”. Referring to the diverse models of SHGs in different parts of the country, the Planning Commission (2007) describes as “most important” the Kudumbashree in Kerala with active linkages with PRIs and the Andhra Pradesh model that relies on federations of SHGs that have acquired the shape of the organisations of the poor.”
It recognises the “need for placing the SGSY programme on this larger canvas and fitting it in the broader context of the SHG movement of the country…. SGSY is actually lagging behind in keeping pace with the SHG movement sweeping the country”.

“Credit is very important issue. An issue that requires to be looked into is the possibility of introducing interest subsidy as an alternative to capital subsidy...In terms of priority, savings, followed by risk mitigation and then credit would be the natural sequence for financial intervention. Federation acting as financial intermediary is a high skill activity and it is essential that investments are made on enhancing the skill base of the federations. There is a need to promote institutional partnerships between SHGs/Federations with the Bankers. Enhancing the credit flow to the poor may call for grounding several strategies and partnerships and not just one (for the entire country)”. The Report seems to be quite optimistic about the progress of SGSY in this direction during the Eleventh Five Year Plan.

“New areas are emerging in the economy due to liberalisation, privatisation and globalisation. It may not be possible for the SGSY, a pure self-employment programme to capture all the aspects of poverty. Purely from a family economic security point of view, BPL families might want to have at least one wage earner among them, so as to provide the requisite certainty to their family incomes. In such a situation, there may be a case for introducing a placement-oriented skill enhancement model for youth as a sub-set of SGSY. This programme will be a hybrid of the wage-employment and self-employment programmes...The sectors that can be looked at are textiles, leather, gems and jewellery, retail chains, etc. where there is a shortage of trained labour. Skill formation, by use of in-house programmes, evolving specific curriculum, independent accreditation and placement are the essential components of this process”.

“The revised SGSY should promote and nurture a large cadre of activists and leaders from the poor for providing support services to the institutions of the poor on a sustainable basis... Social mobilisation of the poor does not occur in a vacuum, it would have to be induced... Integrating NGOs and civil society organisations with SGSY will help us achieve this”. The Report recommends that an External Catalytic Agency (ECA)—either an autonomous society established by the state government or a civil society organisation or a community-based organisation or a local self-government agency—which has a strong pro-poor attitude and a proven track record in poverty eradication is crucial for achieving social mobilisation and building the institutions of the poor.

“The current mechanism of fund flow to SHGs through a graded system requires a comprehensive review.... The overall credit achievement under the programme is abysmally low. The volume of credit extended to SHGs in one state Andhra Pradesh alone is higher than the national credit achievement under SGSY. In the Andhra Pradesh model, the SHG federations take a role in ensuring that the credit flow is better... a subsidy of Rs. 9000 crore could only leverage a credit of Rs. 12,104 crore, which is an abysmally low achievement relative to a no-subsidy model of NABARD or the low-subsidy model of Andhra Pradesh. Here is a valuable lesson for SGSY. It will be necessary to reduce the accent on capital subsidy and increase investments on building the institutions of the poor that are credit-worthy”.
VI. CONCLUDING COMMENTS

The first decade of the SGSY has provided several useful lessons in social, political and economic empowerment of the poor. One useful line of advance is in helping the SHG system to spread and grow vertically in federated structures. A valuable outcome of the expanded SHG system is that it is expected to speed up social and political mobilisation of the poor and help in putting the programme for economic empowerment on a strong foundation. However, the progress in economic empowerment is not likely to be smooth and fast. Facilitation will be as important as generation and an approach combining wage and self-employment will be needed. Populist subsidy-based programmes may be appropriate for providing relief or social assistance, but ensuring empowerment needs an approach depending on strict economic norms. While the SGSY may have intermediate targets for setting up SHGs, and credit and investment flows, the ultimate test must be the number of viable livelihoods created by the programme and their multiplier effects on further wage and self-employment. SGSY must have a database and information system capable of meeting these requirements. Empowering the hardcore poor is a prolonged and complex process. The best that the interveners from the mainstream can do is to create pre-conditions, provide a poor-friendly institutional environment, and help the poor in getting started on the development path. However, beyond a point, the poor must be left to proceed at their own pace and preferences. Empowerment of the poor cannot be a turnkey job! What is even more important to realise is that empowerment of the poor needs not only changes in the poor and their environs but, equally important, changes in the mainstream itself and its institutions to make them poor-friendly and supportive of inclusive growth.

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