

**Swarnjayanti Gram Swarozgar Yojana (SGSY)- Central Level Coordination
Committee (CLCC) meeting held on December 24, 2002 at New Delhi– Implementation
of decisions**

**RPCD.SP.BC. 68 /09.01.01/2002-03
29 January 2003**

The Chairman and Managing Director
All Scheduled Commercial Banks
(Except RRBs)

Dear Sir,

**Swarnjayanti Gram Swarozgar Yojana (SGSY)- Central Level Coordination
Committee (CLCC) meeting held on December 24, 2002 at New Delhi– Implementation
of decisions**

The meeting of Central Level Coordination Committee (CLCC) under the Swarnjayanti Gram Swarozgar Yojana (SGSY) was held on December 24, 2002 to review the performance under the SGSY scheme during 2002-03. The Committee observed that the perceptible results under the scheme had not been actualised inter alia due to various reasons.

1. Ignorance of the SGSY guidelines among the grass root level bank officials.
2. Lack of awareness of instructions issued by the RBI at the operational level of bank branches.

In this connection banks are advised that they may urgently initiate necessary action to ensure that instructions issued by RBI percolate to the field level functionaries / bank branches. They may take steps to create greater awareness of SGSY guidelines among the grass root level bank officials. Further, the SGSY Committee meetings at different levels in the States/ UTs may be organised along with other similar committee meetings in the respective States/UTs so as to ensure the attendance of the bankers and Govt. officials at senior level.

In this context, we invite a reference to Para XVII of our circular RPCD.SP.BC. 23/09.01.01/99-2000 dated 1 September 1999 (Para 18 of SGSY Master circular dated 17 August 2001) in terms of which banks are required to set up SGSY cells at Regional / Zonal offices to periodically monitor and review the flow of credit to SGSY swarozgaris. The nodal officers are responsible for the smooth implementation of the programme by their bank branches. As decided in the CLCC meeting, we advise as under:

1. Financing to sub groups of Self Help Groups (SHGs)

In cases where the size of the SHG is large (as in the case of Neighbourhood Groups (NHGs) under the Kudumbashree programme of Govt. of Kerala where a neighbour hood group can comprise up to 40 members), banks have been expressing difficulty in extending finance to such large groups. Hence sub groups within the large group may be considered for financing by the banks under the SGSY provided they (or the large group) have satisfied the required grading criteria, possess all the characteristics of a viable and sustainable group and are found creditworthy by the banks.

2. Service Area Approach

We reiterate the instructions issued vide our circular RPCD.No. BC.117/08.01.00/95-96 dated April 2, 1996 read with our circular RPCD.No. BC. 150/08.01.00-93/94 dated 24 May 1994, wherein it has been stated that if the Service Area branches do not issue 'No Dues Certificate' within 15 days from the date of receipt of the application therefore, 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. 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 will 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 will be that of the concerned Service Area branch. Borrowers will 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.

Banks should follow these Service Area Approach guidelines scrupulously.

3. Reporting recovery under SGSY

Please refer to Para 20 of our Master circular RPCD. No. SP.BC.14/09.01.01/2001-02 dated August 17, 2001 on submission of recovery statements under SGSY. There were reports of some banks taking into consideration the recovery under IRDP also while reporting the recovery under SGSY, which does not give a clear picture of the actual recovery position under SGSY. Banks, while calculating recovery under SGSY should not add the recovery under IRDP with that of SGSY. Recovery figures under the SGSY should be maintained/ calculated

separately. Further, within SGSY, advances and recovery of loans under group/ individual finance should be maintained separately to get a proper feed back.

4. SGSY Monitoring Committee- Field Visits

A field visit had been taken up by the SGSY Monitoring Committee to Rae Bareli district of U.P in August 2002 which brought out certain areas of concern which need to be addressed for the success of the programme. The report of the field visit is enclosed.

5. Monitoring

In the CLCC meeting, it was pointed out that monitoring of progress under the scheme by the banks was tardy which also contributed to poor performance. Banks should therefore, gear up their machinery to ensure that the performance under the Scheme is stepped up in order to achieve the target set for the financial year without fail. The branches may be suitably advised in this regard.

Please acknowledge receipt and advise us the action taken in the matter urgently.

Yours faithfully

Sd/-

(Deepali Pant Joshi)

General Manager

Encl. As above

Annexure**SGSY Monitoring Committee – Report
on field visits during August 2002-**

The SGSY Monitoring Committee under the Chairmanship of Joint Secretary, Ministry of Rural Department, Govt. of India undertook field visits on August 19 and 20,2002 to Rae Bareli District in the State of Uttar Pradesh and also held meetings with bankers, State Govt. officials and NGOs, both at State and District level. The U.P. State and the Rae Bareli District were chosen for the field visits in view of their poor performance under SGSY. The Committee also visited Bankers Institute for Rural Development, (BIRD) Lucknow on August 21,2002. A brief report on the field visits is furnished below.

2. Composition of the Monitoring Committee

The following Members of the Monitoring Committee participated in the field visits.

Name	Designation	
1. Smt. Asha Swarup	JS,MRD,GOI	Chairperson
2. Shri M.S.Krishnan	CGM, SBI, HO	Member
3. “ N.S. Mishra	GM,BOB,HO	Member*
4. “ G.L.Tawte	GM,NABARD (Lucknow RO)	Represented CGM,NABARD,HO
5. “ R.K.Pippal	Manager,RD,CBI, Lucknow	Represented GM,CBI
6. Vani J.Sharma	CGM,RPCD,RBI	Convenor

* Attended the meetings at Lucknow on August 20,2002

GM, RPCD and LDO, Rae Bareli, from RBI accompanied the Committee during the field visits. Officials from the Controlling offices of SBI & BOB were also present.

3. Programme Schedule for the field visits

The programme schedule for the field visits of the Committee was finalised by the State Govt. in consultation with the Chairperson and is enclosed. The Committee visited a few SHGs in Rae Bareli District in the forenoon of August 19,2002 and held a meeting with the bankers, govt. officials and NGOs at the District level in the afternoon. On 20th, a meeting with State Govt. officials, at the State and District level including Chief Development Officers of 15 Districts, controlling officials of major banks and NGOs was held in the forenoon and another meeting with Senior Govt. officials and bankers was held in the afternoon. On 21st, the Committee visited BIRD and interacted with the faculty and the participants of three training programmes.

4. Performance of State of Uttar Pradesh and Rae Bareli District under SGSY

The data on performance of the Uttar Pradesh State and Rae Bareli District under SGSY, as reported by the State Govt. and District authorities are enclosed. It will be seen that till 2001-2002, the assistance under the Scheme (in physical terms) flowed primarily to individuals, contrary to the Scheme guidelines. Group financing has since started and the Committee was told that the State Govt. has decided not to allow individual financing from the current year save in exceptional circumstances. Although the Scheme provides for 'Credit Mobilisation target' which is required to be allocated to all the participating banks viz. commercial banks, RRBs and co-operatives by the SLBC and monitored both District-wise and bank-wise at the State and District level, it appeared that the State Govt. as also the District/Block authorities are **fixing physical targets** in terms of individuals/groups and monitoring was done at the District level in terms of **physical targets only**. The data on credit mobilisation target vis-à-vis achievements was not available for the District Rae Bareli for the year 2001-02. Even the data provided at the State level with regard to the 'financial progress' did not match with the 'credit mobilisation target' allocated to the State by the GOI. Thus although under SGSY, the target is for 'credit mobilisation', the State Govt. and the banks did not seem to be aware of it/observing it.

The data on groups which have passed I & II grade revealed that there is a sizeable gap in sanction of Revolving Fund and Credit after the I & II Grading respectively. While 39266 and 998 Groups in the State & Rae Bareli District respectively had passed I grade, only 19057 and 682 groups had received the Revolving Fund. Similarly, out of 6810 and 107 SHGs which had passed II grade in the State and Rae Bareli District, only 3650 and 26 Groups respectively had received credit assistance.

5. Visit to SGSY Beneficiaries

In the forenoon of August 19,2002, the Committee visited the following groups.

- (i) Swarojgar Sahayata Samuh, Village Sarai Chattardhar, Block Shivgarh (financed by Rae Bareli Khetriya Gramin Bank)
- (ii) Dr. Bhim Rao Ambedkar Swayam Sahayata Samuh, Village Barjorkhare, Block Shivgarh (financed by BOB)

- (iii) Mahalaxmi Swayam Sahayata Samuh, Village Kanawa, Block Bachhrawan (financed by BOB)
- (iv) Maa Santhoshi Mahila Samuh, Village Kanara, Block Bachhrawan (financed by BOB Only RF)
- (v) Alp Sankhyak Purush SHGs, Village Kanara, Block Bachhrawan (Not yet passed I Grade)
- (vi) Dr.B.R.Ambedkar Swayam Sahayata Samuh, Village Sarara, Block, Amava (financed by BOB)
- (vii) Shri Astik Baba Swayam Sahayata Samuh, Village Sarve, Block Amava, (yet to be given RF).

As at the end of July 2002, the number of individual beneficiaries financed under the Scheme in the District was 6053 as against which the number of Groups financed was 26 only. One individual beneficiary was also met in Kanava Village who was regular in repayment of loans.

All the groups visited by the Committee had been promoted by the Block level officials although 12 NGOs are reported to have formed 476 groups in the District. Although, prima facie, the groups appear to have been formed and functioning as per the guidelines, they seemed to lack group cohesiveness and synergy. All the groups which have received credit have taken up dairy activities, but on an individual basis i.e. each member with one buffalo and marketing the milk separately. In one or two groups, the RF amount (referred to as Cash Credit Loan – CCL) was also divided equally among all the members. In one case, the entire CCL (including subsidy portion) was recovered/repaid while disbursing the credit. In other cases, only the credit portion of RF (which carries interest) had been repaid, presumably as the Groups had their own savings in the SB A/c. In one women Group, except for one member whose husband was the Pradhan, all were illiterate. In all the cases, the group members complained of unremunerative price for the milk as the villages did not fall within the milk route, which indicated that while identifying the key activities, infrastructure/forward linkage had not been planned. All the Groups confirmed that their income level had gone up due to the activities undertaken. According to the bankers, the repayments were regular. The groups had been given the loan passbooks and Savings Account passbooks. According to some group members, the internal lending has helped them to meet the members' credit needs for economic activities, repayment of old debt etc., at a

lower interest cost (2% p.m.) as against 10% p.m. charged by the money lender. Although all the members of the SHGs financed under SGSY which were visited by the Committee, claimed to have been exposed to training, (Basic Orientation programme) at the Block level, the training appears to have been confined to familiarisation with the Scheme objectives and the responsibilities of the members.

6. Meeting at the District Head quarters with the Commissioner & Addl. Commissioner, Rural Development, District Magistrate, CDO, Project Director, DRDA, BDOs of various blocks in the District, LDM,DDM,NABARD, Chairman, Gramin Bank, Officials of major banks and NGOs

During the captioned meeting, the NGOs and BDOs complained against the banks for non-cooperation in the implementation of the programme and mentioned that

- (i) There was undue delay in Grading
- (ii) There was undue delay in disbursement of CCL/credit after grading.
- (iii) Members of the SHGs were asked to visit the bank branch several times which, besides causing inconvenience to the members, discouraged them from taking up economic activities under the Scheme.

The banks attributed the delay in financing to the weaknesses in the groups. The project reports for the key activities did not seem to have prepared/approved by the District level SGSY Committee/DRDA nor the balancing infrastructure identified. The District level SGSY Committee, although claimed to have been constituted, was reported to be not meeting regularly as required. Consequently, the utilisation of infrastructure funds for purposes unconnected with key activities like computerisation of Block offices, was not known to the other implementing agencies including banks. It also appeared that the target oriented approach had led to formation of groups interested only in the subsidy, affecting thereby the quality of groups. The lack of adequate manpower in the bank branches was cited as another reason for the poor performance of the Scheme in the District. Incidentally, review of performance **vis-à-vis credit mobilisation target** did not seem to be taking place, as there was emphasis only on physical target.

The Committee felt that lack of co-ordination among the implementing/facilitating agencies viz. banks, govt. officials and NGOs as also lack of appreciation and proper understanding of the Scheme objectives by these agencies were hampering the progress of the Scheme in the District. The revitalisation of the Block and District level SGSY Committees to ensure co-ordination among these agencies and also revitalisation of all concerned through joint training programmes/workshops are required for effective implementation of the programmes. The CDO mentioned that on receipt of revised Scheme guidelines he had organised training programme for all concerned, which however did not seem to have had the desired effect.

7. Meeting with the Senior officials of State Govt., CD and Project Directors of DRDAs of 15 districts, Lead Bank Managers, NGOs and representatives of major banks

The captioned meeting held by the Monitoring Committee at Lucknow on August 20,2002 in the forenoon was attended by the Principal Secretary, Commissioner and Addl. Commissioner, Rural Development, Govt. of UP. During the discussions, the following observations were made by the CDOs & NGOs.

- (i) Difficulty in group formation due to low literacy rate in the State, absence of trust/understanding among members, Need for training the Group Members/President & Treasurer, Use of IEC funds for educating the members.
- (ii) Problem in opening of S.B.A/cs. with banks by the Groups, delay in release of RF & sanction and disbursement of credit
- (iii) Cumbersome procedure in banks such as insistence on the presence of the Group members again and again at branch premises, production of photograph and no due certificate in respect of all members.
- (iv) Non-involvement of bankers with the groups from the beginning, lack of knowledge of the Scheme guidelines and lending procedures to Groups
- (v) Need for training the bank officials and also the other implementing officials of the govt.
- (vi) Absence of adequate delegation of powers to branch managers to finance groups.
- (vii) Stipulation of physical/financial targets under the Scheme leading to dilution of quality.

The banks responded as under:

- (i) While there could be some lacunae in the implementation of the Scheme by a few banks, it should not be generalised.
- (ii) Delay in sanction of CCL is generally due to absence of internal lending.
- (iii) Adequate powers have been delegated to branch managers.
- (iv) Cameras have been provided in SBI branches for taking the photographs, wherever necessary.
- (v) As the Scheme is implemented in rural areas with generally only one bank branch, the need for No Due Certificate should not arise.
- (vi) There was a need for sensitising /training the bank officials, and the govt. agencies involved in the implementation of the Scheme.
- (vii) Need for encouraging diverse economic activities to ensure the viability of the projects undertaken by the Group.
- (viii) Co-ordination between the banks and **govt.** agencies necessary.
- (viii) SHGs-bank linkage programme of NABARD was doing well in the State. Therefore, the poor performance under SGSY is on account of certain deficiencies in the implementation. Banks will not hesitate to lend to quality groups.
- (ix) The Steering Committee of SLBC has started monitoring the Scheme Bank-wise as also District-wise.
- (x) Defective BPL list – Selection of beneficiaries not done properly – More than one member of a family was found in a Group or one person was a member of more than one group.
- (xi) Need to provide incentives to bank officials for good performance under poverty alleviation programmes. (Some banks have already introduced it).
- (xii) During Non-Public Business Working Days branch managers visit the beneficiaries, Controlling officials visiting branches also sometimes meet the groups.
- (xiii) As the groups are formed with the attraction of subsidy, they disintegrate soon. The quality of groups suffer due to target oriented approach under the Scheme.

The conclusions emerging from the above discussions were as follows:

- (i) Need for sensitisation of all implementing agencies.
- (ii) Co-ordination to be promoted among the bankers and other agencies
- (iii) Banks to be involved from the stage of group formation and should simplify the procedure for lending to Groups under the Scheme.
- (iv) Need for diversification of activities of the groups.

- (v) Other govt. programmes for educating the illiterate masses to be used for educating the member of SGSY groups.
- (vi) Banks to reduce the delays in disbursement of RF and credit, after I & II grading respectively.
- (vii) The fora for monitoring the Scheme at the State/District/block level should be made more effective.

The Chairperson of the Monitoring Committee emphasised the need for selecting skill based activities for which the State was famous and to ensure necessary forward/backward linkages. The utilisation of training funds was low in the State which needed to be stepped up. The revised guidelines provide flexibility to the State govts. for using the Scheme funds. The promotion of quality groups should be ensured and there should be full involvement of the banks and govt. officials in the implementation of the Scheme which should be looked upon as a mission.

8. Meeting with the senior State level officials of the Govt. and controlling heads of major banks in Uttar Pradesh

During the above meeting held in the afternoon, the Chairperson of the Committee drew the following action plan for the State Govt. and the banks to ensure better implementation of the Scheme.

- (i) The State level SGSY Committee should regularly monitor the progress under the Scheme.
- (ii) The block level and District level Monitoring fora under the SGSY should be reactivated. CDO may also occasionally attend Block level meeting.
- (iii) Controlling officials of banks may, during their visit to branches, look into the position of pending applications for RF/loan, and also see the availability of project reports in a few sanctioned cases.
- (iv) With a view to breaking the ice between banks and govt. agencies, joint training camps may be held. Funds for the training may come from banks/NABARD/SGSY fund. The training could be considered as state level special project under SGSY. Banks should be sensitised to look upon lending to groups as a business opportunity.
- (v) Training Institutes could be supported by SGSY funds.

(vi) Diversification of activities should be seriously considered and more efforts should be put for skill development.

(vii) The benefits available under other govt. programmes may be brought to SGSY groups.

(viii) In the case of dairy activities, ear tagging etc. expenses should be made free as under IRDP.

9. Visit to BIRD, Lucknow

During the above visit to BIRD in the forenoon of August 21,2002, the Committee met the faculty and also the participants of three training programmes. The participants included officials from DRDAs and other departments of some State Govts., NGOs, officials from RRBs & LDMs from various parts of the country. The feedback /suggestions received from the above officials with regard to the SGSY Scheme based on their field level experience are as under:

1. Gram Sabhas do not take place. BPL lists are defective. BPL lists are not made available to bankers.
2. There is delay in grading and lot of formalities are to be completed.
3. Internal lending is important as the Group should first experiment with their own savings. However, it is not given enough importance. Banks are not involved in the grading. Grading should be done by trained officials.
4. Turnover of CCL- at least 1:2,- should be insisted before II Grading.
5. The Scheme is perceived differently by the banks and Govt. officials. Govt. is concerned with target. Block level officials, therefore, prefer individual financial as group formation is slow and difficult. Individual financing also takes place in States where groups are not yet formed/mature for financing.
6. As SGSY Groups, unlike SHGs under Linkage programme, are formed to avail subsidy, they disintegrate. Target oriented approach leads to aberrations. Groups should be nurtured and only mature groups should be financed. Subsidy propaganda should stop and govt. functionaries to be sensitised. In States like Kerala, there is a proliferation of SHGs and consequently there is delay in release of subsidy, which leads to disintegration of the Groups.
7. The format of Application Form for group financing should be advised to banks.
8. Dairy activity is preferred by groups under SGSY to avail of maximum subsidy.
9. Training and infrastructure to be given importance under the Scheme. To be centralised/monitored at state level.
10. Subsidy to an individual beneficiary in a Group should be given to the Group.

11. There should be no activity regimentation in a group.
12. Lock-in-period for adjustment of subsidy to be relaxed.
13. Incentive should be given to both bankers and govt. officials for good performance under the Scheme. Incentive to Govt. officials to be linked to sustainability of the Group.
14. Two models of group financing viz. SHG bank linkage programme and SGSY are being tried in the same area. While the former involves a long route, the latter has a short route. Hence the quality of Groups under latter suffers.
15. Instructions on adjustment of grant portion of Revolving Fund in case of disintegration of SHG needs to be clarified.
16. RRBs are doing better in implementation of SGSY as, unlike commercial bank rural branch managers, the officials of RRBs are transferred within the same area and have familiarity with the rural population.
17. There is an urgent need for co-ordination and convergence of the approaches of the banks and govt. officials for effective implementation of the Scheme .
18. The role of NGO s needs to be defined.

10. Conclusion

The field visits of the Monitoring Committee revealed that there is a need for

- (i) sensitising the bank officials and govt. officials on the objectives of the Scheme and modalities of implementation through joint training camps.
- (ii) Proper co-ordination among all the implementing agencies including NGOs through revitalisation of the Block/District/State level fora.
- (iii) Ensuring quality of groups and involving banks at all stages including grading exercise.
- (iv) Emphasis on nurturing/training of the group members and exposure to success stories.
- (v) Diversification of activities and provision of forward and backward linkages through balancing infrastructure
- (vi) Simplification of the procedures and reducing the delay in release of RF and sanction and disbursement of credit after the Groups pass the I & II Grading respectively.
- (vii) Grant of suitable incentives to bankers for good performance.

(viii) Convergence of other developmental programmes, particularly those relating to education/awareness, with SGSY, to improve the quality of lending to groups under SGSY.

Most of the people, particularly bankers with whom the Committee interacted, were of the view that the target oriented approach (adopted by the govt. officials) as also the subsidy offered under the Scheme have led to dilution in the quality of groups formed under the Scheme. The apprehension of many govt. officials that the groups will disintegrate due to delay in disbursement of RF/Credit, reflected the quality of the Groups. The State Govt. did not also seem to be utilising the infrastructure and training funds effectively.

During the interactive sessions with the implementing agencies at various fora, the Committee drew their attention to the objectives of the scheme as also the revised guidelines and underscored the need for sensitisation and close co-ordination among bankers, govt. officials and NGOs, as also effective utilisation of the training and infrastructure funds. Clarifications, wherever necessary, were also provided by the Committee members. The Chairperson exhorted the bankers and govt. officials to look upon the Scheme as a mission and implement it with total involvement.