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A BACKGROUND STUDY ON THE ROLE OF BANKS IN ERADICATION OF POVERTY AND UNEMPLOYMENT IN INDIA BY IMPLEMENTATION OF GOVERNMENT SPONSORED SCHEMES WITH SPECIAL REFERENCE TO SWARNA JAYANTI GRAM SWAROZGAR YOJANA (SGSY)

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Abstract

Banking system occupies an important place in a nation's economy. A banking institution is indispensable in a modern society. It plays a pivotal role in the economic development of a country and forms the core of a money market in the country In this study, the role of banks in implementing government sponsored schemes to alleviate the problems of poverty and unemployment are highlighted with special reference to Swarna Jayanti Gram Swarozgar Yojana (SGSY). The SGSY is operative from 1st April, 1999 in rural areas of the country. It is a holistic scheme which has the quality of covering almost all the aspects of self employment such as organization of the poor into Self Help Groups, training, credit, technology, infrastructure and marketing. The scheme will be funded by the Centre and State in the ratio of 75:25 and will be implemented by the Commercial Banks, Regional Rural Banks and Co-operative Banks. The process of planning, implementation and monitoring is made the responsibility of other Financial Institutions, Panchayati Raj Institutions, District Rural Development Agencies (DRDAs), Non-Government Organisations (NGOs), Technical Institutions in the district,etc,. For the formation and nurturing of self help groups the help of NGOs may be taken. NGOs are of great help if needed at the time of monitoring the progress of the swarozgaris. Their services may be taken in the realm of technological support, quality control of the products and as recovery monitors cum facilitators.

This scheme has a mission of establishing a large number of micro enterprises in the rural areas. The target group for the assistance under SGSY are those families which are marked as Below Poverty Line (BPL) households identified through BPL Census duly approved by Gram Sabha. The power- packed objective of this scheme is to bring the assisted poor families above the poverty line by ensuring appreciable sustained income over period of time. The essence of attaining this very objective is to organize the rural poor into Self Help Groups (SHGs) through the process of social mobilization, their training and capacity building and provision of income generating assets. The rural poor which are considered as the target group and covered by this scheme are those with land, landless labour, educated unemployed, rural artisans, and disabled. Swarozgaris are organized into Self Help Groups. The scheme provides for the formation of Self Help Groups (SHGs), nurturing and their linkages with banks.

Commercial banks should design their lending policies in such a way, as to ensure sufficient credit to the neglected sectors of the economy and to those who do not have easy access to credit. Hence commercial banks can bring down the inter-regional, inter-sectoral and inter-personal disparities. With this objective the Reserve Bank of India has taken various steps to ensure adequate flow of credit to weaker sections of the society including the minorities. Financial exclusion was very alarming and it is the need of the hour to modify the financial services delivery system to achieve greater inclusion. Despite all odds, banks have been trying their level best to reach at every door-step with the policies of financial inclusion and to provide the benefit of government sponsored programmes to the needy people. If the banking system in a country is effective, efficient and dynamic it results in a rapid growth in the various sectors of the economy.

Keywords: Poverty, Unemployment, Government, Programmes.

Introduction

The initiation of the government to address the problems of poverty and unemployment by execution of the government sponsored schemes which are formulated with an objective to combat the deep rooted problems in the economy is the

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basis of this study. The presence of the problems of poverty has perturbed the growth story of our nation. There are various intermediaries which facilitates in effecting the government sponsored programmes, like - Banks, Government Agencies and Financial Institutions. The study has emphasised on the role of banks in implementation of government sponsored schemes. As a financial intermediary how banks perform their functions of executing government plans is the crux. The study revolved around exploring the possibilities of poverty-reduction as a result of such anti- poverty programs. It briefly touches certain issues of Priority Sector Lending and Lead Bank Schemes.

a. Objectives of the Study

- To study the backdrop of Banking System in India.
- To highlight upon the Priority Sector Lending Norms.
- To understand the importance of Lead Bank Schemes of Banks.
- To identify the role of Banks in implementation of Swarna Jayanti Gram Swarozgar Yojana.
- To ascertain the guidelines for repayment of loan under SGSY.

Banking System in India

Banking system occupies an important place in a nation's economy. A banking institution is indispensable in a modern society. It plays a pivotal role in the economic development of a country and forms the core of a money market in advanced country.

In India, the money market constitute the organized segment and the unorganized segment. The institutions in the organized money market have grown significantly and are playing an increasingly important role. The unorganized sector, comprising the money lenders and indigenous bankers, caters to the credit requirements of a large number of people especially in the rural areas. Amongst the institution in the organized sector of the money market, commercial banks and cooperative banks have been in existence since the middle of seventies. Thus, with the phenomenal geographical expansion of the commercial banks and the setting up of the Regional Rural Banks, the unorganized sector of money market has penetrated into rural areas as well.

Banking

Banking means accepting for the purpose of lending or investment of deposits of money from public repayable on demand or otherwise and withdrawable by cheque, drafts order or otherwise.

Definition of Banking

A banking company is defined as a company which transacts the business of banking in India. The Banking Regulation Act, 1949 defines the business of banking by stating the essential functions of a banker. It also states the various other businesses a banking company may be engaged in and prohibits certain businesses to be performed by it.

The term 'Banking' is defined as "accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise" [Section 5(b)].

Sir John Paget's Definition-
According to Sir John Paget, "no person or body, corporate or otherwise, can be a banker who does not (i) take deposit accounts, (ii) take current accounts, (iii) issue and pay cheques, and (iv) collect cheques, crossed and uncrossed, for his customers". This definition points out the four essential functions of the banking business. Sir John Paget also lays emphasis on the performance of the other functions in a regular and recognized manner. According to him, "one claiming to be a banker must profess himself to be one and the public must accept him as such; his main business must be that of banking from which, generally he should be able to earn his living." The above-mentioned functions are considered as the essential functions of a banker but this definition does not include the other functions which are now being performed by modern bankers.

Name must include the word 'Bank', 'Banker' or 'Banking'. Section 7 makes it essential for every company carrying on the business of banking in India to use as part of its name atleast one of the words, bank, banker, banking or banking company besides, it prohibits any other company or firm, individual or group of individuals from using any of these words as part of its/his name. Section 7 was amended in 1983 with the effect that any of these words cannot be used by any such company even "in connection with its business".

Financial Institutions like Commercial Banks play an important role in the development of the country. A sound, progressive and dynamic banking system is a basic requirement for the well -planned economic development, providing affordable credit to the socially and economically backward sections as the development strategy of the Governments. Direct interventions in financial markets through various agencies to stimulate growth and reduce poverty through a blend of targeted credit programs, interest subsidies and other policies are part of the Government initiatives in this regard.

Banking Business

A Banking business may be engaged in accepting deposits, borrowing money, lending money, dealing in bills, collection of bills, buying/selling foreign exchange, lockers, issuing letter of credit, travelers' cheques, mortgages, insurance business, acting as trustee etc or any other business which Central Government may notify in the Official Gazette.

Commercial Banks

Among the banking institutions in the organized sector, the commercial banks are the oldest institutions having a wide network of branches, commanding utmost public confidence and having the lion's share in the total banking operations. These banks were initially established as a corporate bodies with share-holdings by private individuals, but subsequently there has been a drift towards State ownership and control. There are many banks today which altogether constitute the strong public sector in the industry of commercial banking in India.The commercial banks were mainly engaged in financing organized trade, commerce and industry and this continued till the end of 1960's. But after the end of this period these banks started to finance agriculture, small business and even they started providing finance to the small borrowers.

The commercial banks in India are classified into sub-categories on the basis of ownership and control of management.

Foreign commercial banks are the branches in India of the joint stock banks incorporated abroad. These banks besides financing the foreign trade of the country, undertake banking business within the country as well.

Public Sector Banks in India

Public Sector in Indian banking reached its present position in three stages - first the conversion of the then existing Imperial Bank of India into the State Bank of India in 1955 followed by the establishment of its seven subsidiary banks; second, the nationalization of 14 major commercial banks on July 19, 1969 and last, the nationalization of 6 more commercial banks on April 15, 1980. One of them – New Bank of India - was later on merged with Punjab National Bank.

Reserve Bank of India

As the central bank of the country, the Reserve Bank of India performs both the traditional functions of the central bank and a variety of developmental and promotional functions. It was established on April 1, 1935 under RBI Act 1934 (on the recommendations of John Hilton Young Commission 1926 – called Royal Commission on Indian Currency and Finance). The Reserve Bank of India Act, 1934, confers upon it the powers to act as note-issuing authority, banker's bank and banker to the Government. It was nationalized w.e.f Jan 01, 1949. Prior to its existence, Imperial Bank of India from SBI was conducting the Central Bank's functions. Originally it was a shareholders' bank which was taken over by the Central Government under Reserve Bank (Transfer of Public ownership) Act 1948.

Management of RBI : RBI is managed by a Central Board of Directors with 4 local board at Mumbai, Delhi, kolkata, and Chennai. It has one Governor, provision of 4 Deputy Governors and 15 other Directors.

The function of RBI includes:
Issuance of currency, Banker to the Government, Banker's bank, Controller of banks, Controller of credit, Statutory Reserves, Collection of credit information , maintenance of external and internal value of Indian currency.

Reserve Bank as Banker to Government

The Reserve Bank of India acts as banker to the Central and State Governments. According to Section 20, it is obligatory for the Bank to transact government business including the management of the public debt of the Union. Section 21 requires the Central Government to entrust the Bank all its money, remittance, exchange and banking transactions in India and in particular deposit free of interest all its cash balances with Bank. In terms of Section 21-A, the Reserve Bank performs similar functions on behalf of the State Governments for carrying on these functions. For conducting ordinary banking business of the Central Government, the Bank is not entitled to any remuneration; it holds cash balances of the Government free of interest. For the management of public debt, the bank is entitled to charge a commission. The Bank is also required to maintain currency chests of its Issue Department at places prescribed by the government and to maintain sufficient notes and coins therein.

Different Stages of the Development if Indian Banking

In order to make the Reserve Bank of India more powerful, the Indian government nationalized it on January 1, 1949. Indian Banking Act was passed in March 1949 with a view to have a coordinated regulation of Indian banking. According to this Act, the Reserve Bank of India was granted extended powers for the inspection of non-scheduled banks.

For the development of banking facilities in the rural areas the Imperial Bank of India was partially nationalized on 1st July, 1955 and it was named as the State Bank of India. Along with it 8 (at present 7) banks were converted as its associate banks which form what is named as the State Bank Group. They are as follows –

i. The State Bank of Bikaner and Jaipur (in the beginning the State Bank of Bikaner and State Bank of Jaipur were separate. But they were merged and named as the State Bank of Bikaner and Jaipur).
ii. The State Bank of Hyderabad
iii. The State Bank of Indore
iv. The State Bank of Mysore
v. The State Bank of Patiala
vi. The State Bank of Travancore.

In order to have more control over the banks, 14 large commercial banks whose reserves were more than Rs. 50 crore each were nationalized on 19th July, 1969. The nationalised banks are as follows:

i. The Central Bank of India
ii. Bank of India
iii. Punjab National Bank
iv. Canara Bank
v. United Commercial Bank
vi. Syndicate Bank
vii. Bank of Baroda
viii. United Bank of India
ix. Union Bank of India.
x. Dena Bank
xi. Allahabad Bank
xii. Indian Bank
xiii. Indian Overseas Bank
xiv. Bank of Maharashtra

After one decade, on April 15th, 1980, those 6 private sector banks whose reserves were more than Rs. 200 crores each were nationalized. These banks are-

i. Andhra Bank
ii. Punjab and Sindh Bank
iii. New Bank of India
iv. Vijaya Bank
v. Corporation Bank
vi. Oriental Bank of Commerce.

On 4th September, 1993 the Government merged the New Bank of India with Punjab National Bank and as a result of this the total number of nationalized bank got reduced from 20 to 19.

Role of Bank in Implementation of Government Sponsored Schemes

Banks are the front-runner in implementing various Government Sponsored Schemes aimed to uplift poor, educated un-employed/ under-employed people in rural / semi-urban / urban areas by providing financial assistance to set up self-employment ventures with the help of various government authorities /agencies.

Banking Condition in Bihar

There are three kinds of institutions functioning in the state. Banks including Commercial Banks, Regional Rural Banks, Co-operative Banks as well as other Co-operative Financial Institutions. While Co-operative Institutions largely look after the requirements of agriculture sector, commercial banks provide finance for industry as well as agriculture. State financial institutions help to promote industrial development in the state and national level institutions cater to the interest of corporate houses and provide large scale finances.

At the end of March, 2009, out of the total 3916 branches of commercial banks in Bihar, 60.2 percent were located in rural areas, 21.6 percent in semi- urban and 18.2 percent in urban metropolitan areas. The total number of branches increase substantially during 2008-09, registering an annual growth of 3.27 percent.

Table: 1
Percentage of Distribution of Commercial Bank Branches in Bihar and India

Year (end March)	Total	Annual Growth Rate (%)	Share in Total (%)		
			Rural	Semi-Urban	Urban
2004-05	3646	0.77	68.0	18.9	13.1
2005-06	3678	0.80	63.6	20.6	15.8
2006-07	3712	0.92	63.0	20.7	16.3
2007-08	3792	0.32	61.9	20.8	17.3
2008-09	3916	3.27	60.2	21.6	18.62
2009-10	3942	3.96	59.72	21.66	18.62
2010-11	4180	5.43	57.44	22.75	19.81
2011-12	4348	4.02	56.21	23.60	20.19

Source: Statistical Table Relating to Banks in India, 2010-11, RBI .

Table: 2
Number and Distribution of Branches of Commercial Banks in Bihar and India

	Share in State Total (%)			State Total	Share in All
	Rural	Semi-	Urban		

		Urban			India
Bihar	56.21	23.60	20.19	4348	4.67
India	33602	23048	36430	93080	100.00

Source: Statistical Tables Relating to Banks in India, 2010-11, RBI.

Background of Priority Sector Credit

At a meeting of National Credit Council in July 1968, it was laid that commercial banks should increase their involvement in financing of priority sectors. Later in 1972 the description of the priority sectors was formalized. In November 1974, banks were advised to raise the share of these sectors to the level of 33 1/3 % by March 1979. Subsequently, on the basis of the recommendations of the Working Group (Chairman: Dr. K.S.Krishnaswamy), all commercial banks were advised to achieve the target of priority sector lending at 40 % of aggregate bank advances by 1985. Sub-targets were also specified for lending to agriculture and the weaker sections. On the recommendations of an Internal Working Group set up in RBI(Chairman: Shri. C.S.Murthy), RBI revised the guidelines (April, 2007) to be effective immediately.

Non-achievements of priority sector targets and sub-targets is taken in account while granting regulatory clearances/approvals for various purposes.

Categories of Priority Sector

Priority Sector includes:

i. Agriculture (Direct and Indirect Finance),
ii. Small Enterprises (Direct and Indirect Finance),
iii. Retail Trade,
iv. Micro-Credit,
v. Education Loans and
vi. Housing Loans.

Weaker Sections in Priority Sector

The concept of weaker sections under priority sector was introduced as per recommendations of Krishnaswami Committee (1980). It comprises:

- Small and Marginal Farmers with landholding of 5 acres and less and landless labourers, tenant farmers and share croppers.
- Artisans, village and cottage industries where individual credit limits do not exceed Rs. 50,000.
- Beneficiaries of Differential Rates of Interest (DRI) Scheme.
- Beneficiaries of Swarnajayanti Gram Swarozgar Yojana (SGSY).
- Schedule Castes and Schedule Tribes.
- Beneficiaries under Swarna Jayanti Shahri Rozgar Yojana (SJSRY).
- Beneficiaries under the scheme for Liberation and Rehabilitation of Scavengers (SLRS).
- Advances to Self Help Groups including NGOs for on-lending purposes.
- Loans to distressed poor to repay their debt to non-institutional lenders. Loans to Minority Community to be included within the respective sub-category, above.

Financing Priority Sectors

Over the last two decades the commercial banks in India have expanded and diversified their lending activities with a view to establish a closer rapport with the society. Banks are making every effort to provide financial and other types of support to the weaker sections of the community. They are thus coming nearer to the common man and their involvement in the community development has further increased. The services provided by banks in this regard have, therefore, been rightly designated as “Community Banking “. There are various guidelines issued by the Reserve Bank of India to the banks for enhancing their involvement in community development. RBI has laid down targets for lending to those deserving priority sectors which lay emphasis on increasing their participation in financing the weakest among the weaker sections of the community.

Common Guidelines for Priority Sector Advances

Reserve Bank of India has prescribed the following guidelines to all the banks for all categories of advances under priority sector.

Processing of application-
Banks should always give acknowledgement for loan applications received from weaker sections.

Disposal of application-
Disposal of application should be done within 2 weeks for loans up to Rs. 25,000.

It should be done within 8-9 weeks for loans above Rs. 25,000. For SSI, up to Rs. 25,000 disposal of application is required to be done within 2 weeks. It is 4 weeks for above 25,000 up to Rs. 5 lac. And for above Rs. 5 lac it is 8-9 weeks.

Rejection of Proposals-
Branch managers may reject applications (except in respect of SC/ST) provided the cases of rejection are verified subsequently by the Divisional / Regional Managers. In the case of proposals from SC/ST, should be at a level higher than that of Branch Manager. And reasons for rejection is required to be given in writing.

Mode of Disbursement of Loan-
The disbursement of the amount of loans which are sanctioned should be made directly to the suppliers of inputs.

Repayment Schedule-
The programme of repayment is fixed considering the sustenance requirements, surplus generating capacity, the break-even point, the life of the asset, etc, and not in an ad-hoc manner. For composite loan up to Rs. 50,000 repayment schedule is fixed for term loan component only (subject to SIDBI's requirement being fulfilled).

In case of default on account of natural calamities like floods, drought, etc, crop loans may be converted into medium term loans of 3-5 years and extension/ re-phasement is allowed in the case of term loans.

In the case of other borrowers affected by natural calamities, banks may convert drawings in excess of the value of security into a term loan repayable over a reasonable period of time and provide further working capital and extend/ re-phase the installments under TLs.

Targets for Priority Sector Lending

- Minimum 40 % of the net bank credit should go to priority sector
- Minimum 18 % of the net bank credit should go for financing agriculture both direct and indirect. Agricultural lending under indirect category should not exceed 25 % of the sub-target of 18 %. In other words the maximum finance under indirect category is restricted to 4.5 % of net bank credit and the minimum finance under direct category is stipulated to be 13.5 % of the net bank credit for the purpose of achieving the 18 % target norm.
- Where a bank fails to achieve this sub target of 18 % and/or 40% target total priority sector lending, it is required to deposit the shortfall amount subject to a maximum of 1.5% of its net bank credit with NABARD to be credited to RIDF (Rural Infrastructure Development Fund).
- Minimum 10 % of net bank credit should go for weaker sections. In other words 25 % (1/4th) of the priority sector should go for this sector.
- Minimum 1 % of the net bank credit outstanding at the end of the previous year should be financed under DRI scheme. Out of this total DRI advance, minimum 2/3rd should be given in rural and semi-urban areas. Minimum 40% of the DRI advance should go to SC/ST beneficiaries.
- Out of the total credit given to the SSI sector, 40 % should be made available for units with investment up to Rs. 5 lacs, 20 % for units with investment between Rs. 5 lacs to 25 lacs and balance for other SSIs.

The Lead Bank Scheme

The Reserve Bank of India introduced this scheme in December, 1969 to give concrete shape to the 'area approach' to development. The genesis of this scheme lies in the recommendation of the Study Group appointed by the National Credit Council under the chairmanship of Prof. D.R.Gadgil to examine the question building up an appropriate organizational framework for their implementation of social objectives. The report of the Study Group revealed major territorial and functional gap in the country and uneven spread of bank offices and banking business as between different states and population groups with pronounced urban orientation. The report pointed out the flow of resources from smaller to larger population centers and from rural to urban areas. It also revealed the uneven distribution of credit to different economic sectors and the virtual non- availability of credit to certain types of borrowers. The Study Group, therefore, stressed the necessity of making detailed plans for the extension of credit and banking facilities in the country on the basis of local conditions and recommended the adoption of an area approach to formulate plans and programmes for developing the banks to act as pace- setters for providing integrated banking facilities.

Under the Lead Bank Scheme all the districts in the country have been allocated amongst all the Public Sector and Private Sector Banks. The lead banks are required to act as catalytic agents for growth and to provide leadership initiating or quickening the process of development in the lead districts.

Functions of Lead Banks

The Reserve Bank of India spelt out the functions of a Lead Bank as under:

i. Surveying the resources and potential for banking development in its district;
ii. Surveying the number of industrial and commercial units and other establishments and farms which do not have banking accounts or depend mainly on money lenders and increasing their own resources through the creation of surpluses from additional production financed from the banking system;
iii. Examining the facilities for the marketing of agricultural produce and industrial production, storage and warehousing space and the linking of credit.

iv. Surveying the facilities for the stocking of fertilizers and other agricultural inputs and the repairing and servicing of equipment;
v. Recruitment of training of staff for offering advice to small borrowers and farmers in the priority sectors which may be covered by the proposed credit insurance schemes and for the follow-up and inspection of the end-use of loans.
vi. Assisting other primary lending agencies; and
vii. Maintaining contacts and liaison with government and quasi-government agencies.

Thus, the Lead Bank has been assigned a major role in the development of banking and credit in the Lead District. Rather a lead bank is required to act as the consortium leader. It is the function of the Lead Bank to identify the under-banked areas and also the areas suffering from credit gaps. Thereafter, the Lead Bank is expected to invoke the co-operation of other banks operating in the district.

Role of Bank in Implementing SGSY:

SWARNA JAYANTI GRAM SWAROZGAR YOJANA (SGSY)

The Ministry of Rural Development, government of India has launched this programme by restructuring the schemes quoted hereafter:

i. Integrated Rural Development Programme (IRDP)
ii. Training for Rural Youth for Self Employment (TRYSEM)
iii. Development of Women and Children in Rural Areas (DWCRA)
iv. Supply of Improved Toolkits to Rural Artisans (SITRA)
v. Ganga Kalyan Yojana (GKY)
vi. Million Well Schemes (MWS)

The Ministry of Rural Development had circulated detailed guidelines to all DRDAs/Banks.

Guidelines for the Execution Scheme

The SGSY is operative from 1st April, 1999 in rural areas of the country. It is a holistic scheme which has the quality of covering almost all the aspects of self employment such as organization of the poor into Self Help Groups, training, credit, technology, infrastructure and marketing. The scheme will be funded by the Centre and State in the ratio of 75:25 and will be implemented by the Commercial Banks, Regional Rural Banks and Co-operative Banks. The process of planning, implementation and monitoring is made the responsibility of other Financial Institutions, Panchayati Raj Institutions, District Rural Development Agencies (DRDAs), Non-Government Organisations (NGOs), Technical Institutions in the district. For the formation and nurturing of self help groups the help of NGO s may be taken. NGOs are of great help if needed at the time of monitoring the progress of the swarozgaris. Their services may be taken in the provision of technological support, quality control of the products and as recovery monitors cum facilitators.

This scheme has a mission of establishing a large number of micro enterprises in the rural areas. The target group for the assistance under SGSY are those families which are marked as Below Poverty Line (BPL) households identified through BPL Census duly approved by Gram Sabha. The power-packed objective of this scheme is to bring the assisted poor families above the poverty line by ensuring appreciable sustained income over period of time. The essence of attaining this very objective is to organize the rural poor into Self Help Groups (SHGs) through the process of social mobilization, their training and capacity building and provision of income generating assets. The rural poor which are considered as the target group and covered by this scheme are those with land, landless labour, educated unemployed, rural artisans, and disabled. Swarozgaris is the term given to the assisted poor families; they can be either individuals or groups. There is a three member team consisting of Block Development Officer (BDO), Banker and Sarpanch and they select the beneficiaries from the BPL families.

This scheme has to focus on vulnerable sections of the rural poor. Accordingly the SC/ST will account for at least 50 per cent, women 40 % and the disabled 3 percent of those assisted.

Skill Up Gradation / Training

After identification of the person or group of persons for assistance, the second step is to ascertain the training need with reference to Minimum Skill Requirement (MSR). In the process of scrutinizing the loan applications, technical skills are assessed by the line departments and managerial skill is assessed by the banker. The swarozgaris who possess skills have to undergo a mandatory orientation programme. This orientation programme is composed of elementary knowledge of book-keeping, knowledge of market, identification and appraisal, acquaintance with product costing, product pricing, familiarization with project financing by banks and other basic skills in the identified key activities. The duration for this programme is not of more than two days. The resource persons for this training programme are the BDOs, Bankers and line departments. The training expenditure incurred by the training institutions for both Basic Orientation and Skill Development training will be met by DRDAs from out of the SGSY Fund.

Training programmes are organised for those identified beneficiaries who need some additional skill development. These trainings are organized by the Government Institutions, it is, Polytechnics, Universities, NGOs etc. Minimum Skill Requirement is the eligibility for the swarozgaris for the sanction of loans under SGSY. Successful completion of skill training is needed for the disturbance of loans to the swarozgaris.

Activity Clusters, Key Activities

The focus under the scheme should be on development of activity clusters with emphasis on key activities identified in the block, both for group and as well as individual assistance. The activity clusters would be in geographic clusters of neighbouring villages within reasonable radius. This assistance is available for other activities also.

This is only an enabling provision for exceptional cases and it is expected that the funding of key activities will be the norm. The SGSY committee will select about 10 activities per block. However, focus should be on 4-5 key activities, which are identified for training and micro enterprise development in a cluster approach for larger number of groups.

Self- Help Groups (SHGs)

Swarozgaris are organized into Self Help Groups. The scheme provides for the formation of Self Help Groups (SHGs) , nurturing and their linkages with banks. SHGs may be an informal group or registered under Societies Act, State Co-operative Act or as a partnership firm. The assistance (loan cum subsidy) may be extended to individuals in a group or to all members in the group for initiating income generation activities. Group activities are given preference and majority of the fund is for the self help groups. Half of the groups formed at block level should be exclusively women groups.

There are many stages of evolution through which Self Help Groups come into existence .The various stages are -Group formation, Group Stabilisation, Micro Credit stage and Micro Enterprise Development Stage. Under the scheme, generally a SHG may consist of 10-20 persons.

- However in difficult areas like deserts , hills and areas with scattered and sparse population and also in case of minor and disabled persons ,this number may vary from 5-20.
- The members of the group should belong to families below the poverty line (BPL).However , if necessary, a maximum of 20 % and in exceptional cases , where essentially required,
- up to a maximum of 30 % of the members in a group may be taken from families marginally above the poverty line living continuously with BPL families and if they are acceptable to the BPL members of the group.
- The members belonging to Above Poverty Line (APL) are not eligible for the subsidy under the scheme. Not more than one member of the same family should be in the group. A person should not be a member of more than one group. The BPL families must actively participate in the management and decision making, which should not ordinarily be entirely in the hands of the APL families. Further, APL members of the SHG shall not become office bearers (Group leader, Assistant Group leader or Treasurer) of the group.
- The group should operate a group account preferably in their service area bank branch, so as to deposit the balance amount left with the groups after disbursing loans to its members.
- The group has to maintain some records like – minutes books, attendance register, loan ledger, general ledger, cash book, bank passbook and individual pass books.
- The groups should ideally be disability specific if the members who have formed it are disabled persons. 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.
- In cases where the size of the SHG is large (as in the case of Neighbourhood Groups (NHGs) under the Kudumbshree programme of Government of Kerala where a neighbourhood group can comprise up to 40 members). Banks have to face problems in extending finance to such large groups. On fulfillment of required criteria there are provisions to create sub groups within the large group for financing by banks under the SGSY.

If the formation of SHGs have not taken root in any State or Union Territory then individual swarozgaris are eligible for the credit facilities extended by the bank.

Definition of Family and willful Defaulter

The term family for the purpose of SGSY has been defined by the Government of India. The guidelines are to treat a BPL family as a unit for the purpose of giving income generating assets. The Family would consist the members of the household and these members should be united by the ties of marriage, blood and adoption. The family would consist of husband, wife, dependent parents/sons/daughters/brothers and sisters. The moment a parent/son/daughter/brother/sister is no longer dependent and has a separate household, he will no longer be a member of the same BPL family. A household having two kitchens or to two ration cards will not be treated as a family. Banks may adopt their own plans for verification. In case of doubtful cases close inspection or visit to the village is of help.

The meaning of the term 'wilful defaulter' is quoted below:
"One who is capable of repaying the loan, but has been defaulting intentionally and not repaying the loan deliberately and wilfully".

It is desirable that wilful defaulters are not financed under SGSY. If wilful defaulters are member of any group formed under SGSY, they might be allowed to get benefit from the thrift and credit activities of the group including the corpus built up with the assistance of Revolving Fund. But at the stage of assistance for economic activities, the wilful defaulters do not get the benefit for further assistance until the outstanding loans are repaid. Wilful defaulters of the group should not get benefits under the SGSY scheme and the group may be financed excluding such defaulters while documenting the loan.

Revolving Fund

Those SHGs which completes six months of their existence and demonstrate enough potential and viability get Revolving Fund from DRDA and banks as cash credit facility. The DRDAs may give subsidy which is equal to the group corpus with a minimum amount of Rs. 5,000 and a maximum of Rs. 10,000 linked with bank credit. The banks would sanction credit, which would be in multiples of the group corpus and could go up to four times of the group corpus as cash credit facility based on the absorption capacity and credit worthiness of the group.

Group corpus is defined as the total amount available with the group inclusive of cash with the group, amount in Savings Bank account of the group, loans outstanding against the members of the group and interest earned on the loans as well as deposits.

Evaluation is done to ascertain the performance of the groups and to find that these groups have reached to the stage of micro enterprise or not. If in the evaluation it is found that the group is successfully utilizing the revolving fund then they are considered for sanction of further doses of subsidy fund up to a maximum of Rs. 20,000 inclusive of previous doses linked with bank credit. The subsidy of Rs. 20,000 released by DRDA will be adjusted against the loan at the end of the cash credit period on the request of the group.

The revolving fund is given to the group to increase the group corpus, to enable larger number of members to avail loans and also to facilitate increase in the per capita loan available to the members. The revolving fund imparts credit discipline and financial management skills to the members so that they become credit worthy. The scheme also provides for the assistance for economic activities to the successful SHGs.

Lending Norms

Under this scheme the nature of project is the factor on which the size of the loan depends. There is no investment ceiling other than the unit cost i.e. investment requirement estimated for the project. The loans under this scheme are composite loans which are comprised of term loan and working capital. The total project cost is the sum total of the loan component and the admissible subsidy. Swarozgaris are given the full amount of loan and subsidy and they have the freedom to procure the assets themselves. Disbursements up to Rs. 10,000 - under Industry, Service and Business (ISB) sector may be made in cash where a number of items are to be bought.

Group Loan

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

Multiple Doses of Credit

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

Interest Rates

Loans under the Scheme carry interest as per the directives on interest rates issued by Reserve Bank of India from time to time. However, the rates of interest are charged on Group loans under SGSY can be linked to per capita size of the loans so as to mitigate the burden on the BPL beneficiaries on the analogy of IRDP group loans.

Loan Applications

There is a time limit for disposal of applications. All loans granted under the Scheme are to be treated as advances under priority sector. Loan applications under the Scheme are disposed of within the prescribed time limit of 15 days and at any rate not later than one month. To avoid pendency of applications greater coordination of work at the block level between bankers and Government functionaries is called for. The gap between receipt of loan applications, their sanction and disbursement are to be as minimum as possible and it has to ensure that documentation process is kept simple to avoid hardship to the beneficiaries and consequent delay in disposal of applications.

Rejection of Loan Applications

If some loan applications are rejected by the branch managers, the reason 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. Branch Managers are vested with adequate discretionary powers to sanction proposals under the Scheme without reference to any higher authority.

Assistance to IRDP borrowers

The existing IRDP borrowers are considered for second/multiple dose of assistance under SGSY if they have failed to cross the poverty line because of no fault of theirs. Banks may also extend credit under SGSY to non-willful defaulter owing dues up to Rs. 5,000/- under IRDP. Subsidy available to the existing IRDP beneficiaries would be restricted to the maximum ceiling prescribed for the category, less the amount already availed by the borrower under IRDP. Waiver of legal action before referring to DCC for forfeiture of subsidy under IRDP misutilisation cases:

As per the existing instructions under IRDP, in case of misutilisation of loan by the beneficiary, a bank branch can adjust the subsidy only after concurrence of the DCC/DLRC. In case of IRDP loans, where matters relating to defaults in repayment are pending for long, the bank branch has to take decision about forfeiture of subsidy and adjustment of the same against loan after obtaining approval from the authority at next higher level.

Insurance Cover

Insurance cover is available for assets/live stock bought out of the loan. Swarozgaris are covered under the Group Insurance Scheme. 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.

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

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

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.

Claim Procedure -
The claim procedure is simplified to secure expeditious disposal of claims. The Bank/DRDA has to forward a death certificate given jointly by any two of the following within 30 days from the date of occurrence:
Sarpanch/Upsarpanch of Village;
President or any other officer of the cooperative credit society;
Official of Milk Collection Centre or Government Veterinary Surgeon/Veterinary Assistant;

Supervisor/Inspector of Cooperative Central Bank;
Authorised nominee of DRDA;
Secretary of Panchayat;
Village Revenue Officer;
Village Accountant;
Head Master of Primary School

Adjustment of Insurance Claim Money

The procedure of adjustment of insurance claim of animals is as follows;

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

- 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 provided out of claim proceeds.

- 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.

- Other facilities.

The General Insurance Corporation of India have informed that if any IRDP (now SGSY) beneficiary has other milch animals were not loan or subsidy is involved, such milch animals could also be insured at the concessional rate 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 rate 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 participate - when the bank agrees to 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 is met out of SGSY funds but is not be included in the individual subsidy ceiling applicable to the beneficiary.

Group Life Insurance Scheme

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.

The insurance coverage, however, is for five years or till the loan is repaid, whichever is earlier, irrespective of the age of Swarozgaris at the time of sanction of loan

Security Norms

For individual loans up to Rs.1 lakh and group loans up to Rs. 10 lakh, the assets created out of bank loan would be hypothecated to the bank as primary collateral. In case where movable assets are not created, as in land-based activities such as dug well, minor irrigation etc., mortgage of land are obtained. Where mortgage of land is not possible, third party guarantee are obtained at the discretion of the bank.For all individual loans exceeding Rs. 1 lakh and group loans exceeding Rs. 10 lakh, in addition to primary security such as hypothecation / mortgage of land or third party guarantee as the case may be, suitable margin money/ other collateral security in the form of insurance policy; marketable security/ deeds of other property etc.are obtained at the discretion of the bank. The upper ceiling of Rs. 10 lakh in respect of group loans is irrespective of the size of the group or pro rata per capita loan to the group. While deciding the limit for collateral security, the total project cost (bank loan plus Government subsidy) is to be taken into consideration by banks.

Subsidy

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

DRDAs has to open savings banks accounts with the principal participating Bank branches for administration of subsidy. These accounts are to be reconciled every three months and they will be subject to annual audit.

Post Credit Follow-up

Loan Pass books in regional languages are issued to the Swarozgaris which may contain all the details of the loans disbursed to them. Bank branches observe one day in a week as non public business working day to enable the staff to go to the field and attend to the problems of Swarozgaris. Subsidy will be back-ended. Banks would disburse the full project cost including subsidy to the Swarozgaris as loan. The benefits of subsidy are also being 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 is as follows:

The subsidy admissible to the Swarozgaris under SGSY is kept in the Subsidy Reserve Fund Account Swarozgari-wise instead of in term deposit in the name of the Swarozgari. Banks have to 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 is excluded. In the case of Working Capital advances also, subsidy is kept in the Reserve Fund Account as stated above without any interest being offered. However, the amount standing to the credit of the account is withdrawn and credited to a Cash Credit Account of the SGSY Swarozgaris after a period of 5 years. 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 is taken up. For this purpose, a notice is issued to the Swarozgaris and he/she is provided reasonable opportunity to show because 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. Banks have to ensure through proper monitoring and verification that quality assets have been procured by the Swarozgaris. Necessary documents relating to acquisition of assets are obtained by the bank and also followed through visits by field staff. In case of non-procurement of assets by the Swarozgari in spite of reasonable time and opportunity, the bank is free to cancel the loan and recover the money as mentioned. Legal proceedings (Civil/Criminal) wherever necessary may be initiated against the Swarozgari and against all members in case of SHG for recovery of loan.

Risk Fund for Consumption Credit

The Scheme provides for the creation of Risk Fund with 1 percent of SGSY funds at District level. Consumption loans not exceeding Rs. 2000/- per Swarozgari would be provided by the banks. Assistance to the extent of 10 percent of the total consumption loans disbursed by banks to the SGSY Swarozgaris during the year would be provided out of this Risk Fund.

Repayment of Loan

All SGSY loans are treated as medium term loans with minimum repayment period of five years. Installments for repayment of loan will be fixed as per the unit cost approved by the NABARD/District SGSY Committee. 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. 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, washer men 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. Installments are more than 50 percent of the incremental net income expected from the project. Number of installments is generally fixed taking into consideration the principal amount, the interest liability and the repayment period. Swarozgaris are not entitled for any benefit of subsidy if the loan is fully repaid before the prescribed lock-in period. The repayment period for various activities under SGSY can broadly be categorised into 5, 7 and 9 years depending on the project. The corresponding lock-in period would be 3, 4 and 5 years respectively. If the loan is fully repaid before the currency period, the Swarozgaris are entitled only to pro-rata subsidy.

Recovery

Prompt recovery of loans is necessary to ensure the success of the programme. Banks have to take all possible measures, i.e., personal contact, organisation of joint recovery camps with District Administration, legal action, etc to ensure recovery. 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 in spite of all possible measures, 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 DRDA.The banks 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 percent of the loan amount could be charged to the Swarozgaris to meet this expenditure. Prompt repayment at the Swarozgari's level, will entitle him/her to waiver of the 0.5 percent processing-cum-monitoring fee. In order to ensure recovery discipline with effect from 1.1.2001, any Panchayat that registers a recovery less than 80% under SGSY will not be eligible for consideration under SGSY. Likewise any Panchayat Samiti registering a recovery less than 80% will see the further programme suspended in the Samiti. The suspension would continue till further notice. The State Governments and the banks have to continue their efforts for recovery of loans under the erstwhile IRDP and SGSY to improve the recovery performance under the Scheme. While reporting the recovery under SGSY banks, do not add the recovery under IRDP with that of SGSY. Recovery figures under the SGSY are maintained/ calculated separately. Further, within SGSY, advances and recovery of loans under group/ individual finance are maintained separately to get a proper feedback.

Refinance of SGSY Loans

Banks are eligible for 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.

Role of Banks and State Agencies

Banks are closely involved with Government agencies in implementing, planning and preparation of projects, identification of key activities, clusters, self-help groups, identification of individual Swarozgaris, infrastructure planning as well as capacity building and choice of activity of the SHGs, grading of SHGs,selection of Swarozgaris, pre-credit activities and post credit monitoring including loan recovery. The bank has the final say in the selection of Swarozgaris. Where banks are involved as facilitators/ Self Help Promoting Institutions (SHPIs), the amount towards the cost of social mobilisation, training and capacity building of groups are decided in the State Level SGSY Committee keeping in view the local need and requirements. Further, payment of the cost of social mobilisation should be based on the stage of development of the group. 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 has to primarily follow the group approach. The groups have to 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.

Sensitisation Programmes

Emphasis is laid on the need for organizing training of bankers and district and block level officers involved in the implementation of the SGSY Scheme. Banks organize district wise intensive one day sensitisation camps workshops for their branch officers.

SGSY Special Projects

There is methodical formulation of the special projects under the Scheme so as to bring in the advantages of economies of scale, faster dissemination of best practices, creating market niches and accessing export markets etc. and banks take up special projects under the Scheme on pilot basis.

Voluntary Retirement Scheme (VRS)

In the post VRS (Voluntary Retirement Scheme) 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's formation and development are met from the funds provided under the SGSY. There is NGOs involvement 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 is decided by the District Level SGSY Committee based on the local prevailing situations. Payment of the amount to the NGOs/CBOs/Community Coordinators/Animators are made in four installments in the manner given below:

- 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 utilized during the formation stage. During this period the group has to 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.
- 30% after the group qualifies for Revolving Fund or get linked to the Bank by way of availing credit and continue to work satisfactorily.
- 40% after the group take up an economic activity and
- 10% after the start of economic activity by the group and adherence to repayment schedule of the loan sanctioned by the Bank. No branch of Public Sector Banks in general and that in a rural area in particular is closed due to non availability of staff on account of introduction of VRS and that lending under various schemes in rural areas is not adversely affected. The above instructions are reiterated and banks are advised that those bank branches, which have either been closed or shifted from difficult areas, should be brought back to the original position, once normalcy is restored in such areas. Participation of banks in block/ district level SGSY Committee meetings. For monitoring the progress under the SGSY Scheme, committees have been constituted at the block level and district level. Bank branch managers are members of the block level SGSY committee and the Lead Bank Officer is the convener at the district level and district coordinators of the implementing banks are members.
- Banks have to ensure their participation in the meetings of the block and district level SGSY committees.

Consultation Process

It is necessary to establish a process of consultation and to exchange /share information between districts and block level functionaries with bankers for smooth implementation of the programme. Government functionaries have to share the information regarding approved BPL lists with banks and the banks have to provide the details of defaulters under IRDP/SGSY loans to the Government.

Role of DRDAs

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 stabilised. DRDAs have to put in concerted efforts to strengthen and consolidate the groups formed by various organisations as some level of synergy already exists and then they have to take steps to form new groups. The DRDA regularly monitor the progress of the groups through periodic evaluations. The DRDAs act as nodal agency for developing database, which include SHGs formed under all the schemes to ensure convergence of various schemes as well as better planning for training and other requirement of SHGs. A facilitator working closely with the committees at grass root level can play a critical role in group formation and development. DRDAs support such sensitive support mechanisms in the shape of NGOs or Community based organisations (CBOs) or net work of community coordinators/ animators or a commercial bank/ Regional Rural Banks/Cooperative banks functioning in rural areas or a team of dedicated functionaries of the Government who are fully engaged in the task of initiating and sustaining the group development process. With regard to involvement of commercial bank/ Regional Rural Bank/ Cooperative bank branches functioning in rural areas as facilitators/ Self Help Promoting Institutions (SHPI), effort are made to involve only such bank branches who are committed and have shown keen interest in social mobilization of poor people and could take up the responsibility of social mobilisation, group formation and development of Self Help Groups. Accordingly, such rural bank branches could be involved as facilitators/SHPIs for social mobilisation, formation, training and capacity building of SHGs formed under the Scheme. Further, involving banks as SHPIs/ facilitators would help in credit linkage of groups which is one of the major objectives of organising SHGs and crucial for socio economic empowerment and sustenance of groups.

Linkage with Banks & Grading Exercise

During the stage of group formation, the SHG are brought into contact with the local banks through opening of savings bank account preferably in their service area branch. The BDO and the banker visit the SHG as often as they can and explain to the members the opportunities for self-employment. The DRDAs\ involve the bank functionaries also in the training programme of SHGs. In case the SHGs have 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. For minor irrigation schemes, relaxation of time for the second grading could be allowed if the group is found credit-worthy and the project is viable. The decision in regard to the relaxation may be taken by the Block Level SGSY Committee. In case the SHG 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 SGSY, the group may be subjected to second grading directly to assess its eligibility for economic activity without subjecting to first grading. The choice of the agency carrying out the grading as well as the criteria should be to the satisfaction of the bank. It is desirable that bank functionaries are involved in the grading exercise of groups functioning in their Service Area.

Deputation of Bank Officials to the DRDAs

As a measure of strengthening of DRDAs and for promoting a better credit environment, deputation of bank officials to DRDAs is suggested. Banks may consider deputing officers at various levels to the State Governments/DRDAs in consultation with them.

Supervision and Monitoring

Banks set up SGSY cells at Regional /Zonal Offices. These cells have to periodically monitor and review the flow of credit to SGSY Swarozgaris, ensure the implementation of the guidelines of the Scheme, collect data from the branches and make available consolidated data to the Head Office of the bank. The banks should ensure that no query from the field level remains unattended by the Head Office. Monitoring of the Scheme at the Head Office level of the bank is entrusted to a Senior Officer and the progress of this programme may be reviewed on a regular basis by the Top Management. Banks should ensure to achieve the credit mobilisation target set for each financial year without fail. The Scheme provides for the setting up of SGSY committees at Block/District/State and Central level. These committees will hold periodical meetings wherein the implementation of the Scheme will be reviewed and monitored. It is expected that banks will actively participate in these meetings and maintain closer co-ordination with the different agencies responsible for the implementation of SGSY. The Central Level Co-ordination Committee reviewed the performance under the SGSY Scheme and made following recommendations which were advised to the banks to ensure successful implementation of the Scheme. Powers be delegated to branch managers for sanction of all SGSY applications without making any reference to higher authorities. Pending applications should be brought forward and disposed off in the first quarter of the succeeding year. Banks may explore the possibility of utilizing micro-finance institutions for bridging the credit gap. Banks may take appropriate action to achieve the desired credit to subsidy ratio of 1:3. Banks may furnish a status report to Ministry of Rural Development on the under-performance of their branches in lending under the Scheme during the last two years. Banks should maintain separate record for recovery data in respect of SGSY distinct from IRDP and also utilise the Non-Public Business Working Day to attend to the problems of Swarozgaris under SGSY.

Service Area Approach

The district SGSY Committee set up under the Scheme has been authorised to reallocate the villages, which are either not covered by any bank branch or where the concerned branch is not able to perform for any reason whatsoever. The district SGSY Committee's decision on reallocation would be placed before DCC for its consideration and further necessary action. The Service Area branches may be grouped block wise without disturbing their Service Area identities or their obligation to prepare Village Credit Plans/ Service Area Plans so that borrowers have the flexibility to approach other branches in a block in the event of inability of the concerned Service Area branch to adequately meet their requirements. The primary responsibility for financing borrowers within the Service Area is that of the concerned Service Area branch. Borrowers have to first approach their Service Area branch for credit facilities and in the event of the concerned Service Area branch not being in a position to finance them, it will be incumbent on it to give a 'No Dues Certificate' to the concerned borrower, who will then be free to approach any other branch in the block for credit support. If the Service Area branches do not issue 'No Dues Certificate' within 15 days from the date of receipt of the application, the borrower will be free to approach any other branch in the block for his credit requirements without production of 'No Dues Certificate' from the concerned Service Area branch Banks should follow these Service Area Approach guidelines scrupulously.

Submission of Data

Close monitoring at all levels would contribute greatly to the effective implementation of the Scheme. Formats for reporting progress under SGSY as received from Ministry of Rural Development. The information has to be compiled bank-wise at the block as well as district level to the corresponding block/district authority by the concerned bank and also to be used for the State-level information by substituting district for the block fo monitoring and implementation of the Scheme. Monthly/quarterly progress reports under the Scheme are to be furnished to RBI/Ministry of Rural Development, Government of India, New Delhi as per the monthly/ quarterly, for monitoring the State-wise/bank-wise progress in the implementation of the Scheme. The recovery statement under the Scheme is to be submitted, on a half yearly basis as at the end of September/March every year. Banks have to maintain separate record for recovery under SGSY (without mixing it with IRDP). The data for individual and group loans should also be compiled separately. The quarterly (cumulative) progress reports and the recovery statement are required to be submitted within 45 days from the close of the quarter/half year to which it relates. The monthly cumulative progress report which has been modified with effect from September 2004 is required to be submitted within 30 days from the close of the quarter to which it relates. Further all the applications pending at the close of the year should be brought forward to the next year and decided upon. Banks should ensure timely submission of data. Banks have to the Scheme details and concepts as course contents in the training programmes for staff members and hold sensitisation programmes on SGSY wherever necessary to further strengthen the Scheme. The review of the progress under SGSY Scheme may be made by the banks at Regional/ Zonal /Head Office on a quarterly basis. A copy of the review note duly approved by the Board may be forwarded to the Ministry of Rural Development, New Delhi and Rural Planning & Credit Department, Reserve Bank of India, Central Office, Mumbai regularly and without any delay.

Credit Mobilisation Targets

The State-wise credit mobilisation targets are fixed by GOI every year. The State-wise targets may be allocated among commercial banks, co-operative banks and RRBs by SLBCs. The SLBCs have to finalize the targets of individual banks on the basis of acceptable parameters like resources, number of rural/semi-urban branches, etc., so that each bank will be in a position to arrive at its corporate target, the achievement of which be strictly monitored by RBI. Every effort should be taken by the banks to achieve the credit target fixed on the above basis.

Reporting System

The Code number for SGSY under LBR reporting system are allotted and communicated to the banks. Separate guidelines are issued by the Ministry of Rural Development indicating the role and responsibilities of the line departments, banks, NGOs, Swarozgaris. Banks have to issue suitable instructions to their controlling offices/branches for implementation.

Conclusion

Banks have been playing an active role in implementation of government programmes. The concept of priority sector lending was envisaged to ensure that credit was chanelised to various sectors of the economy in accordance with the national planning priorities. It is mainly intended to ensure that assistance from the banking system flows in an increasing measure to the sectors of the economy which accounts for a significant proportion of the national product and have not received adequate support of institutional finance in the past.

Commercial banks should design their lending policies in such a way, as to ensure sufficient credit to the neglected sectors of the economy and to those who do not have easy access to credit. Hence commercial banks can bring down the inter-regional, inter-sectoral and inter-personal disparities. With this objective the Reserve Bank of India has taken various steps to ensure adequate flow of credit to weaker sections of the society including the minorities. Financial exclusion is like an alarm and it is the need of the hour to modify the financial services delivery system to achieve greater inclusion. Despite all odds, banks have been trying their level best to reach at every door-step and to provide the benefit of government sponsored programmes to the needy people. If the banking system in a country is effective, efficient and disciplined it results in a rapid growth in the various sectors of the economy.

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