

Priority Sector Lending-Special Programmes

RPCD.NO.SP.BC. 14 /09.01.01/2001-02

17 August 2001

All Commercial Banks
Dear Sir,

Master Circular Priority Sector Lending-Special Programmes

Reserve Bank of India has, periodically, issued instructions/directives to banks with regard to operationalisation of the Swarnjayanti Gram Swarozgar Yojana (SGSY) scheme. To enable banks to have current instructions at one place, a Master Circular incorporating all the existing guidelines/instructions/directives on the scheme has been prepared and is appended. We advise that this Master Circular consolidates all the previous instructions issued by RBI up to 30th June 2001, which are listed in the Appendix.

Please acknowledge receipt.

Yours faithfully,

Sd/-

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SWARNJAYANTI GRAM SWAROZGAR YOJANA (SGSY)

The Ministry of Rural Development, Government of India have launched a new programme known as '**Swarnjayanti Gram Swarozgar Yojana**' (SGSY) by restructuring the following existing schemes:

1. Integrated Rural Development Programme (IRDP)
2. Training of Rural Youth for Self Employment (TRYSEM)
3. Development of Women and Children in Rural Areas (DW CRA)
4. Supply of Improved Toolkits to Rural Artisans (SITRA)
5. Ganga Kalyan Yojana (GKY)

6. Million Wells Scheme (MWS)

Detailed 'Guidelines' have been circulated to all DRDAs/Banks by the Ministry of Rural Development.

1. The Scheme

The SGSY Scheme is operative from **1st April, 1999** in **rural areas** of the country. SGSY is a holistic Scheme covering all aspects of self employment such as organisation of the poor into Self Help Groups, training, credit, technology, infrastructure and marketing. The scheme will be funded by the Centre and the States in the ratio of 75:25 and will be implemented by Commercial Banks, Regional Rural Banks and Co-operative Banks. Other financial institutions, Panchayat Raj Institutions, District Rural Development Agencies (DRDAs), Non-Government Organisations (NGOs), Technical institutions in the district, will be involved in the process of planning, implementation and monitoring of the scheme. NGO's help may be sought in the formation and nurturing of the Self Help Groups (SHGs) as well as in the monitoring of the progress of the Swarozgaris. Where feasible their services may be utilised in the provision of technology support, quality control of the products and as recovery monitors cum facilitators.

The Scheme aims at establishing a large number of micro enterprises in the rural areas. The list of Below Poverty Line (BPL) households identified through BPL census duly approved by Gram Sabha will form the basis for identification of families for assistance under SGSY.

The objective of SGSY is to bring every assisted family above the poverty line within three years by providing them income-generating assets through a mix of bank credit and Government subsidy. The rural poor such as those with land, landless labour, educated unemployed, rural artisans and disabled are covered under the scheme.

The assisted families known as Swarozgaris can be either individuals or groups and would be selected from BPL families by a three member team consisting of Block Development Officer, Banker and Sarpanch.

SGSY will focus on vulnerable sections of the rural poor. Accordingly the SC/ST will account for at least 50 percent, Women 40 percent, and the disabled 3 percent of those assisted.

2. Skill Upgradation

Once the person or group of persons has been identified for assistance, their training need also is to be ascertained with reference to Minimum Skill Requirement (MSR). The assessment regarding technical skills would be made by line departments and that of managerial skills by the banker, while scrutinising the loan applications. Swarozgaris possessing skills will be put through basic orientation programme which is mandatory. This programme includes elements of Book Keeping, knowledge of market, identification and appraisal, acquaintance with product costing, product pricing, familiarisation with project financing by banks as well as basic skills in the key activity identified. It will be

for a short duration of not more than 2 days. BDOs, Bankers and line departments will act as resource persons for imparting the training. The training expenditure will be met by DRDAs.

For those beneficiaries who need additional skill development/ upgradation of skills, appropriate training would be organised through Government institutions, ITIs, polytechnics, Universities, NGOs etc. Swarozgaris will be eligible for loans under SGSY when they possess Minimum Skill Requirement, and it will be disbursed only when they have satisfactorily completed the skill training.

For this training, Swarozgaris will be entitled for financial assistance if they are required to undergo training for more than a week. The rate of assistance would be fixed locally. The bank will provide loans to the Swarozgaris for this purpose. However, as the credit has to be extended before the project is taken up, notwithstanding the general security norms for lending under the scheme, banks may extend loans for skill development training with or without collateral/third party guarantee at their discretion.

3. Activity Clusters, Key Activities

Major share of assistance upto 75 percent (both by number and funding) will be for key activities and they should be taken up in clusters. For this, 4-5 key activities will be identified for each block with the approval of Panchayat Samithis at block level and DRDA/ZP at the District level. One or two activities in each block would be identified during 1999-2000 so that implementation can be started straight away. On farm activities to be assisted would include minor irrigation such as open dug well/bore/tube well/lift irrigation/check dam etc. Non farm activities will include those activities that result in the production of goods/services that have ready market. **The unit cost as fixed by the regional Committees of NABARD should be taken into consideration as indicative cost while fixing the unit cost for the farm sector. In regard to loans falling under ISB Sector, the responsibility of fixing the unit cost and other techno-economic parameters is of the District SGSY Committee.** The selection of activities should be such that it would afford the Swarozgari an opportunity to expand his asset and skill base in three years and at least in the third year the net income would be not less than Rs. 2,000/- p.m.

4. Self-Help Groups (SHGs)

The Self Help Groups shall be organised by Swarozgaris drawn from the BPL list approved by Gram Sabha. The Scheme provides for formation of Self Help Groups (SHGs), nurturing and their linkages with banks.

Group activities will be given preference and progressively majority of the funding will be for Self Help Groups. Half the groups formed at block level should be exclusively women groups.

SHG under SGSY may consist of 10 to 20 persons belonging to BPL families. In case of minor irrigation and in the case of disabled persons this number may be a minimum of 5 persons. The group shall not comprise more than one member of the same family. A person should not be a member of more than one group. SHG 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 taking up income generation activities.

In States and Union Territories where the formation of SHGs has not taken root, banks may continue to extend credit facilities to eligible individual Swarozgaris.

5. Revolving Fund

Every SHG that is in existence at least for a period of six months and which has demonstrated the potential of a viable group will receive a revolving fund of Rs.25,000/- from banks as cash credit facility. Of this a sum of Rs.10,000/- will be given to the bank by the DRDA. **Banks may charge interest only on the sum exceeding Rs. 10,000/-.** The revolving fund is provided to the groups to augment the group corpus so as 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. SHGs that have demonstrated their successful existence, will receive assistance for economic activities under the scheme.

6. Lending Norms

The size of loan under the scheme would depend on the nature of project. **There is no investment ceiling** other than the unit cost i.e. investment requirement worked out for the project. The loans under the scheme would be composite loan comprising of Term Loan and working capital. The loan component and the admissible subsidy together would be equal to total project cost. Banks may follow model project report set out in key activities of the districts for finalising the project cost of the Swarozgaris. **Under any circumstance under financing is to be avoided.** Swarozgaris will be given the full amount of loan and subsidy and they will have the freedom to procure the assets themselves. Disbursements up to Rs.10,000/- under ISB sector may be made in cash where a number of items are to be bought.

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.

Loans under the Scheme will carry interest as per the directives on interest rates issued by Reserve Bank of India from time to time.

All loans granted under the scheme are to be treated as advances under priority sector. Loan applications should be disposed of within 15 days and at any rate not later than one month.

Branch Managers may be vested with adequate discretionary powers to sanction proposals under the scheme without reference to any higher authority.

7. Assistance to IRDP borrowers

The existing IRDP borrowers may also be 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-wilful 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.

8. Insurance Cover

Insurance cover is available for assets/live stock bought out of the loan. Swarozgaris are covered under the Group Insurance Scheme as per the details given at paragraphs 4.35 & 4.36 of the SGSY guidelines.

9. Security Norms

For individual loans up to Rs. 50,000/- and group loans up to Rs. 3 lakhs, the assets created out of bank loan would be hypothecated to the bank as primary security. In cases where movable assets are not created as in land based activities such as dug well, minor irrigation etc., mortgage of land may be obtained. Where mortgage of land is not possible third party guarantee may be obtained at the discretion of the bank.

For all individual loans exceeding Rs. 50,000/- and group loans exceeding Rs. 3 lakhs 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. may be obtained at the discretion of the bank.

10. 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 will be 50 percent of the project cost subject to a maximum of Rs. 10,000/-. For groups of Swarozgaris (SHGs) the subsidy would be at 50 percent of the cost of the project, subject to a ceiling of Rs. 1.25 lakhs. There will be no monetary limit on subsidy for irrigation projects. Subsidy under SGSY will be back ended. 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 as detailed in paragraph 4.17 of the SGSY guidelines may please be followed.

DRDAs will be opening 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.

11. Post Credit Follow-up

Loan Pass books in regional languages may be issued to the Swarozgaris which may contain all the details of the loans disbursed to them.

Bank branches may 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.

Banks should ensure through proper monitoring and verification that quality assets have been procured by the Swarozgaris. Necessary documents relating to acquisition of assets should be 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 shall be free to cancel the loan and recover the money. Legal proceedings (Civil/Criminal) wherever necessary may be initiated against the Swarozgari and against all members in case of SHG for recovery of loan.

12. 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.

13. Repayment of Loan

All SGSY loans are to be treated as medium term loans with minimum repayment period of five years. Instalments for repayment of loan will be fixed as per the unit cost approved by the NABARD/Dist. SGSY Committee. There will be a moratorium on repayment of loans during the gestation period. Repayment instalments should not be more than 50 percent of the incremental net income expected from the project. Number of instalments may be fixed taking into consideration the principal amount, the interest liability and the repayment period.

Swarozgaris will not be 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 will be entitled only to pro-rata subsidy.

14. Recovery

Prompt recovery of loans is necessary to ensure the success of the programme. Banks shall take all possible measures, i.e., personal contact, organisation of joint recovery camps with District Administration, legal action, etc to ensure recovery. In case, even after this, the banks fail to recover the entire dues, the process of forfeiture of subsidy for adjustment against dues may be taken up. After getting the approval of the District SGSY committee the concerned bank may adjust the subsidy against the Swarozgari's dues. If the bank is able to realise any amount subsequently over and above the amount due to it, the amount may be returned to the 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 may 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.**

Keeping in view the importance of loan recovery, banks should prepare the **list of defaulters under IRDP before the end of September 1999** and furnish the same to Gram Sabha/BDO/DRDA and initiate recovery efforts.

15. 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.

16. Role of Banks and State Agencies

Banks will be 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.**

17. 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 has been suggested. Banks may consider deputing officers at various levels to the state Governments/DRDAs in consultation with them.

18. Supervision and Monitoring

Banks may set up SGSY cells at Regional/Zonal Offices. These cells should 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 may be entrusted to a Senior Officer and the progress of this programme may be reviewed on a regular basis by the Top Management.

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.

19. 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.

20. 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 are given in *Annexure 1(2) to 1(7)*. 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 for monitoring and implementation of the scheme.

Quarterly progress reports under the scheme may be furnished to RBI/Ministry of Rural Development, Government of India, New Delhi as per the proforma enclosed for monitoring the State wise/bank wise progress in the implementation of the scheme. The first such report to be submitted for the year ended 31st March 2000.

The recovery statement under the scheme may be submitted as per format enclosed on a half yearly basis at the end of March/September every year within 45 days from the close of half year to which it relates. The data relating to SC/ST segment may be furnished separately in the annual statements as at end of march.

Banks may include 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.

21. Annual Credit Plan 1999-2000

Allocation made in the credit plan for IRDP are to be carried over to the SGSY scheme.

All loans disbursed under IRDP since April 1999 are to be treated as disbursed SGSY.

In case of loans partly disbursed under IRDP, they are to be treated as committed liability under SGSY and the balance loan has to be disbursed under SGSY.

In respect of loans sanctioned under IRDP but not disbursed, the cases have to be reviewed to see if they fit into the basic criteria that it would lead to the assisted family coming above the poverty line. If so, the loan can be disbursed.

In so far as pending proposals under IRDP are concerned, they have to be reviewed with reference to key activities selected in the block. If the pending applications fit into parameters of these key activities, the loans can be sanctioned under SGSY.

22. 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 should finalise 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 will be strictly monitored by RBI. Every effort should be taken by the banks to achieve the credit target fixed on the above basis.

23. LBR Returns

The Code No. for SGSY under LBR reporting system has been allotted and communicated to the banks. (Vide circular SAA 8/08.01.04/1999-2000 dt.20th January 2000).

Separate guidelines have been issued by the Ministry of Rural Development indicating the role and responsibilities of the line departments, banks, NGOs, Swarozgaris. Banks should issue suitable instructions to their controlling offices/branches for implementation.

24. Clarifications

In regard to the above, some issues have been raised by banks in the operationalisation of the scheme. These issues together with clarifications are given in *Annexure 1(1)*.

Operational issues which may arise during the course of implementation of the scheme may be resolved locally in the Block/ District/State Level Committees in consultation with officials of line departments keeping overall content of the scheme in view to ensure that the smooth implementation of the scheme is not impeded.

Annexure 1(1)

Swarnjayanti Swarozgar Yojana (SGSY) - Clarifications

No.	Matter Referred	Clarifications
Scheme		
1.	State Governments have been informed that from 1.4.1999 only the BPL census list that has been undertaken in IX Plan (1999-2000 to 2003-2004) will be the valid list. Average size of family that can be taken into account for calculating the income level to identify BPL families.	Ministry of Rural Development has confirmed that the IXth Plan BPL list is available with Local Authorities. The list will be made available to all the banks. BPL list is the basis for consideration for assistance.
2.	Formalities for formation of SHG & for	The SHG formation should take required

No.	Matter Referred	Clarifications
	lending to SHG would require minimum one year whereas individuals may be assisted immediately. Due to delays for SHG lending, individual lending is preferred by Swarozgaris. Relaxation may be granted for SHG, financing during 1999-2000.	time and should not be driven by any targets. Process approach for formation of groups should be followed as detailed in the guidelines. Existing DW CRA groups may be considered for financing in key activities, if they possess characteristics of a good SHG. As a relaxation during 1999-2000, more number of individual Swarozgaris may be financed under SGSY.
3.	The stipulation on category wise reservations (40% for Women, 50% for SC/ST, 3% for disabled) should be relaxed and flexibility offered.	Achievement of sub-targets may be ensured by Banks at District level. Flexibility is not possible as the focus of the scheme will be particularly on vulnerable groups
Skill Upgradation		
1.	Financial assistance to undergo skill development training conducted for more than a week. (a) Maximum ceiling limit/mode/period of repayment.	Quantum of assistance for skill development training would be dependent on the nature of skill development, the institution facility available in the locality and the period of training. It would also depend on the nature of the activity and the Swarozgari. It would not be possible to prescribe any period of training. The cost would vary accordingly.
		These issues may be decided at the District-SGSY Committee level. As the borrower has to undertake an activity and start repaying the skill development loan along with activity specific loan. The repayment period may run concurrently. Mode of payment is left to the individual judgement of the lending bank.
	(b) Inclusion of the cost of training as part of the project and release the loan for training as 1st instalment so that we can minimise the documentation formalities, (only one account instead	Separate documentation would be necessary, as the project cost would be disbursed separately after the training.

No.	Matter Referred	Clarifications
	of two separate accounts)	
	ii) Who will fix the quantum of assistance locally?	By and large, the scale of assistance is fixed by the District SGSY committee. Minor variations, if any, can always be decided by the banks in consultation with the line department officials or the DRDA officials.
	iii) Whether loan is to be given to the individual swarozgari or to the group?	Loan can be given either to the group or to the Individual Swarozgari.
Activity Clusters, Key activities		
1.	Block SGSY Committee should compile and update the data on village profile. Choice between spread and cluster based efficiency should be left to Block SGSY Committee.	Key activities to be pursued by the Swarozgaris will be on the basis of village profiles/P.L.P./S.A.A./Credit Plans. Block SGSY Committee will have the say in the selection of Key activities and spread/clusters.
Self Help Groups		
1.	Modalities to ensure sub targets for SC/ST, Women and Physically handicapped in the case of group loan.	Sub targets may be monitored by the banks at the District level to achieve required targets.
2.	Exit route for member of the group or in the event of death with particular reference to sharing of liabilities of the member and savings made by the member.	As per Bye-laws/agreement of the group.
3.	Whether a member in a group can avail of two subsidies one by availing individual loan supported by the group and another loan by being a member of a group in the case of a group loan.	Member can avail subsidy individually or as a member of a group.
4.	Whether the member of a family can become member of different group and avail loan?	Yes. The subsidy is given to the group and not to the individuals.
5.	If Bank advance is granted to any individual member, then how the loan accounts will be maintained in Bank Books? Such loans to individuals would not conform to group approach.	The loan is either to an individual in a group or to a group and the books will be maintained accordingly. The loan may be given to the members and routed through SHG and recovery may be made through SHG.
6.	Whether a group with less than ten members can be considered?	Minimum of ten members must be maintained in a group other than those for

No.	Matter Referred	Clarifications
		disabled and minor irrigation activities.
7.	Existing SHGs (including BPL and non-BPL families) offer ready scope for coverage under SGSY?	BPL members of a mixed group can avail loans in individual capacity. Mixed groups are not entitled to group subsidy. However, an exception has been made for DWCRA groups for this year only.
8.	Appropriate Grading criteria should be established for newly formed groups. The procedure for assessing and selecting the agencies to do the grading, training etc. have not been elaborated in the new SGSY guidelines.	DCC/SLBC can decide the grading based on NABARD rating norms. No external agency is required unless DCC/SLBC decide otherwise.
Revolving Fund		
1.	(a) Whether the cash credit will be of permanent nature or can be recovered on reducing balance over five years and terms of the loan.	The revolving fund - (cash credit facility) may be necessary on a permanent basis and may co-exist with the SHG.
	(b) When the account has to be brought into credit balance adjusted.	Cash Credit account should be monitored continuously and renewed periodically depending on the necessity.
	(c) Rs. 10,000/- paid by DRDA has to be repaid or not or treated as grant?	Rs. 10,000/- from DRDA may be treated as subsidy grant in so far as the bank is concerned. As far as group is concerned, it is a cash credit and has therefore to be repaid. Only, interest is not charged on outstanding upto Rs. 10,000/-).
	(d) Method of liquidation of CC A/c.	It would be liquidated like any other cash credit. The liability of the group is for the entire amount of cash credit outstanding.

No.	Matter Referred	Clarifications
2.	(a) Mode of sanction and recovery under revolving fund is to be clarified. Whether it would be Rs. 25,000/- for all groups and linked to thrift ratio or number of members.	Revolving fund is not linked to the savings but is given only to those groups that have passed the first round of grading. Revolving fund would be Rs. 25,000/- for all groups irrespective of number of members and may be opened in the name of SHG. The operation of the account may be decided by a resolution of the group. The account will be in the form of cash credit. Interest will be charged on credit availed in excess of Rs. 10,000/-. Bankers may decide the quantum of cash credit limit within the overall limit of Rs. 25,000/- (Rs. 10,000/- + Rs. 15,000/-). The cash credit account (RF) may continue
		till the SHG is in operation and the fund is operated to the satisfaction of the lending banker.
	(b) Whether the operative limit or RF A/c. is to be reduced to Rs. 15,000/-	The operative limit will remain at Rs. 25,000/-
	(c) Whether the banks have to take documents for Rs. 25,000/- or Rs. 15,000/-.	Banks will have to take documents for Rs. 25,000/-.
3.	(a) How is the DRDA subsidy of Rs. 10,000/- to be treated? Should it be credited to the cash credit account straight away or to be kept in a separate non-interest bearing account as deposit?	It is a subsidy for Revolving Fund of the group and therefore may be kept in subsidy Reserve Fund A/c. in the name of SHG. This would, therefore, not attract CRR/SLR requirement. No interest should be charged on the Rs. 10,000/- credited to the subsidy reserve fund i.e. the SHG would be required to pay interest on bank credit portion only.
	(b) The loan or subsidy does not bear any relation to the number of members in the group which may vary from 5 to 20 in a SHG. Groups with smaller membership will get more per capita revolving fund.	The loan amount would depend on the project undertaken by the group. The Revolving Fund and Subsidy limits are for a group and variation in per capita revolving fund/subsidy will therefore exist.
	(c) Revolving fund loan/subsidy does not bear a relation to the group savings. Group savings indicate the capacity of the group to rotate the funds among	Revolving fund and subsidy are two supports available for SHGs under SGSY and their entitlement are not linked to savings.

No.	Matter Referred	Clarifications
	themselves.	
	(d) Security and interest norms for Revolving fund.	For Revolving Fund, simple letter of undertaking from Group members would be sufficient in addition to inter-se agreement and usual documentation. The interest would be charged on bank credit portion of Revolving Fund . The rate would be as applicable to priority sector lending.
4.	Under what sub-head revolving fund loan is to be categorised within priority sector?	May be shown under loans to SHGs under priority sector.
Lending Norms		
1.	Second and subsequent doses may be granted by the same bank or any other bank. How a borrower under a service area will be accommodated by another bank for 2nd/multiple dose.	In terms of para (vi) of our circular dated 1.9.1999, if the bank is not in a position to grant second/multiple dose, as in the case of Weak Commercial Bank/Co-operative Bank/RRB, another bank may finance the borrower after obtaining no objection certificate from the lending bank. In such cases, borrowers may be allowed to go beyond the Service Area. SGSY Committees at Block/District may decide such cases.
2.	An individual who has availed a non minor irrigation loan is willing to avail a loan for minor irrigation. Eligible quantum of subsidy may be specified.	A SGSY borrower under non minor irrigation will not be eligible for assistance and subsidy entitlement under minor irrigation loan.
3.	Who is responsible authority for preparation of project profile and who will decide the reality of the profiles, technical feasibility, economic viability etc. for each block and who is the authority for approval?	The Block SGSY Committee is required to prepare project profiles of 8-10 key activities. For this, the potential linked plans of NABARD, village credit profile of SAA may be relied on. These project profiles along with recommendations of Panchayat Samiti should be forwarded to District SGSY Committee which will scrutinise the proposals and approve them.
4.	Whether the stamp duty on Hypothecation agreement, general form of Guarantee and Irrevocable Power of Attorney is waived or not? If not, the quantum of stamp duty to	The waiver of stamp duty on various documents to be executed by individual/group loanees rests with the State Governments.

No.	Matter Referred	Clarifications
	be levied for each document?	
5.	Title of loan account in case of Group finance	It should be name of the group and denoted as XYZ - SHG-village.
6.	(i) Whether cash disbursement is allowed in farm sector also. (ii) If so, what is the limit? (iii) Whether cash disbursement will be applicable in all the blocks in a district or the identification of blocks for cash disbursement system will be entrusted to the DCC/Dist. SGSY Committee in order to ensure necessary safeguards for this purpose?	Banks may disburse all loans for agricultural purposes in cash and this will be applicable in all Blocks/Districts.
7.	Emphasis is laid on multiple doses of assistance. Whether the credit can be given to more than one activity? Whether subsequent doses of credit can be provided to the same activity or to different activity?	More than one activity can be assisted. However, the activity should be within the key activities identified.
8.	In case of financing through SHG, the savings mobilised by SHG may be taken as margin. A stipulation of bringing in a margin of 25% by way of group savings will reduce the future debt service burden of the beneficiaries.	Savings of the group need not be linked to the loan under SGSY as the target group is from the BPL list. Loan is given to a SHG. only if the grading is satisfactory (para 3.1 of the guidelines). As per the guidelines full project cost has to be financed.
9.	It is stated that under-financing should be avoided. Does it mean that the individual banker has absolutely no discretion to determine the amount of loan?	Financing of the project has to be as per the project profile. The project profile indicates the amount of investment that is required for each activity. However, the bankers do have a final say in the sanction of loans as indicated in the guidelines.
10.	Documents to be obtained from individuals/ SHG under SGSY	The application and documentation formats provided for individuals/group loaning under IRDP may be used with suitable modifications under SGSY.
Insurance Cover		
1.	Please advise mode of ascertaining the date of birth of a Swarozgari in the case where loan is extended to a person between 55 to 60 years.	The Swarozgari's ration card, voter's list, BPL list and if literate, school leaving certificate or if nothing is available his declaration would be sufficient to

No.	Matter Referred	Clarifications
		determine the age of Swarozgari.
Security Norms		
1.	Group may consist of 10 to 20 persons- Maximum quantum of loan to the group could be Rs. 10 lakhs and minimum may be Rs. 5 lakhs. Collateral security upto Rs. 10 lakhs should be waived.	The security norms were revised in the CLCC meeting held in June'99. Norms indicated in paragraph 5.9 of the Master Circular may be followed
2.	In case of group loans, if the group is not in a position to offer its own assets as collateral security, banks may seek collateral security from individual members of the Group. Norms may be stipulated for obtaining collateral security in respect of group loans.	Collateral Security may be obtained if the prime security is not sufficient. In such a case it will be open to the bank to seek collateral from individual members of the group or others depending on the circumstances of the case. Bankers are free to decide.
Subsidy		
1.	RPCD.BC.6/568(A)(P) dated 10.7.91 permits the principal branches in a district to allow overdrawing to the extent of 10% of total subsidy allocated for the year. The limits for each bank is decided in the meeting to finalise physical financial target whether the said guidelines under IRDP would hold good for SGSY. If so, the latest position in the matter.	The same instructions will hold good under SGSY.
2.	What will be the subsidy component in multiple doses of credit involving Minor Irrigation Project where there is no monetary ceiling?	There is no ceiling on subsidy in respect of minor irrigation project even in case of multiple doses of credit for individual as well as for group loans. (Refer para IX of circular dated 1.9.99)
3.	Detailed guidelines for implementation of back-end subsidy together with terms and conditions governing creation of subsidy deposit in the form of Subsidy Reserve Fund A/c. its adjustment etc. may be circulated.	Refer to para 4.17 and 4.24 of Government of India guidelines for details on back-end subsidy. The terms and conditions of the back-end subsidy are the same as under IRDP.
Post Credit Follow-up		
1.	(a) In case of non procurement misutilisation of loan whether the civil criminal action can be initiated?	Reference is invited to para 4.10 of Government of India guidelines.

No.	Matter Referred	Clarifications
	(b) If only criminal then FIR is to be filed jointly by the Bank and DRDA. At present, civil action cannot be initiated in Government sponsored programmes.	
2.	If Swarozgari does not purchase the .assets within one month from the date of release of the amount by the bank, what steps should be initiated and how to recover the loan amount from the Swarozgari?	The reasons for non procurement should be looked into by the bank/BDO. If the non-procurement of assets is wilful or due to negligence of the Swarozgari, after giving reasonable opportunity for procurement the bank is free to cancel the loan and recover the money.
Risk Fund for Consumption Credit		
1.	10% of consumption loans disbursed by banks could be provided out of Risk Fund at District Level for Swarozgaris from Weaker Section. Whether this 10% is subsidy or repayable loan.	The banks will get 10% of the consumption credit disbursed by them during the year from DRDA to maintain a risk fund. The fund enables the bank to write-off consumption loans which have become irrevocable.
2.	At what point of time consumption credit is to be disbursed and whether any separate application form/security document is required to be obtained or it should be included within SGSY application form and limit will be inclusive of consumption loan limit.	Swarozgaris (other than Self Help Group members) may be considered for consumption loan not exceeding Rs. 2,000/-. Separate application/document would be necessary. The members of SHGs will not be eligible for consumption loan, it is open for the SHGs to meet this from the cash credit facility.
3.	Modalities of opening/applying for the risk fund may be elaborated. Who will be the implementing agency for this fund and what does it cover?	Risk Fund is to be constituted by banks to cover the risk arising out of loans sanctioned for consumption purposes to Weaker Section including SGSY borrowers, small marginal farmers, landless agricultural workers, rural artisans etc. (para 4.30 of SGSY guidelines). The modalities are available in Annexure XXI of IRDP Manual.
Repayment of Loan		
1.	Does the 'number of instalments' and 'repayment' have the same meaning?	The repayment period varies according to the activity taken up. Number of instalments would, therefore, depend on the amount of loan, interest liability and

No.	Matter Referred	Clarifications
		the repayment period (i.e. 5, 7 and 9 years as the case may be) of the activity for which the loan has been given. This will be part of the Project Profile.
2.	What is prompt repayment period to entitle for the waiver of 0.5% processing-cum-monitoring fee. If waived, how further payment may be made?	So long as the loan repayment has not been delayed by the Swarozgari beyond a schedule of time limit (with grace period) for repayment instalment the account may be considered as regular. The processing-cum-monitoring fee could be waived in the last instalment.
3.	In case the loan is fully repaid before certain period specified i.e. lock-in-period, the borrower is eligible for pro-rata subsidy. The working of pro-rata needs elucidation.	Working of pro-rata subsidy for SGSY repayment is enclosed.
4.	Income of beneficiary necessarily crosses Rs. 2,000/- p.m. net of bank instalment, after taking up the activity or at the end of third year. It may not be possible for a poor man to take up activity of such a scale which would generate cash surpluses of more than Rs. 4,000/-. District SGSY Committee may attempt to formulate comparatively bigger project which may fail for want of skill and experience.	A number of Project profiles being worked out in the field and the feedback from the States indicate that this can be achieved.
Recovery		
1.	Incentive and disincentive for recovery. Whether the processing-cum-monitoring fee is to be charged as one time measure in concerned Swarozgaris accounts or whether it can be charged every year.	The processing-cum-monitoring fee has to be charged once at the time of disbursement of the loan.
2.	RBI circular reads: In case of default in repayment of loan by any Swarozgari, banks may adjust subsidy (including interest earned) against his dues after getting approval from Dist. SGSY Committee.	No interest is payable on the subsidy kept in Subsidy Reserve Fund A/c. and likewise no interest is chargeable on the amount of loan representing subsidy portion. The clause "including interest earned" may be deleted from RBI circular as well as para 4.24 of Government guidelines.

No.	Matter Referred	Clarifications
3.	Whether processing charges are to be levied at the time of disbursement or at the time of referring the case to NGO for assistance in recovery and monitoring. Whether it has to be refunded in case of prompt recovery?	The processing-cum-monitoring charges may be levied at the time of disbursement of loan and refunded i.e. adjusted towards the repayment in the last instalment since the repayment position will be known towards the end.
4.	A benchmark level of recovery should be maintained at each village/block and banks would have to review about further lending in such village/block where recovery is less than the minimum level.	The banks have been requested to prepare the defaulters list by end of September 1999. The matter will be reviewed at the appropriate time. For SGSY, minimum recovery levels should be 80%.
Supervision & Monitoring		
1.	In some States, the quarterly meetings of Block Committees under SAA are being turned into SGSY Committee meetings, thus defeating the purpose for setting up separate fora under SGSY at Block/Dist. Level.	The issues relating to SGSY are to be taken up for discussion in the Block and District SGSY committees. SGSY has specific committees because it requires special attention. The need for separate committees on SGSY exists at least for the first 2-3 years so that issues can be discussed threadbare.
2.	Convenors at all levels except at District level are Government officials - LDM is the convenor at District level forum. In view of this and for meaningful co-ordination between the agencies, convenor at district level be changed and District level government official may be nominated as convenor District SGSY Committee.	There is no change in the existing position.
3.	It has been suggested that Block level SGSY Committee monthly meetings of that month and quarterly BLBC meetings be synchronised to enable the LDO to attend them on selective basis.	LDOs may attend the Block level SGSY meetings selectively only when they attend SC/DCC meetings if the BLBC is conducted before or after.
4.	Similarly, under SGSY there is a District SGSY Committee which is akin to SC of DCC. There is need to synchronise these fora also.	The present position may continue.
Service Area Approach		
1.	Under SGSY Scheme, District SGSY Committee has been empowered to allocate the villages which are either not	This was discussed and decided in the CLCC. In order to ensure that such reallocation does not pose any problem at

No.	Matter Referred	Clarifications
	covered by any bank branch or where concerned bank branch has not performed for any reason. Please clarify whether the reallocation of village is restricted to SGSY Scheme alone or for all other banking activities in the village and whether RBI approval is necessary.	the level of implementation we have advised in para XVIII of our circular dated 1.9.1999 that the reallocation decision be referred to DCC for its consideration and necessary action.
2.	In case group loaning covering 2/3 villages, the branch having more members from its service area may finance the Group.	The Block/District SGSY Committee may decide on the basis of allocation given to each branch. Group loaning can also be decided by the BLBC/DCC/SC.
Submission of Data		
1.	Segregation of Recoveries under IRDP/SGSY.	Loans disbursed up to 31 March 1999 under IRDP should be reported separately.
Items not included in RBI Circular		
1.	As per Government guidelines, review of establishment of linkages is to be taken up especially on the technical support by line departments so as to decide on the continuation of financing the specific key activity - Issue has not been dealt with in RBI circular	Only the salient features of the Scheme have been highlighted in the Circular. Guidelines would continue to be the guiding feature.

**System of Back-end Subsidy -
Stipulation of Lock-in-Period (Model)**

Full Project Cost as Bank Loan Rs. 10,000/-

Subsidy Rs. 5,000/-

Loan Repayment Period	Lock-in-Period (in Years)	With maintenance of assets in good condition and regular repayment of loan instalments		With regular repayment after (B) but before expiry of (A)	Eligible amount of pro-rata subsidy for adjustment
		At the end of	Subsidy Eligible		

SGSY - Swarozgari Loan Repayment Details

(Proforma - BR 2B - From Bank Branch to Block and from Block to DRDA)

Bank Code _____

Bank Name _____

Block Code _____

Block Name _____

Month _____

Year _____

Sr. No.	Name of the Swarozgari	Swarozgari Code	BPL Code	Amount Due in the Month (in Rs.)	Amount Paid during the Month (in Rs.)	Total Amount that should have been paid so far (in Rs.)	Total Amount Repaid (in Rs.)
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>

Note: This proforma to be filled in only for Swarozgaris.

SGSY - Self-Help Groups (SHGs) Loan Repayment Details

(Proforma - BR 2C - From Bank Branch to Block and from Block to DRDA)

Bank Code _____

Bank Name _____

Block Code _____

Block Name _____

Month _____

Year _____

Sr. No.	Name of the SHG	Group Code	Amount Due in the Month (in Rs.)	Amount Paid during the Month (in Rs.)	Total Amount that should have been paid so far (in Rs.)	Total Amount Repaid (in Rs.)
1	2	3	4	5	6	7

Note: This proforma to be filled in only for Groups.

Annexure 1(5)

SGSY - Expenditure on Subsidy

(Proforma - DR 2A - From Bank Branch to Block and from Block to DRDA)

Name of the District _____

District Code _____

Year _____

Month _____

Bank Branch Name	Bank Branch Code	Amount of Subsidy with the Branch as on 01.04.____	Amount Released upto Last Month (in Rs.)	Amount Released during the Month (in Rs.)	Total Amount Available with the Branch (in Rs.)	Amount Adjusted upto the Month (in Rs.)
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Annexure 1(7)

SGSY - Expenditure on Risk Fund for Consumption Credit

(Proforma - DR 2E - From Block to DRDA)

Name of the District _____

District Code _____

Month _____

Year _____

Sr. No.	Name of the Bank	Bank Code	Expenditure Incurred during the month (in Rs.)	Amount Reimbursed by the DRDA
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>

Note: Individual consumption utilisation certificate with names and addresses of the persons and amount of loan to be furnished by the banks.

Appendix

List of circulars that have been consolidated by the Master circular

No.	Circular No.	Date	Subject
1	SP.BC.23/09.01.01/99-2000	01.09.1999	Swarnjayanti Gram Swarozgar Yojana (SGSY)
2	SP.BC.51/09.01.01/99-2000	30.12.1999	Swarnjayanti Gram Swarozgar Yojana (SGSY)
3	SP.BC.58/09.01.01/99-2000	02.02.2000	Swarnjayanti Gram Swarozgar Yojana (SGSY)
4	SP.BC.01/09.01.01/2000-01	03.07.2000	SGSY-Reporting formats
5	SP.BC.03/09.01.01/2000-01	06.07.2000	Credit mobilisation target under SGSY during 2000-01