

### **No distinction between BPL and Non- BPL**

The revised guidelines should aim at financial inclusion of all families in rural and urban areas. There is a need for access to financial services for those marginally above poverty line as well – the focus of the scheme should not be merely targeted to the poor –but should also create an environment whereby those marginally above poverty line do not slip below the line of poverty. Government should have a long –term policy of financial inclusion – not a short sighted approach of merely focusing on the BPL.

There should be no subsidy to the families which become members of SHG. It is a nationwide programme which is encouraged by banks and other development institutions. Support and encouragement should be given to the programme by the government through focus on capacity building. Investment in trainings is necessary – a trained cadre – which will provide the necessary training to the growing number of SHGs is where the government can play a meaningful role. Open universities and Open schools can launch SHG courses.

### **When should subsidy be introduced? By whom?**

It does not take intensive research to know that any loan at the rate of interest of 24% cannot help build an asset base for the poorest of the poor. SHG and microfinance programme helps those who already have an asset base and supports working capital requirements. Therefore, members who have been in the group and would like to graduate to an enterprise can only do so after a rigorous 10 day EDP training. Subsidies can be introduced then. Banks can be involved in conducting a feasibility study through interviews with trainees on the last day of the training. The loan sanction can be then initiated.

I would also like to suggest that the concept of entrepreneurship for the poorest of the poor is contradictory. The poor are vulnerable and lack social capital – and setting up an enterprise requires risk taking abilities. In fact I would suggest that support for rural micro-enterprises should be open for all members of SHGs. More enterprises will help poor spread the risks and reduce vulnerabilities. Only at a much later stage can they start thinking of their own enterprises.

Dairy is the most frequently adopted option by the members of SHGs. Each district milk cooperative can be given the mandate to reach out to the SHGs and give subsidized loans.

### **Federations**

There is a need for series of consultations to understand the processes involved in federation promotion. It is necessary to develop detailed process guidelines for the same. Institutions which have experience in federations should be invited for consultations – NNRO can play a major role here.

Seed Capital can be introduced at the federation level so that loans can be provided at reasonable rates of interest. Subsidy should not be on principal but on interest. This would ensure that only those who are really interested in starting an enterprise seek such support.

### **Working capital**

There needs to be a provision for providing regular working capital to the group members – which is the role that federations can play. We suggest a federation- bank linkage option – with banks rating the federation on an annual basis through a commonly designed rating tool. A workshop to design such a tool can be conducted. This will ensure that the SHGs as well as enterprises continue to exist and do not become a one-shot medication for the ills of poverty.

### **Training for micro-Enterprise**

The current institutions involved in micro –enterprise trainings need to be reviewed for the quality of training as well as the content. NNRO can play a role in designing training programmes which are more relevant and result oriented.

### **Capacity building**

NGOs should be recruited for capacity building initiatives. There should be flexibility in approach towards trainings. Most of the resource organizations find it difficult to conduct trainings with meager funds available per training and therefore the fund is either misutilised or underutilized. Usually in order to make the programme viable 100 people are called together for an hours' lecture and training is said to be imparted.

The capacity building component is most important as well as most neglected area in SGSY.

### **Coordination between various institutions**

In the scheme in order to maintain checks and balances a number of institutions are involved – which however has resulted in delays in execution. The administration of the scheme should be the responsibility of a team of three persons at the district level – Dy. CEO (CEO is usually extremely busy and unapproachable), Lead bank Manager, leading NGO involved in training. Targets should be given to this team and they should report to the state unit which again should have representatives from the three agencies.

### **Avoid generalizations during implementation**

Usually schemes framed for the entire nation are fraught with generalizations – to retain flexibility. However, each state should be made accountable to come up with detailed procedure guidelines in keeping with the requirements of that particular state. Otherwise we will witness another well meaning scheme poorly implemented and improperly executed – not reaching its desired objectives.