

VIEWS OF GMO WITH REGARD TO RESTRUCTURING SGSY

Apart from the experiences of its member groups in Kolar District, Grameena Mahila Okkuta (GMO) elicited opinions from federations in three other districts - Mysore, Ramanagaram and Shimoga. By and large, experiences of the federations in the four districts were similar, calling for changes in SGSY.

One of the main problems dogging SGSY is the personalised interpretation of rules by officials, particularly in banks. As will be pointed out later, variable interest rates applying to SGSY loans accessed from different financial institutions is one problem. In many cases, GMO and its sister federations have found that bank officers arbitrarily charge 1% interest over and above the chargeable interest. Although the programme is touted as a flagship poverty reduction measure, it is to be noted that banks give such loans to very few SHGs. In Kolar district, for instance only 1% of the total number of SHGs is able to access the programme each year. There is an acute lack of awareness, commitment and enthusiasm for the programme among both the Zilla Panchayat and bank officials. These issues have to be addressed if the programme has to meet its objective as an anti-poverty measure.

OBSERVATIONS

1. Lack of proactive and enthusiastic commitment on part of banks and related official agencies/officers due to:
 - Lack of adequate orientation to bank staff and officers of Taluk Panchayat and Zilla Panchayat
 - Target approach rather than need-based approach, with banks limiting the loan to very few groups¹
 - Lack of pro-poor sensitivity and development awareness among bank and government staff.
2. Voluminous and cumbersome documentation including NOCs from area banks that applicant have to produce

¹ In Kolar district the target or quota is set for each bank at the meeting of the DLBC(district lead bank committee)

3. Variable interest rate between coop banks and nationalised banks, i.e., DCC banks charge 4% on SGSY loans, whereas nationalised banks charge 12%.²
4. Long drawn out sanctioning process, stretching from three months to 12 months, costing money and time for the women.
5. Widespread corruption with expectation of kickbacks from sanctioning officials
6. There is no commonality of norms and existing norms are interpreted narrowly by the bank staff to the detriment/disadvantage of Swarozgari groups
7. SGSY is a one time loan, while bank linkage can be accessed multiple times.
8. Till the SGSY loan is repaid, the group becomes ineligible for any other loan, denying the group members opportunities to mobilise resources³
9. Given the time, effort and kickbacks involved, the actual amount of subsidy is less than the designated amount, reducing the utility of SGSY
10. SGSY loans have less spread and thus are of lesser utility than loans under bank linkage
11. SGSY loans target only 1% of SHGs (e.g. loan target of 184 SHGs for Banks in Kolar district in 2009-10 against a total of 18,375 SHGs in the district). At that rate it would take 100 years to cover all groups.

² In Mysore district, the state bank of Mysore(SBM) charges 11.25%, while the district consumer co-operative bank charges 4%. In Shimoga the SBM charges 9%, while the corporation bank charges 12%.

³ Such as the regular loans through bank linkage, a short term agriculture crop loans, education loans for children etc forcing families to fall back on the village money lender or the new phenomenon of usurious micro finance companies.

SUGGESTIONS

1. While restructuring *SGSY*, the subsidy component, instead of being distributed among individual members of the group, should be transferred to the group account and be treated as the corpus of the *SHG* account. This will enable the groups to be more financially stable and viable and enable them to access more credit from banks in relation to more credit and multiple number of times
2. The issue of variable rates of interest charged by various banks needs to be addressed. A common rate of interest charged should be applicable to all financial institutions that provide credit to *SHGs* under *SGSY* such a rate of interest should not exceed 4% per annum.
3. In order to realize its objective of bringing the rural poor families above the poverty line by providing them income generating assets through a mix of bank credit and government subsidizing, all *SHGs* that are eligible to access this facility should be enabled to do so. Targets or quotas for banks are constraints on credit outreach. (The current practice of limiting the numbers of groups that can access *SGSY* loans in a year should be scrapped)
4. The documentation and paper work to be submitted by the *Swarozgar* groups should be minimized and simplified. This would cut down the delays in the sanctioning and eliminate corruption. The *Swarozgar* projects for the groups should be designed to be woman-manageable, economically viable and geographically relevant (for instance in Kolar, dairying should be given priority or in Bagalkot horticulture or fruit processing should get priority).
5. In the restructured *SGSY*, skill and capacity building for micro enterprises should be given priority, in order to provide women with skills for enterprise management and development.