

April 13, 2005

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

Dear Sir,

**Interest rates to be charged on group loans under Swarnjayanti Gram
Swarozgar Yojana (SGSY)**

As you are aware that Swarnjayanti Gram Swarozgar Yojana (SGSY) is a major poverty alleviation and employment generation programme of the Government of India, implemented in the rural areas of the country, focuses on Group approach.

2. Government of India, Ministry of Rural Development observed certain anomalies in rate of interest charged by banks on Group loans and individual loans under SGSY.

3. Further, clarifications have been sought by some banks on the rate of interest to be charged on group loans under SGSY. It is, therefore, clarified that the rates of interest to be charged on Group loans under SGSY may be linked to per capita size of the loans so as to mitigate the burden on the BPL beneficiaries on the analogy of IRDP group loans.

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

Yours faithfully,

Sd/-

(G.Srinivasan)
Chief General Manager