

MASTER CIRCULAR

CREDIT FACILITIES TO SCHEDULED CASTES & SCHEDULED TRIBES



**RESERVE BANK OF INDIA
RURAL PLANNING AND CREDIT DEPARTMENT
CENTRAL OFFICE, MUMBAI**

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RBI/2008-09/43

RPCD.NO.SP.BC.5/09.09.01/ 2008-09

July 1, 2008

All Indian Scheduled Commercial Banks

Dear Sir,

Master Circular
Priority Sector Lending-Credit facilities to Scheduled Castes (SCs) & Scheduled Tribes (STs)

Reserve Bank of India has, periodically, issued instructions / directives to banks with regard to providing Credit facilities to Scheduled Castes (SCs) and Scheduled Tribes (STs). To enable banks to have current instructions at one place, a Master Circular incorporating all the existing guidelines/ instructions/ directives has been prepared and is appended. We advise that this Master Circular has been updated and consolidates all the previous instructions issued by Reserve Bank from time to time, which are listed in Annexure -III.

Please acknowledge receipt.

Yours faithfully,

(G. Srinivasan)
Chief General Manager

Master Circular

CREDIT FACILITIES TO SCHEDULED CASTES (SCs) & SCHEDULED TRIBES (STs)

1. Flow of Credit to SCs/STs

- 1.1 Special emphasis has been given to the welfare of the scheduled castes and scheduled tribes. Banks should take the following measures to step up their advances to SCs/STs:

Planning Process

- (a) At the block level, a certain weightage is to be given to scheduled castes/scheduled tribes in the planning process. Accordingly, the credit planning should be weighted in favour of scheduled castes/scheduled tribes and special bankable schemes suited to members of these communities should be drawn up to ensure their participation in such schemes and larger flow of credit to them for self-employment. It will be necessary for the banks to consider loan proposals of these communities with utmost sympathy and understanding.
- (b) The District Level Consultative Committees formed under the Lead Bank Scheme should continue to be the principal mechanism of co-ordination between banks and development agencies.
- (c) The district credit plans formulated by the lead banks should be elaborated to indicate clearly the linkage of credit with employment and development schemes.
- (d) Banks will have to establish closer liaison with the District Industries Centres, which have been set up in different districts for promoting self-employment.
- (e) Banks should periodically review their lending procedures and policies to see that loans are sanctioned in time, are adequate and production-oriented and that they generate incremental income to make them self-liquidating.
- (f) Credit planning should be weighted in favour of Scheduled Castes/ Scheduled Tribes and special bankable schemes suited to members of these communities should be drawn up to ensure a larger flow of credit to them for self-employment. Loan proposals of these communities **should be considered sympathetically and expeditiously.**
- (g) While 'adopting' villages for intensive lending, villages with sizeable population of these communities may be specially chosen; the alternative of adopting specific localities (bastis) in the concerned villages which have a concentration of these communities could also be considered.
- (h) Special efforts should be made to evolve suitable bankable schemes for weaker sections including members of these communities.

Role of Banks

- (i) Bank staff may help the poor borrowers in filling up the forms and completing other formalities so that they are able to get credit facility within a stipulated period from the date of receipt of applications.
- (j) In order to encourage SC/ST borrowers to take advantage of credit facilities, greater awareness among them about various schemes formulated by banks will

have to be created. As a majority of the eligible borrowers would be illiterate persons, publicity through brochures, other literature, etc. will be of limited utility. The more desirable method would be for the field staff of banks to contact such borrowers and explain to them the salient features of the schemes as also the advantages that will accrue. Banks should advise their branches to organize meetings more frequently exclusively for SC/ST beneficiaries to understand their credit needs and to incorporate the same in the credit plan.

- (k) Bank should keep Application Register/ Deposit Register, Complaint Register in desired order and maintain relevant documents and pass book in local language too, besides in Hindi and English.
- (l) Circulars issued by RBI/NABARD should be circulated among the staff for compliance.
- (m) Banks should not insist on deposits while considering loan applications under Government sponsored poverty alleviation schemes/self-employment programmes from borrowers belonging to SCs /STs. It should also be ensured that applicable subsidy is not held back while releasing the loan component till the full repayment of bank dues. Non release of subsidy upfront amounts to under-financing and hampers asset creation/ income generation.
- (n) A National SC/ST Finance and Development Corporation has been set up under the administrative control of Ministry of Welfare. Banks should advise their branches/controlling offices to render all the necessary institutional support to enable the institution to achieve the desired objectives.
- (o) Advances sanctioned to State sponsored organizations of SC/ST, for the specific purpose of purchase and supply of inputs to and/or the marketing of outputs of the beneficiaries viz. artisans, village and cottage industries of these organizations, should be treated as **priority sector advances**, subject to the condition that the relative advances are exclusively for the purpose of purchase and supply of inputs to and/or marketing of the outputs of beneficiaries of these organizations.

Role of SC/ST Development Corporations

- (p) The Ministry of Welfare, Government of India has advised all State Governments that the Scheduled Caste Development Corporations can consider bankable schemes / proposals for bank finance. As regards Collateral Security and / or third party guarantee for loans, guidelines issued to banks on priority sector lending will apply.

Rejection of Applications

- (q) If applications in respect of SCs/STs are to be rejected, it should be done at the next higher level instead of at the branch level. Further, reasons for rejection of applications should be clearly indicated.

Centrally sponsored schemes

There are several major centrally sponsored schemes under which credit is provided by banks and subsidy is received through Government Agencies. Credit flow under these schemes is monitored by RBI. Under each of these, there is a significant reservation / relaxation for the members of the SC/ST communities.

Reservations for SC/ST beneficiaries under major Centrally Sponsored Schemes

Swarnjayanti Gram Swarozgar Yojana (SGSY)

(r) Under Swarnjayanti Gram Swarozgar Yojana (SGSY) Scheme, which is a major poverty alleviation scheme in rural / semi urban areas, not less than 50 percent of the families assisted should belong to SCs/STs.

Prime Minister's Rozgar Yojana

(s) The Prime Minister's Rozgar Yojana (PMRY) has been designed to provide credit to educated unemployed youth for setting up of the self-employment ventures in industries, services and business sectors. A reservation of 22.5 percent has been provided for SCs/STs in the scheme.

Swarna Jayanti Sahari Rozgar Yojana

(t) Under Swarna Jayanti Sahari Rozgar Yojana (SJSRY), which is a poverty alleviation scheme in urban areas, advances should be extended to SCs/STs to the extent of their strength in the local population.

Differential Rate of Interest Scheme

(u) Under the DRI scheme, banks can provide individual loans upto Rs. 15,000/- at a concessional rate of interest of 4% p.a. to the weaker sections of the community for engaging in productive and gainful activities. In order to ensure that persons belonging to SCs/STs also derive adequate benefit under the Differential Rate of Interest (DRI) scheme, banks have been advised to grant eligible borrowers belonging to SCs/STs such advances to the extent of not less than 2/5th (40 percent) of total DRI advances.

Scheme for Liberation and Rehabilitation of Scavengers

(v) The National Scheme for Liberation and Rehabilitation of Scavengers is for liberating the scavengers and their dependents from the existing hereditary and obnoxious occupation of manually removing night soil and filth and to provide them with alternate dignified occupation. The scheme covers primarily all scavengers belonging to the scheduled caste community. Scavengers belonging to other communities are also eligible for assistance. The scheme has now been renamed as Scheme for Rehabilitation of Manual Scavengers (SRMS).

Relaxations for SC/ST beneficiaries under major centrally sponsored schemes

(w) Under SGSY scheme, beneficiaries belonging to SC/ST are entitled to subsidy of 50% of the project cost with a maximum ceiling of Rs.10,000/- as against the subsidy of 30% of project cost with a maximum ceiling of Rs.7,500/- in case of beneficiaries under general category.

(x) There is 10-year relaxation for the beneficiaries belonging to SCs/STs in the upper age limit to be eligible under PMRY (age limit for general category is 18-35).

(y) Under the DRI scheme, the eligibility criteria that size of land holding should not exceed 1 acre of irrigated land and 2.5 acres of unirrigated land is not applicable to SCs/ STs. **Moreover, members of SC/STs satisfying the income criteria of the scheme can also avail of housing loan up to Rs. 20000/- per beneficiary over and above the individual loan of Rs. 15000/- available under the scheme. (as announced in the Union Budget 2007-08).**

2 Monitoring and Review

- 2.1 A special cell should be set up at the Head Office for monitoring the flow of credit to SC/ST beneficiaries. Apart from ensuring the implementation of the RBI guidelines, the cell would also be responsible for collection of relevant information/data from the branches, consolidation thereof and submission of the requisite returns to RBI and Government.
- 2.2 Convenor banks (of SLBC) should invite the representative of National Commission for SCs/STs to attend SLBC meetings. Besides, the Convener banks may also invite representatives from National Scheduled Castes and Scheduled Tribes Financial Development Corporation (NSFDC) and State Scheduled Castes and Scheduled Tribes Financial and Development Corporation (SCDC) to attend SLBC meetings
- 2.3 A periodical review should be made by the Head Office of banks of the credit extended to SCs/STs on the basis of returns and other data received from the branches.
- 2.4 The Board of Directors should review on quarterly basis, the measures taken to enhance the flow of credit to SC/ST borrowers. The Review Notes, besides indicating the actual performance of the bank during the relevant quarter, should also contain information about how the bank proposes to expand the coverage of this sector in the context of potential for business and its network of branches with particular reference to such schemes as DRI, SGSY, etc. The review should also consider the progress made in lending to these communities directly or through the State-level Scheduled Caste/Scheduled Tribe Corporations for various purposes based, amongst others, on field visits of the senior officers from the Head Office/Controlling Offices. A copy each of such review notes should be sent to Reserve Bank.

3 Reporting Requirements

It has been considered necessary to have data of banks' advances for SCs and STs under priority sectors and Differential Rates of Interest (DRI) Scheme separately. Accordingly banks may submit to RBI on half-yearly basis as on the last reporting Friday of March and September a statement showing the credit extended to SCs and STs under priority sectors (Annexure I). Further, banks may submit to Reserve Bank on yearly basis as on the last reporting Friday of March a statement showing the credit extended to SCs and STs under DRI Scheme (Annexure II). The statements should reach RBI within two months from the end of the relevant half-year/ year.

ANNEXURE I

(Paragraph 3)

Statement showing Advances granted to Scheduled Castes/ Scheduled Tribes as on the last reporting Friday of March/September

<i>(Amount in thousands of rupees)</i>							
<i>(No: in actual)</i>							
		Scheduled Castes		Scheduled Tribes		Total	
		No. of Accounts	Balance Outstanding	No. of Accounts	Balance Outstanding	No. of Accounts	Balance Outstanding
		1	2	3	4	5	6
SI.No.	Priority Sector Advances						
1.	Agriculture a. Direct b. Indirect						
	Of which advances to small/ marginal farmers with land holdings of 5 acres or less and landless labourers						
2.	Small Enterprises (including manufacturing and service enterprises) a. Direct b. Indirect						
	Of which advances to (i) Manufacturing (ii) Service Enterprises (iii) Advances to units in the Khadi and village Industries sector						
3.	Retail Trade						
4.	Education						
5.	Housing Loans						
6.	Micro Credit (other than loans granted to SHGs/ JLGs for agriculture & allied activities						
7.	State sponsored organisation for SC/ST for purchase and supply of inputs to and/or marketing of outputs of the beneficiaries (may be shown under columns 5 and 6)						
8	Loans granted to members of SC/ST for purposes other than the above organized as partnership firms, SHGs/						

	JLGs,etc but consisting of exclusively SC/ST members only.						
	Total						

Annexure 1 (a)

Statement to be submitted by the public sector banks as on the last reporting Friday of March / September

(Amt. in thousands of rupees)			
		Scheduled Tribes	
	Applicable only for Public Sector Banks	No. of accounts	Balance Outstanding
	Loans disbursed to SHGs belonging to STs under the NSTFDC Micro-Credit Scheme		

NSTFDC is the National Scheduled Tribes Finance Development Corporation

Annexure II

Advances under Differential Rate of Interest Scheme as on the last reporting Friday of March

		Scheduled Castes		Scheduled Tribes		Total	
		No. of Accounts	Balance Outstanding	No of Accounts	Balance Outstanding	No of Accounts	Balance Outstanding
		1	2	3	4	5	6
1.	Advances directly granted						
2.	Routed through						
	(a) Regional Rural Banks						
	(b) State sponsored Corporations of Scheduled Castes/ Scheduled Tribes						
	(c) Co-operatives/LAMPS identified in specific tribal areas by Government						
	Total						

Master Circular**ANNEXURE III****Credit facilities to Scheduled Castes/Scheduled Tribes****List of Circulars consolidated in the Master Circular**

No.	Circular No.	Date	Subject
1.	DBOD No. BP.BC.172/C.464(R)-78	12.12.78	Role of Banks in Promoting Employment
2.	DBOD No. BP.BC.8/C. 453(K)-Gen	09.01.79	Agricultural Credit to Small and Marginal Farmers
3.	DBOD No. BP.BC.45/C. 469(86)-81	14.04.81	Credit Facilities to SC/ST
4.	DBOD No. BP.BC.132/C. 594-81	22.10.81	Recommendations of the Working Group on the Development of Scheduled Castes.
5.	RPCD No. PS.BC.2/C. 594-82	10.09.82	Credit Facilities to SC/ST
6.	RPCD No. PS.BC.9/C. 594-82	05.11.82	Concessional Bank Finance to SC/ST Development Corporations.
7.	RPCD No. PS.BC.4/C. 594-83	22.08.83	Credit Facilities to SC/ST
8.	RPCD No. PS.1777/C. 594-83	21.11.83	Credit Facilities to SC/ST
9.	RPCD No. PS.1814/C..594-83	23.11.83	Credit Facilities to SC/ST
10.	RPCD No. PS.BC.20/C.568(A)-84	24.01.84	Credit Facilities to SC/ST – Rejection of Loan Applications.
11.	RPCD No. CONF.S/274/PB-1-84/85	15.04.85	Role of Private Sector Banks in Lending to SCs/STs
12.	RPCD No. CONF.S.62/PB-1-85/86	24.07.85	Role of Private Sector Banks in Lending to SCs/STs.
13.	RPCD No. SP.BC.22/C.453(U)-85	09.10.85	Credit Facilities to Scheduled Tribes under DRI Scheme.
14.	RPCD No. SP.376/C-594-87/88	31.07.87	Credit Facilities to SC/ST
15.	RPCD No. SP.BC.129/C.594(Spl)/ 88-89	28.06.89	National SC/ST Finance and Development Corporation.
16.	RPCD No. SP.BC.50/C.594-89/90	25.10.89	Scheduled Caste Development Corporation – Instructions on Unit Cost.
17.	RPCD No. SP.BC.107/C.594-89/90	16-05-90	Credit Facilities to SCs/STs
18.	RPCD No. SP.1005/C.594/90-91	04-12-90	Credit facilities to Scheduled Castes and Scheduled Tribes – Evaluation Study.
19.	RPCD No. SP.BC.93/C.594.MMS-90/91	13.03.91	Scheduled Caste Development Corporation (SCDCs) – Instructions on Unit Cost.
20.	RPCD No.SP.BC.122/C.453(U)-90-91	14.05.91	Housing Finance to SCs /STs – Inclusion under the DRI Scheme.
21.	RPCD. No. SP.BC.118/C.453(U)-92/93	27-05-93	Priority Sector Advances – Housing Finance.
22.	RPCD No. LBS.BC.86/02.01.01/96-97	16.12.96	Inclusion of National Commission for SCs /STs in State Level Bankers Committees (SLBCs)
23.	RPCD No. SP.BC.124/09.09.01/96-97	15.04.97	Parliamentary Committee on the Welfare of SCs /STs – Insisting on

			Deposits from SCs/STs by Banks.
24	RPCD No. SAA.BC.67/08.01.00/98-99	11.02.99	Credit Facilities to SCs STs
25	RPCD No. SP.BC.51/ 09.09.01 / 2002-03	04-12-02	Proceedings of the work shop on the role of financial institutions in the development of SCs and STs
26	RPCD No SP. BC.84/09.09.01/2002-03	09.04.03	Amendment to the Master Circular
27	RPCD No SP. BC. 100/09.09.01/2002-03	04.06.03	Changes in the reporting system
28	RPCD No SP.BC. 102/09.09.01/2002-03	23.06.03	Sample study for review of credit flow to SCs and STs—Major Findings
29.	RPCD. SP. BC. No. 49/ 09.09.01/2007-08	19.02.08	Credit facilities to SC/ STs- Revised Annexure