

Swarnjayanti Gram Swarozgar Yojana (SGSY)- Central Level coordination Committee (CLCC) held on June 3 2002 at Hyderabad – Implementation of decisions

**RPCD.SP.BC. 113 /09.01.01/2002-03
4 July 2002**

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

Dear Sir,

Swarnjayanti Gram Swarozgar Yojana (SGSY)- Central Level coordination Committee (CLCC) held on June 3 2002 at Hyderabad – Implementation of decisions

The meeting of Central Level Coordination Committee (CLCC) under the Swarnjayanti Gram Swarozgar Yojana (SGSY) was held on June 3, 2002 to review the performance under the SGSY scheme during 2001-02. The Committee expressed concern in the following areas.

- ✍ The average per family investment of Rs. 18000/-against the targeted investment of Rs. 25000/-
- ✍ Achievement of subsidy credit ratio of about 1:2 as against the prescribed ratio of 1:3.
- ✍ Achievement of credit mobilization of about 29% against the target.
- ✍ Continuing dominance of individual financing as against group financing
- ✍ Large scale underfinancing of the sanctioned projects.

On the basis of the decisions arrived at in the CLCC meeting, the following instructions may be noted for necessary action at your end.

1.Loan applications

(i) Pending loan applications

The Committee noted with concern that large number of loan applications were pending with the banks. Hence greater coordination of work at the block level between bankers and Government functionaries is called for.

(ii) Gap between sanction and disbursement

There was also a wide gap between sanction and disbursement of the loans by the banks. The gap between receipt of loan applications, their sanction and disbursement should be minimised.

(iii) Time limit for disposal of applications

It is reiterated that the applications under the scheme should be disposed off within the prescribed time limit of 15 days and at any rate not later one month as stipulated in Para VI of our circular dated 1 September 1999 to avoid pendency of applications at the branch.

(iv) Consultation Process

There is a felt need to establish a process of consultation and to exchange /share information between district and block level functionaries with bankers for smooth implementation of the programme. Government functionaries should share the information regarding approved BPL lists with banks and the banks should provide the details of defaulters under IRDP/SGSY loans to the Government functionaries so as to ensure that non eligible applications are not sponsored.

2. Problem of Underfinancing

Instances were being reported of banks resorting to large scale underfinancing in certain states. In this connection, we draw your attention to Para VI of our circular dated 1 September 1999 and Para 3 of our circular RPCD.SP.BC. 19/09.01.01 /2001-02 dated 30 August 2001 advising the banks that underfinancing should be avoided at any cost and that the banks should ensure adequacy of finance for the swarozgari to generate sufficient income to cross the Poverty Line. We reiterate that to ensure viability of the project, **underfinancing is to be avoided under any circumstance.**

3. Definition of Wilful defaulters and family

The Committee observed that instances have been reported of relatives of defaulters being denied loans under the SGSY. Government of India has recently defined the terms 'family' and 'wilful' defaulters for the purpose of the guidelines. In this connection, we invite your attention to our circular RPCD.SP.BC.99/09.01.01/2001-02 dated 4 June 2002 where the terms 'family' and 'willful defaulters' have been defined.

4. Waiver of legal action before referring to DCC for forfeiture of subsidy under IRDP misutilisation cases

As per the existing instructions under IRDP, in case of misutilisation of loan by the beneficiary, a bank branch can adjust the subsidy only after concurrence of the DCC/DLRC. It has been decided that in case of IRDP loans, where matters relating to defaults in repayment have been pending for long, the bank branch may take decision about forfeiture of

subsidy and adjustment of the same against loan **after obtaining approval from the authority at next higher level.**

5. Recovery

(i) Restoration of 80% recovery clause that has been temporarily suspended

The provision as per Para 4.26 of the SGSY guidelines with regard to stipulation of 80% recovery in Panchayats under the scheme had been temporarily suspended by Government of India vide their letter No. I-12011/20/99-IRD credit dated 16 March 2001. It was decided that the suspension would continue.

(ii) Recovery efforts

The State Governments and the banks should continue their efforts for recovery of loans under the erstwhile IRDP and SGSY to improve the recovery performance under the scheme.

6. Participation of banks in block/district level SGSY Committee meetings

For monitoring the progress under the SGSY scheme committees have been constituted at the block level and district level. Bank branch managers are members of the block level SGSY committee and the Lead Bank Officer is the convenor at the district level and district coordinators of the implementing banks are members. It was pointed out that in some States banks are not attending the block level and district level SGSY committee meetings regularly. Banks should ensure their participation in the meetings of the block and district level SGSY committees. Necessary instructions may therefore, be issued to branches/controlling offices urgently in this regard.

Lead Banks may, also, issue suitable instructions to the banks in their lead districts to ensure participation of bankers in the block and district level SGSY meetings and to exchange/share relevant information with the government functionaries.

7. Revolving Fund for Groups

(i) Cash Credit Facility

In some States, the bank branches were reported to be not clear regarding the methodology of opening cash credit account for the groups and references were made to higher authorities leading to unnecessary delays in opening of cash credit accounts for the groups. In Para V of our circular RPCD.SP.BC.23/09.01.01 dated 1 September 1999 it has been indicated that every SHG that is in existence at least for a period of six months and which has demonstrated the potential of a viable group would receive a revolving fund of Rs. 25000/- as Cash Credit

facility. As per provisions contained in Para VI of our aforesaid circular, branch managers may be vested with adequate discretionary powers to sanction proposals under the scheme without reference to any higher authority. Hence the application for Cash Credit Facility for Revolving Fund under the SGSY scheme may be accepted by the branch manager. Thus, the question of referring the applications to higher authority would not arise. Banks may, therefore, issue suitable instructions/ clarifications to branches in this regard immediately.

(ii) Quantum of Revolving Fund

The ceiling of the Revolving Fund sanctioned to the groups will remain at Rs. 25000/- and to avoid delay in groups taking up economic activity the second grading test of the group should be done at the end of six months itself from the date of receipt of Revolving Fund as stipulated in Para 3.18 of the guidelines.

8. Security norms

(i) Collateral security

In terms of Para VIII of our circular RPCD.SP.BC.23/09.01.01 /99-2000 dated 1 September 1999, for group loans up to Rs. 3 lakhs the assets created out of bank loan would be hypothecated to bank as primary security. For group loans exceeding Rs. 3 lakhs, 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.

It has now been decided that exemption of collateral security for group loans under SGSY be raised to Rs. 5 lakhs from the existing Rs. 3 lakhs. Accordingly, for group loans up to Rs. 5 lakhs, the assets created out of bank loan would be hypothecated to the bank as primary security. In case where movable assets are not created, 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 group loans above Rs. 5 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. The upper ceiling of Rs. 5 Lakh is irrespective of the size of the group or prorata per capita loan to the group.

(ii) Project cost

While deciding the limit for collateral security, the total project cost (bank loan plus Govt. subsidy) should be taken into consideration by banks.

9. SGSY Special Projects

The Committee observed the need for more methodical formulation of the special projects under the scheme so as to bring in the advantages of economies of scale, faster dissemination of best practices, creating market niches and accessing export markets etc. and felt that banks could take up special projects under the scheme on pilot basis.

10. Voluntary Retirement Scheme (VRS)

The Committee noted that in the post VRS (Voluntary Retirement Scheme) scenario in banks, there are many States, particularly in the North Eastern Region, where the implementation of the programme has been suffering due to lesser number of persons deployed in rural branches of banks. In this connection, we invite your attention to our circular DBOD. BL.BC.3/22.01.001/2001 dated 25 July 2001 wherein it has been indicated that no branch of Public Sector Banks in general and that in a rural area in particular is closed due to non availability of staff on account of introduction of VRS and that lending under various schemes in rural areas is not adversely affected. We reiterate the above instructions and advise that those bank branches, which have either been closed or shifted from difficult areas, should be brought back to the original position, once normalcy is restored in such areas.

11.Sensitisation programmes

The Committee has emphasized the need for organizing training of bankers and district and block level officers involved in the implementation of the SGSY scheme. Banks may, therefore, organize district wise intensive one day sensitization camps / workshops for their branch officers.

You are advised to issue necessary instructions to your controlling offices/ branches in this regard.

Please acknowledge receipt.

Yours faithfully

Sd/-

(Deepali Pant Joshi)
General Manager