

RESERVE BANK OF INDIA
Rural Planning & Credit Department
CENTRAL OFFICE
Central Office Building,13th Floor
Mumbai - 400 001

Ref. NO.RPCD.SP .BC 23 / 09 .01 .01 / 99 -2000

The Chairman/Managing Director
All Indian Scheduled Commercial Banks
(Excluding RRBs)

Dear Sir

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 existing schemes namely,

Integrated Rural Development Programme (IRDP)

Training of Rural Youth for Self Employment (TRYSEM)

Development of Women & Children in Rural Areas (DWCRA)

Supply of Improved Toolkits to Rural Artisans (SITRA)

Ganga Kalyan Yojana (GKY)

Million Wells Scheme (MWS)

I. 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 atleast 50%, Women 40% and the disabled 3% of those assisted.

II. Skill Upgradation

Once the person or group of persons has been identified for assistance, their training needs 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.

III. Activity Clusters, Key Activities

Major share of assistance upto 75% (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 atleast in the third year the net income would be not less than Rs.2,000/-p.m.

IV. 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.

V. 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 the assistance for economic activities under the scheme.

VI. 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.

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.

VII. 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.

VIII. 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.

IX. Subsidy

Subsidy under SGSY will be uniform at 30% of the project cost, subject to a maximum of Rs.7,500/-. In respect of SC/STs it will be 50% of the project cost subject to a maximum of Rs.10,000/-. For groups of Swarozgaris (SHGs) the subsidy would be at 50% 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 bank 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.

X. 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.

XI. Risk Fund for consumption credit

The scheme provides for the creation of Risk Fund with 1% 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% of the total consumption loans disbursed by banks to the SGSY swarozgaris during the year would be provided out of this Risk Fund.

XII. 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 per cent 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, 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.

XIII. 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 bank fails 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 (including interest earned) 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 per cent 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 per cent 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 .

XIV. 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.

XV. 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.***

XVI. Deputation of Bank Officials to the DRDAs

As a measure of strengthening the 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.

XVII. 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.

XVIII. 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.

XIX. Submission of data

Close monitoring at all levels would contribute greatly to the effective implementation of the Scheme. To facilitate flow of information, the bank branches may submit the data on the progress under the scheme on a monthly basis to Block Development Officer/ Lead Bank Officer/ Regional Office by 10th of the following month. Regional Office of the Bank may submit the same to their Zonal Office by 20th of the following month and Zonal Office in turn may submit the consolidated data to Head Office by 25th of the following month. The Head Office of the bank will submit the consolidated data to the Ministry of Rural Development, Govt. of India, New Delhi by end of the following month.

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.

Banks may continue to submit the data under Scheme to the government agencies in the existing format prescribed under IRDP.

XX. Annual Credit Plan 1999-2000

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

XXI. LBR Returns

Separate code for SGSY would be allotted under LBR reporting system .

A copy of guidelines issued by the Ministry of Rural Development indicating the role and responsibilities of the line departments, banks, NGOs, Swarozgaris is enclosed for reference and further clarifications. We shall be glad if you will issue suitable instructions to your controlling offices/branches immediately for implementation.

Please acknowledge receipt.

Yours faithfully

(A.V.Sardesai)

Chief General Manager

Endt.RPCD.No.SP. /09.01.01/99-2000 of date.

Copy forwarded to

1. The General Manager, National Bank for Agriculture and Rural Development; with a request that suitable instructions be issued to RRBs/ and co-operative banks.
2. Officer-in-Charge, Regional Officer, Rural Planning and Credit Department, Reserve Bank of India
3. As per mailing list.

(D. Suryanarayana)
General Manager

Encl: Copy of guidelines

Withdrawn w.e.f May 13, 2022