

## **Year 2013-14 –Interest subvention scheme for the SHGs**

### **I. Interest subvention scheme for the SHG credit during the year 2013-14 to the Public Sector Banks, Regional Rural Banks and Co-operative banks in 150 districts**

The Honourable Finance Minister in his budget speech for 2013-14 proposed to provide interest subvention to women SHGs who avail loans upto Rs. 3 lakhs at 7% per annum. The women SHGs will get an additional subvention of 3% if they repay in time, reducing the effective rate of interest to 4%. The initiative, in its first phase will focus on 150 most backward districts, including the IAP districts. All the women SHGs promoted by NRLM or other Central or State Govt. line departments or NGOs or by NABARD under WSHG program, which are linked with the banks, will be eligible to avail the benefits of the scheme. In pursuance of the above announcement, the salient features and the operational guidelines in respect of the interest subvention claims for the year 2013-14 for the banks are as follows:

1. All women SHGs will be eligible for interest subvention to avail the credit upto Rs. 3 lakhs at 7% per annum. SHGs which have availed capital subsidy under S.G.S.Y in their existing loans, will not be eligible for benefit for their subsisting loan under this scheme.
2. Public Sector Banks (PSBs) and Regional Rural Banks (RRBs) will lend to all the women SHGs at the rate of 7% in the 150 districts. *Annexure I* provides the names of the 150 districts.
3. PSBs will be subvented to the extent of difference between the Weighted Average Interest charged (*WAIC as specified by Ministry of Finance, Department of Financial Services,- Annexure II*) and 7% subject to the maximum limit of 5.5%, for the FY-2013-14. This subvention will be available to all the Public Sector Banks on the condition that they make SHG credit available at 7% p.a. in the 150 districts. The limit of subvention for the next financial year will be communicated separately.
4. RRBs will be subvented to the extent of difference between the lending rates (*as specified NABARD*) and 7% for the FY-2013-14. RRBs will also get concessional refinance from NABARD. This subvention will be available to the RRBs on the condition that they make SHG credit available at 7% p.a. in the 150 districts. Detailed guidelines will be separately issued by NABARD.

5. Further, the SHGs will be provided with an additional 3% subvention on prompt repayment of loan. For the purpose of the Interest Subvention of additional 3% on prompt repayment, an SHG account will be considered as prompt payee if it satisfies the following criterion as specified by RBI:

a. For Cash Credit Limit:

- i. Outstanding balance shall not have remained in excess of the limit/drawing power continuously for more than 30 days
- ii. There should be regular credit and debits in the accounts. In any case there shall be at least one customer induced credit during a month
- iii. Customer induced credit should be sufficient to cover the interest debited during the month.

b. For the Term loans: A term loan account where all of the interest payments and/or instalments of principal were paid within 30 days of the due date during the tenure of the loan, would be considered as an account having prompt payment

The prompt payment guidelines would continue to be guided by RBI guidelines on the subject in the future

All prompt payee SHG accounts as on the end of the reporting quarter will be eligible for the additional interest subvention of 3%. The banks should credit the amount of 3% interest subvention to the eligible SHG loan accounts and thereafter seek the reimbursement.

6. The Interest Subvention scheme shall be implemented through a Nodal Bank selected by the Ministry of Rural Development. The Nodal Bank will operationalize the scheme in a manner similar to that of (Ministry of Human Resource Development) MHRD's education loan interest subsidy scheme for all the Public Sector Banks.

7. For the RRBs the scheme will be operationalized by NABARD in a manner similar to the short term crop loan scheme.

8. All the PSBs and RRBs who are operating on the Core Banking Solutions (CBS) will avail the interest subvention under the scheme.

9. For all the loans upto Rs. 3 lakhs, sanctioned to women SHGs on or after December 1<sup>st</sup>, 2013, banks must charge an interest rate of 7%. This is applicable for the loans upto Rs. 3 Lakhs

10. For the loans extended between April 1, 2013 and November 30<sup>th</sup>, 2013, banks should convert the rate of interest to 7% for all the existing loan accounts of the SHGs with effect from April 1<sup>st</sup>, 2013
11. For the loan outstanding between April 1<sup>st</sup>, 2013 and November 30<sup>th</sup>, 2013, the Banks need to reimburse the excess interest already being charged, for the difference between 7% and the Weighted Average Interest charged (*WAIC as specified by Ministry of Finance, Department of Financial Services- Annexure II*), to the Loan accounts of the SHGs.
12. For the loan outstanding for the period April 1<sup>st</sup> 2013 to November 30<sup>th</sup>, 2013, the banks should pay the additional 3% subvention to the eligible SHGs and submit the claims to the Nodal Bank. Till such time the Nodal bank is appointed, all the PSBs may submit the claims to Ministry of Rural Development in the format specified in *Annexure III*
13. For the loans closed between the period April 1<sup>st</sup>, 2013 to November 30<sup>th</sup>, 2013, the interest subvention amount, both for the difference between 7% and Lending rates and the additional 3% subvention to the eligible SHGs, should be reimbursed to the S/B Account of the eligible SHGs.
14. In order to avail the Interest Subvention on credit extended to the SHGs @ 7%, banks are required to submit their claims on a half-yearly basis as at September 30, 2013 and March 31, 2014, of which, the latter needs to be accompanied by a Statutory Auditor's certificate certifying the claims for subvention for the entire year ended March 31, 2014 as true and correct.
15. In respect of the 3% additional subvention, banks may submit their one-time consolidated claims pertaining to the disbursements made during the entire year 2013-14 latest by April 30, 2014, duly audited by Statutory Auditors certifying the correctness.
16. Banks should furnish the consolidated claims duly certified by the Statutory Auditor's certificate for subvention for the entire year ending March 31, 2014 as true and correct. Any remaining claim pertaining to the disbursements made during the year 2013-14 and not included in the claim for March 31, 2014, may be consolidated separately and marked as an '*Additional Claim*' and submitted latest by June 30, 2014, duly audited by Statutory Auditors certifying the correctness. Adjustments shall be made from later claims based on the auditor's certificate

17. RRBs will submit the claims to NABARD, as specified by NABARD.

18. For Co-operative Banks, detailed guidelines will be separately issued by NABARD

## **II. Interest Subvention Scheme for the Category II Districts (other than 150 districts)**

For the II category of districts, comprising of districts other than the above 150 districts, all women S.H.Gs under N.R.L.M will continue to be eligible for interest subvention to avail the loan facility at an interest rate of 7%. The funding for this subvention will be provided to the State Rural Livelihoods Missions (S.R.L.Ms). The State-wise distribution of the provision under this budget head would be determined each year. In the Category II districts, Banks will charge the SHGs as per their respective lending norms to the SHGs and the difference between the lending rates and 7% will be subvented in the loan accounts of the SHGs by the SRLM. In pursuance of the above, the salient features and the operational guidelines in respect of the interest subvention for the category II, for the year 2013-14, are as follows:

### **(A) Role of the Banks:**

All the banks will furnish the details of the Credit disbursement and Credit outstanding of the SHGs in the desired format as given by the MoRD, directly from the CBS platform, to the Ministry of Rural Development (*through FTP*) and to the SRLMs. The information should be provided on a monthly basis to facilitate the calculation of the Interest Subvention.

### **(B) Role of the State Governments:**

1. All women SHGs, comprising of more than 70% BPL or rural poor members ( rural poor as per the Participatory Identification Process) are regarded as NRLM compliant SHGs. Such NRLM compliant SHGs will be eligible for interest subvention to avail the credit upto Rs. 3 lakhs at the rate of 7% per annum on prompt repayment.
2. This scheme will be implemented by the State Rural Livelihood Missions (SRLMs). SRLMs will provide interest subvention to the NRLM compliant SHGs who have accessed loan from PSBs, RRBs and Cooperative Banks. The funding for this subvention will be met out of the Central allocation under NRLM to the States and the State Contribution towards the Interest Subvention Scheme in the ratio as applicable to NRLM.

3. The SHGs will be subvented with the extent of difference between the Lending Rate of the banks and 7% by the SRLMs, directly on a monthly/quarterly basis. An e-transfer of the subvention amount will be made by the SRLM to the loan accounts of the SHGs who have repaid promptly.
4. For the purpose of the Interest Subvention, an account will be considered as prompt payee if it satisfies the following criterion as specified by RBI:
  - a. For Cash Credit Limit:
    - i. Outstanding balance shall not have remained in excess of the limit/drawing power continuously for more than 30 days
    - ii. There should be regular credit and debits in the accounts. In any case there shall be at least one customer induced credit during a month
    - iii. Customer induced credit should be sufficient to cover the interest debited during the month.
  - b. For the Term loans: A term loan account where all of the interest payments and/or instalments of principal were paid within 30 days of the due date during the tenure of the loan, would be considered as an account having prompt payment

The prompt payment guidelines would continue to be guided by RBI guidelines on the subject in future

5. Women SHGs who have availed capital subsidy under S.G.S.Y in their existing loans, will not be eligible for benefit of Interest Subvention for their subsisting loan under this scheme.
6. The SRLM should submit the Quarterly Utilization Certificate indicating monthly credit of interest subvention amounts transferred to the Loan accounts of the SHGs.

**III.** The States with state specific interest subvention schemes are advised to harmonize their guidelines with the Central scheme.

## List of the 150 districts (Category I) eligible for the Interest subvention Scheme

S.NO	Name of the state	IAP districts	No of districts
1	<b>Andhra Pradesh</b>	Adilabad	8
		Srikakulam	
		East Godavari	
		Warangal	
		Vijaynagaram	
		Visakhapatnam	
		Khammam	
		Karimnagar	
2	<b>Bihar</b>	Arwal	11
		Aurangabad	
		Gaya	
		Jamui	
		Jehanabad	
		Kaimur	
		Munger	
		Nawada	
		Rohtas	
		Paschim Champanan	
		Sitamarhi	
3	<b>Chhattisgarh</b>	Bastar	10
		Bijapur	
		Dantewada	
		Jashpur	
		Kanker	
		Kawardha	
		Koriya	
		Narayanpur	
		Rajnandgaon	
		Sarguja	
4	<b>Goa</b>	North Goa	1
5	<b>Gujarat</b>	Vadodara	3
		Banaskantha	
		Panchmahal	
6	<b>Haryana</b>	Mewat	3
		Bhiwani	

		Jhajjar	
7	<b>Himachal Pradesh</b>	Shimla	2
		Mandi	
8	<b>Jammu and Kashmir</b>	Ganderbal	3
		Budgam	
		Udhampur	
9	<b>Jharkhand</b>	Bokarao	17
		Chatra	
		Garhwa	
		Giridh	
		Gumla	
		Hazaribagh	
		Khunti	
		Kodarma	
		Latehar(N)	
		Lohardaga	
		Paschim Singhbhum	
		Palamu	
		Purbi Singhbhum	
		Ramgarh	
		Ranchi(RURAL)	
		Saraikela(N)	
		Simdega(N)	
10	<b>Karnataka</b>	Mysore	4
		Tumkur	
		Gadag	
		Koppal	
11	<b>Kerala</b>	Pallakkad	2
		Mallapuram	
12	<b>Madhya Pradesh</b>	Annupur	13
		Balaghat	
		Dindori	
		Mandala	
		Seoni	
		Shahdol	
		Sidhi	
		Umaria	
		Chhindwara	
		Singrauli	
		Sagar	
		Sheopur	
		Jhabua	
13	<b>Maharashtra</b>	Gadchiroli	6
		Gondia	
		Jalna	

		Osmanabad	
		Nandurbar	
		Yavatmal	
14	<b>Odisha</b>	Balangir	18
		Debagarh	
		Gajapati	
		Ganjam	
		Jajpur	
		Kalahandi	
		Kandhamal	
		Kendujhar	
		Koraput	
		Malkangiri	
		Mayurbhanj	
		Nabarangpur	
		Nayagarh	
		Nuapada	
		Rayagada	
		Sambalpur	
		Sonapur	
		Sundargarh	
15	<b>Punjab</b>	Tarn Taran	3
		Gurdaspur	
		Ferozepur	
16	<b>Rajasthan</b>	Ajmer	4
		Alwar	
		Dausa	
		Udaipur	
17	<b>Tamil Nadu</b>	Vilupuram	4
		Vellore	
		Thiruvannamalai	
		Dharmapuri	
18	<b>Uttar Pradesh</b>	Chandauli	14
		Mirzapur	
		Sonbhadra	
		Badaun	
		Hardoi	
		Etwah	
		Azamgarh	
		Allahabad	
		Ambedkarnagar	
		Bahraich	
		Deoria	
		Jalaun	
		Hamirpur	
		Banda	



19	<b>Uttarakhand</b>	Chamoli	2
		Bageshwar	
20	<b>West Bengal</b>	Bankura	5
		Medinipur West	
		Puruliya	
		Coochbehar	
		Birbhum	
<b>North Eastern States</b>			
21	<b>Arunachal Pradesh</b>	Papumpare	2
		Lohit	
22	<b>Assam</b>	Hailakandi	4
		Dhemeji	
		Jorhat	
		Nagaon	
23	<b>Manipur</b>	Senapati	1
24	<b>Meghalaya</b>	West Khasi Hill	1
25	<b>Mizoram</b>	Aizwal	2
		Lunglei	
26	<b>Nagaland</b>	Peren	3
		Tuensang	
		Mon	
27	<b>Sikkim</b>	South Sikkim	2
		East Sikkim	
28	<b>Tripura</b>	West Tripura	2
		North Tripura	
		<b>150</b>	<b>150</b>

<b>Sr. No</b>	<b>Name of Bank</b>	<b>Base Rate</b>	<b>Weighted Average Interest Charged ( WAIC)</b>	<b>Interest to be subvented above 7% based on WAIC, subject to cap of 5.5 percent</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>
1	Allahabad Bank	10.20	10.43	3.43
2	Andhra Bank	10.25	13.62	5.50
3	Bank of Baroda	10.25	11.25	4.25
4	Bank of India	10.25	12.96	5.50
5	Bank of Maharashtra	10.25	11.75	4.75
6	Canara Bank	10.25	12.61	5.50
7	Central Bank of India	10.25	11.20	4.20
8	Corporation Bank	10.25	12.25	5.25
9	Dena Bank	10.25	10.25	3.25
10	Indian Bank	10.20	12.11	5.11
11	Indian Overseas Bank	10.25	11.90	4.90
12	Oriental Bank of Commerce	10.25	11.75	4.75
13	Punjab National Bank	10.25	12.99	5.50
14	Punjab & Sind Bank	10.25	12.24	5.24
15	State Bank of Bikaner & Jaipur	10.15	12.87	5.50
16	State Bank of Hyderabad	10.20	12.90	5.50
17	State Bank of India	9.70	11.70	4.70
18	State Bank of Mysore	10.15	12.05	5.05
19	State Bank of Patiala	10.25	11.35	4.35
20	State Bank of Travancore	10.25	11.97	4.97
21	Syndicate Bank	10.25	11.75	4.75
22	Uco Bank	10.20	10.20	3.20
23	Union Bank	10.25	10.25	3.25
24	United Bank of India	10.25	11.67	4.67
25	Vijaya Bank	10.20	10.95	3.95
26	IDBI	10.25	10.25	3.25

**Claim for Interest Subvention to lend to SHGs at 7% per annum, for the credit upto Rs 3 Lakhs , for the year 2013-14**

**Name of the Bank:**

**Statement for the quarterly claims: Loans disbursed/outstanding upto Rs. 3 lakhs**

New accounts opened during the quarter		Outstanding as at previous quarter		Total outstanding as at current quarter		Amount of interest subvention
Accounts	Amount	Accounts	Amount	Accounts	Amount	Amount

We hereby certify having above loans as disbursed/ outstanding at 7% pa, upto the limit of Rs 3 lakhs to the women SHGs in the year 2013-14

Dated

Authorized Signatory

(This claim format , consolidated for the year , needs to be duly certified by Statutory Auditors and submitted along with the claims for the quarter ending March 31<sup>st</sup>, within June 30<sup>th</sup> of the next financial year)

**Claim for additional Interest Subvention @ 3% on the prompt repayment, for the credit upto Rs 3 Lakhs, for the year 2013-14**

**Name of the Bank:**

**Statement for the quarterly claims: Loans disbursed/outstanding upto Rs. 3 lakhs**

New accounts opened during the quarter		Outstanding as at previous quarter		Total outstanding as at current quarter		Regular / eligible SHGs		Amount of interest subvention
Accounts	Amount	Accounts	Amount	Accounts	Amount	Accounts	Amount	Amount

We certify that the above loans were repaid on time and the benefit of additional 3% interest subvention has been passed on to the SHG's account, reducing the effective rate of interest to 4% for the prompt payee SHGs.

Dated

Authorized Signatory

(This claim format, consolidated for the year, needs to be duly certified by Statutory Auditors and submitted along with the claims for the quarter ending March 31<sup>st</sup>, within June 30<sup>th</sup> of the next financial year)