



भारतीय रिज़र्व बैंक  
**RESERVE BANK OF INDIA**  
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**RBI /2012 - 13/88**

RPCD. GSSD. BC. No.1/09.01.01/2012 - 13  
All Commercial Banks

July 02, 2012

Dear Sir,

**Master Circular on Priority Sector Lending- Special Programmes-  
Swarnajayanti Gram Swarozgar Yojana (SGSY)**

Please refer to our [Master Circular RBI / 2011 - 12 / 88: RPCD. GSSD. BC. No. 2 / 09.01.01 / 2011 - 12 dated July 1, 2011](#) on Swarnajayanti Gram Swarozgar Yojana (SGSY).

2. To enable the banks to have current instructions at one place, an up-dated Master Circular incorporating all the existing guidelines/instructions/directives on the Scheme has been prepared and is enclosed. We advise that this Master Circular has been updated and consolidates all the previous instructions on the subject issued by Reserve Bank of India till date as indicated in the Appendix.

3. Please acknowledge receipt.

Yours faithfully,

(C.D.Srinivasan)  
Chief General Manager  
Encl: As above

## **MASTER CIRCULAR**

### **PRIORITY SECTOR LENDING - SPECIAL PROGRAMMES**

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## **Swarnajayanti Gram Swarozgar Yojana (SGSY)**

The Ministry of Rural Development, Government of India have launched a new programme known as '**Swarnajayanti 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 (DWCRA)
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 1<sup>st</sup> 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 the assisted poor families (Swarozgaris) above the poverty line by ensuring appreciable sustained income over period of time. This objective is to be achieved by inter alia organising the rural poor into Self Help Groups (SHGs) through the process of social mobilisation, their training and capacity building and provision of income generating assets. The rural poor such as those with land, landless labour, educated unemployed, rural artisans and disabled are covered under the Scheme.**

The assisted poor 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 (BDO), 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 Up gradation / Training**

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 incurred by the training institutions for both Basic Orientation and Skill Development Training will be met by DRDAs from out of the SGSY Fund.

For those beneficiaries who need additional skill development/upgradation of skills, appropriate training would be organized 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.

### **3. Activity Clusters, Key Activities**

The focus under the Scheme should be on development of activity clusters with emphasis on key activities identified in the block, both for group as well as individual assistance. The activity clusters would be in geographic clusters of neighbouring villages within reasonable radius. However, assistance is not prohibited for other activities. This is only an enabling provision for exceptional cases and it is expected that the funding of key activities will be the norm.

The SGSY Committee will select about 10 activities per block. However, focus should be on 4-5 key activities, which are identified for training and micro enterprise development in a cluster approach for larger number of groups. Care should, however, be taken that the market is either readily available or there is a potential for market creation for the products. The District SGSY Committee is empowered to add or delete any activity in the list of selected key activities with due justification. The DRDAs shall prepare directory of the selected key activities in the District (shelf of projects), which will be consolidated at the State level for preparation of directory of selected key activities.

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 Industry, Service and Business (ISB)

Sector, the responsibility of fixing the unit cost and other techno-economic parameters is of the District SGSY Committee.

#### **4. Self-Help Groups (SHGs)**

The Self Help Groups (SHGs) 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. SHGs 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.

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.

Self Help Groups go through various stages of evolution viz. Group formation, Group Stabilization, Micro Credit stage and Micro Enterprise Development stage. Under the Scheme, generally a Self Help Group may consist of 10-20 persons.

- i) However, in difficult areas like deserts, hills and areas with scattered and sparse population and in case of minor irrigation and disabled persons, this number may vary from 5-20. The difficult areas have to be identified by the State Level SGSY Committee and the above relaxation in membership will be permitted only in such areas.
- ii) Generally all members of the group should belong to families below the poverty line (BPL). However, if necessary, a maximum of 20% and in exceptional cases, where essentially required, up to a maximum of 30% of the members in a group may be taken from families marginally above the poverty line living contiguously with BPL families and if they are acceptable to the BPL members of the group.
- iii) The Above Poverty Line (APL) members will not be eligible for the subsidy under the Scheme. The group shall not consist of more than one member from the same family. A person should not be a member

of more than one group. The BPL families must actively participate in the management and decision making, which should not ordinarily be entirely in the hands of the APL families. Further, APL members of the SHG shall not become office bearers (Group leader, Assistant Group leader or Treasurer) of the group.

- iv) The group should operate a group account preferably in their service area bank branch, so as to deposit the balance amounts left with the groups after disbursing loans to its members.
- v) The group should maintain simple basic records such as minutes book, attendance register, loan ledger, general ledger, cash book, bank pass book and individual pass books.
- vi) In case of disabled persons, the groups formed should ideally be disability specific, wherever possible; however, in case sufficient number of people for formation of disability specific groups are not available, a group may comprise of persons with diverse disabilities or a group may comprise of both disabled and non disabled persons below the poverty line.
- vii) In cases where the size of the SHG is large {as in the case of Neighbourhood Groups (NHGs) under the Kudumbashree Programme of Government of Kerala where a neighbourhood group can comprise up to 40 members}, banks have been expressing difficulty in extending finance to such large groups. Hence, sub groups within the large group may be considered for financing by the banks under the SGSY provided they (or the large group) have satisfied the required grading criteria, possess all the characteristics of a viable and sustainable group and are found credit-worthy by the banks.

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. Definition of Family and Wilful Defaulter**

The terms 'Family' and 'Defaulter' for the purpose of SGSY guidelines have been defined by the Government of India as under:

'BPL Family' under the guidelines would be treated as a unit for the purpose of giving income generating assets. The 'Family' would consist of members of a household and united by ties of marriage, blood and adoption. The family would consist of husband, wife, dependent parents /sons /daughters / brothers and sisters. The moment a parent/son/daughter/brother/sister is no longer dependent and has a separate household, he will no longer be a member of the same BPL family.

A household having two kitchens and two ration cards should not be treated as a family and the existence of two kitchens or two ration cards in the same house is an indication of two families. Mere declaration by the loan applicant that he has separated from the family may not be considered as sufficient document for separate household. It needs to be ensured that ration card may not be insisted upon while defining the terms, due to various ground level difficulties faced in its procurement. Banks may devise their own ways of verifying the facts while taking decision on the same by inspecting/ visiting the villages in case of doubtful cases.

As far as the term 'Wilful defaulter' is concerned, it is defined as "one who is capable of repaying the loan, but has been defaulting intentionally and not repaying the loan deliberately and wilfully".

It is desirable that wilful defaulters should not be financed under SGSY. In case wilful defaulters are members of a group, they might be allowed to benefit from the thrift and credit activities of the group including the corpus built up with the assistance of Revolving Fund. But at the stage of assistance for economic activities, the wilful defaulters should not have the benefit of further assistance until the outstanding loans are repaid. Wilful defaulters of the group should not get benefits under the SGSY Scheme and the group may be financed excluding

such defaulters while documenting the loan. Further, non-wilful defaulters should not be debarred from receiving the loan. They may be certified by a team comprising the BDO or his representative, bank manager and the Sarpanch.

## **6. Revolving Fund**

SHGs that are in existence for about six months and have demonstrated the potential of a viable group enters the third stage, wherein it receives the Revolving Fund from DRDA and banks as cash credit facility. The DRDAs may release subsidy, which is equal to the group corpus with a minimum of Rs. 5000/- and a maximum of Rs. 10000/- linked with bank credit. The banks would sanction credit, which would be in multiples of the group corpus and could go up to four times of the group corpus as cash credit facility based on the absorption capacity and credit worthiness of the group.

Subsequently, if it is found that the group has not been able to reach the micro enterprise stage and requires further financial support to continue in the micro finance stage for some more time, performance of such groups may be got evaluated. In the evaluation if it is observed that the group has been successfully utilising the Revolving Fund, they could be considered for sanction of further doses of subsidy fund up to a maximum of Rs. 20000/- inclusive of previous doses linked with bank credit. The subsidy of Rs. 20000/- released by DRDA will be adjusted against the loan at the end of the cash credit period on the request of the group.

The group corpus would be defined as the total amount available with the group inclusive of cash with the group, amount in Savings Bank account of the group, loans outstanding against members of the group and interest earned on the loans as well as deposits.

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.

## **7. 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 Industry, Service and Business (ISB) sector may be made in cash where a number of items are to be bought.

### **(i) Group loans**

Ideally, under the group loaning, the group should take up single activity, but if there is a necessity, the group could also take up multiple activities under the group loaning. In either case, loan will be sanctioned in the name of the group and the group stands as guarantee to the bank for prompt repayment of loan. The group is entitled to subsidy of 50% of the project cost subject to per capita subsidy of Rs. 10000/- or Rs. 1.25 lakhs, whichever is less.

### **(ii) Multiple doses of credit**

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.

Generally, the people who are asset-less and skill-less are poorest of the poor and get left out under the programme. Such category of people may require small doses of multiple credit over a period of time coupled with emphasis on awareness creation, training and capacity building. The activities which are easier to handle and product is easily marketable could be identified for such category of people to ensure sustainable income, so that, they do not fall into debt trap. DRDAs may ensure that anticipated income as stipulated in the project is realized during the project period in order to enable the Swarozgaris to cross the poverty line.

### **(iii) Interest rates**

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

### **(iv) Loan applications**

#### **(a) Time limit for disposal of applications**

All loans granted under the Scheme are to be treated as advances under priority sector. Loan applications under the Scheme should be disposed of within the prescribed time limit of 15 days and at any rate not later than one month. To avoid pendency of applications greater coordination of work at the block level between bankers and Government functionaries is called for. The gap between receipt of loan applications, their sanction and disbursement should be minimized and it should be ensured that documentation process is kept simple to avoid hardship to the beneficiaries and consequent delay in disposal of applications.

#### **(b) Rejection of loan applications**

If some loan applications are rejected by the branch managers, the reason for rejection should be clearly recorded on the application form itself and the relevant application should be returned to the sponsoring authority immediately for their information and further action as they deem necessary.

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

## **8. Assistance to IRDP borrowers**

(i) 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.

(ii) 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.

## **9. 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<sup>1</sup> of the SGSY guidelines. For availing the group

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<sup>1</sup> **Para 4.35:** Insurance Cover at present is available for livestock assets given under IRDP (now SGSY). The General Insurance Corporation has agreed to provide this cover on the terms and conditions as reflected in the specimen Master Policy and Long Term Master Policy Agreement signed between the GIC and the State Government.

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**(i) Livestock Insurance**

The coverage and premium rates are to be fixed in accordance with the Master Policy Agreement.

**(ii) Scope of Cover**

The livestock policy provides indemnity in the event of death of animal/bird due to accident inclusive of fire, lightning, riot and strike, flood, cyclone, earthquake, famine or due to any fortuitous cause of disease contracted or occurring during the period of insurance subject to certain exclusions.

**(iii) Sum Insured**

The cost of the asset shall be treated as the sum insured for the settlement of claims. For permanent total disablement (PTD) claims 75% of the sum insured shall be payable.

**(iv) Claim Procedure**

The claim procedure is simplified to secure expeditious disposal of claims. The Bank/DRDA shall forward a death certificate given jointly by any two of the following within 30 days from the date of occurrence:

1. Sarpanch/Upsarpanch of Village;
2. President or any other officer of the cooperative credit society;
3. Official of Milk Collection Centre or Government Veterinary Surgeon/Veterinary Assistant;
4. Supervisor/Inspector of Cooperative Central Bank;
5. Authorised nominee of DRDA;
6. Secretary of Panchayat;
7. Village Revenue Officer ;
8. Village Accountant;
9. Head Master of Primary School.

**(v) Adjustment of Insurance Claim Money**

The procedure of adjustment of insurance claim of animals will be as follows :

- a) Where the borrower has been regular in payment of interest/repayment of instalments and is willing to receive a replacement animal, the claim proceeds may be utilized to purchase a new animal.
- b) Where the Swarozgari was a wilful defaulter and has additional dues to the bank by way of interest, the claim proceeds would be adjusted to the bank loan liability and the balance may be paid to the DRDA. However, if the default was not wilful, replacement animal may be provided out of claim proceeds.
- (c) Where the Swarozgari has been regular in payment of loan and interest but is unwilling to take a replacement animal he may be offered assistance for some other activity and claim proceeds utilized for financing the same. If he is unwilling to take any other activity, the claim money may be utilized by giving to the bank

insurance coverage by the SGSY Swarozgaris, the maximum age of Swarozgaris at the time of sanction has to be kept at 60 years of age. The insurance

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an amount equal to the balance outstanding in the loan account. The DRDA will also get subsidy amount proportionate to the balance loan outstanding and balance, if any, may be given to the beneficiary. Here, the Swarozgari is entitled to share the claim proceeds to the extent of loan repaid by him because he has utilized the asset properly and has paid the banks dues until the death of animal and has fulfilled the programmes objective to that extent.

**(vi) Other facilities**

The General Insurance Corporation of India have informed that if any IRDP (now SGSY) beneficiary has other milch animals where no loan or subsidy is involved, such milch animals could also be insured at the concessional rate of premium i.e. 2.25% per annum or 1.69% for three years. It has also intimated that IRDP (now SGSY) beneficiaries who have closed their loan account can insure the animals acquired by them through loan and subsidy at the concessional rate of premium for a further period of three years after closing the loan account if animals do not exceed the insurable age limit.

**Expenditure on Premium**

The expenditure on the premium is to be shared between the Government, bank and the beneficiary in the following proportions:

	When the banks do not participate	When the bank agrees to participate
Swarozgaris	1.25%	1.00%
Government	1.00%	0.75%
Bank	Nil	0.50%

The expenditure to be borne by the Government will be shared between the State and the Centre in the ratio of 75: 25. It should be met out of SGSY funds but should not be included in the individual subsidy ceiling applicable to the beneficiary.

**Group Life Insurance Scheme**

**Para 4.36:** A Group Life Insurance Scheme for Swarozgaris aged not less than 18 years and not more than 60 years was introduced w.e.f. 1.4.1988. This Scheme is operative from the date on which the asset is disbursed to the Swarozgari till the Swarozgari completes the age of 60 years or a period of 5 years from the date of commencement of the cover, whichever is earlier. A sum of Rs.6,000 shall become payable by LIC to the nominee of the deceased in case of natural death. In the event of death due to accident a sum of Rs.12, 000 shall become payable by LIC.

coverage, however, would be for five years or till the loan is repaid, whichever is earlier, irrespective of the age of Swarozgaris at the time of sanction of loan.

## **10. Security norms**

For individual loans upto Rs.1 lakh and group loans upto Rs. 10 lakh, the assets created out of bank loan would be hypothecated to the bank as primary collateral. In case 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. 1 lakh and group loans exceeding Rs. 10 lakh, 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. 10 lakh in respect of group loans is irrespective of the size of the group or pro rata per capita loan to the group. While deciding the limit for collateral security, the total project cost (bank loan plus Government subsidy) should be taken into consideration by banks.

## **11. 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/-.

The group is entitled to subsidy of 50% of the project cost subject to per capita subsidy of Rs. 10000/- or Rs. 1.25 lakhs, whichever is less. There will be no monetary limit on subsidy for irrigation projects.

Subsidy under SGSY will be back ended. Banks should not charge interest on the subsidy amount. 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 and 4.24<sup>2</sup> 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.

## **12. 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

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<sup>2</sup> **Para 4.17:** Subsidy will be back-ended. Banks would disburse the full project cost including subsidy to the Swarozgaris as loan. The benefits of subsidy will also be available to Swarozgaris who prefer to avail themselves of required working capital in the form of cash credit. The operation of subsidy amount by the bank will be as follows:

- a) The subsidy admissible to the Swarozgaris under SGSY should be kept in the Subsidy Reserve Fund Account Swarozgari-wise instead of in term deposit in the name of the Swarozgari. Banks should apply no interest on the Subsidy Reserve Fund Account. In view of this, for the purpose of charging interest on the loan, the subsidy amount should be excluded. The balance lying to the credit of Subsidy Reserve Fund Account will not form part of DTL for the purpose of SLR/CRR.
- b) In the case of Working Capital advances also, subsidy may be kept in the Reserve Fund Account as stated above without any interest being offered. However, the amount standing to the credit of the account should be withdrawn and credited to a Cash Credit Account of the SGSY Swarozgaris after a period of 5 years.

**Para 4.24:** The banks would take all possible measures, i.e. personal contact, organization of joint recovery camps with District Administration, legal action, etc. In case, even after this, the bank fails to recover the entire dues, the process of forfeiture of subsidy for adjustment against dues will be taken up. For this purpose, a notice will be issued to the Swarozgaris and he/she will be provided reasonable opportunity to show cause why his/her subsidy should not be forfeited. Thereafter, the concerned banks will place before the District SGSY Committee a complete report on action taken and a proposal for forfeiture and adjustment of subsidy. After getting the approval of the Committee, the concerned bank will adjust the subsidy (including interest earned) against the Swarozgaris dues. However, if the bank is able to realize any amount from the Swarozgaris subsequently over and above the amount due to it, the amount will be returned to the DRDA.

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 as mentioned in the para 4.10<sup>3</sup> of SGSY Guidelines. Legal proceedings (Civil/Criminal) wherever necessary may be initiated against the Swarozgari and against all members in case of SHG for recovery of loan.

### **13. 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. ( para 4.30<sup>4</sup> of SGSY Guidelines may be referred).

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<sup>3</sup> **Para 4.10:** In the event the Swarozgari does not inform the bank of the fact of procurement, the bank shall inform the BDO who shall enquire into the reasons. If the non-procurement is due to the negligence of the Swarozgari, the bank, in consultation with the BDO, shall afford him reasonable opportunity of doing so after which the bank shall be free to cancel the loan and recover the money. The Swarozgari will be liable for civil as well as criminal proceedings that are likely to arise in such a case. In case of the SHGs, all the members will be liable.

<sup>4</sup> **Para 4.30:** To meet the small consumption needs of weaker sections of society, a Risk Fund for Consumption Credit can be created with (one per cent) (1%) of SGSY fund at District level. The Scheme is intended to enable Commercial Banks, Cooperative Banks and Regional Rural Banks to provide consumption loans, not exceeding Rs.2000 per Swarozgaris from weaker sections of society. "Weaker Section" means all SGSY Swarozgaris, small and marginal farmers, landless agricultural workers, rural artisans and other people of very small means like carpenters, barbers, washermen, etc. who form an integral part of the village community. Under this

## **14. 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/District 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.

## **15. 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 of default in the payment of loan or the group becoming defunct or dissolution of the group and in case the bank fails to recover the entire dues in spite of all possible measures, the process of forfeiture of subsidy for adjustment against dues may be taken up. After getting the approval of District SGSY Committee the concerned bank may adjust the subsidy against the Swarozgaris dues. If the bank is able to realise any amount subsequently over and above the amount due to it, the same may be returned to DRDA.

The banks may engage the services of NGOs or individuals (other than government servants) as monitor-cum-recovery facilitators, on a commission

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Scheme, risk fund assistance is provided to the banks to the extent of 10% of the total consumption loans disbursed by them during the year to the above mentioned target groups.

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.

The provision as per Para 4.26<sup>5</sup> 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. The suspension would continue till further notice.

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.

While reporting the recovery under SGSY, banks should not add the recovery under IRDP with that of SGSY. Recovery figures under the SGSY should be maintained/ calculated separately. Further, within SGSY, advances and recovery of loans under group/ individual finance should be maintained separately to get a proper feed back.

## **16. 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.

## **17. 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,

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<sup>5</sup> Para 4.26:- In order to ensure recovery discipline with effect from 1.1.2001, any Panchayat that registers a recovery less than 80% under SGSY will not be eligible for consideration under SGSY. Likewise any Panchayat Samiti registering a recovery less than 80% will see the further programme suspended in the Samiti.

selection of Swarozgaris, pre-credit activities and post credit monitoring including loan recovery. The bank has the final say in the selection of Swarozgaris.

Where banks are involved as facilitators/ Self Help Promoting Institutions (SHPIs), the amount towards the cost of social mobilisation, training and capacity building of groups may be decided in the State Level SGSY Committee keeping in view the local need and requirements. Further, payment of the cost of social mobilisation should be based on the stage of development of the group as mentioned in Para 3.21<sup>6</sup> of the guidelines.

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<sup>6</sup> **Para 3.21:** Group activities stand a better chance of success because it is easier to provide back up support and marketing linkages for group activities. The SGSY will primarily follow the group approach. The groups should demonstrate minimum levels of group dynamism, as detailed above, before considering for assistance with the loan-cum-subsidy for the group under the SGSY. The group is entitled to subsidy of 50% of the project cost subject to per capital subsidy of Rs.10,000/- or Rs.1.25 lakhs, whichever is less. DRDAs should conduct training programmes to the members and the representatives of the groups so that the groups become fully self-managed and evolve into strong self managed groups. The cost of the groups formation and development should be met from the funds provided under the SGSY. Considering the experiences of the NGOs involved in the development of SHGs in the country, it is estimated that an amount of Rs.10,000/- per group would be the investment required over 3 - 4 years. Rs.10,000/- per group as mentioned above for formation and development of Self Help Group, is the maximum ceiling, however, the actual amount may be decided by the District Level SGSY Committee based on the local prevailing situations.

Payment of the amount to the NGOs/CBOs/Community Coordinators/Animators will be made in four instalments in the manner given below:

- a) 20% of the funds at the beginning when the formation of Self Help Group is commenced by the NGO/CBOs/Community Coordinator/Animator. This money could be utilized during the formation stage. During this period the group should open an account in the service area Bank Branch and they should be imparted Basic Orientation training on the concept of Self Help Group, Group dynamics, maintenance of records and books of accounts, conducting group meetings and financial transactions.
- b) 30% after the group qualifies for Revolving Fund or get linked to the Bank by way of availing credit and continue to work satisfactorily.
- c) 40% after the group take up an economic activity and
- d) 10% after the start of economic activity by the group and adherence to repayment schedule of the loan sanctioned by the Bank.

### **(i) Sensitisation programmes**

Emphasis is laid on 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 sensitisation camps / workshops for their branch officers.

### **(ii) SGSY Special Projects**

There is a 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 banks may take up special projects under the Scheme on pilot basis.

### **(iii) Voluntary Retirement Scheme (VRS)**

The Central Level Coordination Committee in its meeting held on 3<sup>rd</sup> June 2002 at Hyderabad, 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, banks are advised to refer to the circular No. 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. The above instructions are reiterated and banks are advised 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.

### **(iv) 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. Banks should ensure their participation in the meetings of the block and district level SGSY Committees.

#### **(v) Consultation Process**

It is necessary 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.

### **18. Role of DRDAs**

(i) DRDAs may facilitate in planning of network of SHGs by federating them at appropriate level, once SHGs have reached the stage of maturity and have stabilised. DRDAs should put in concerted efforts to strengthen and consolidate the groups formed by various organisations as some level of synergy already exists and then take steps to form new groups. The DRDA shall regularly monitor the progress of the groups through periodic evaluations. The DRDAs may act as nodal agency for developing database, which should include SHGs formed under all the schemes to ensure convergence of various schemes as well as better planning for training and other requirement of SHGs.

A facilitator working closely with the committees at grass root level can play a critical role in group formation and development.

DRDAs may support such sensitive support mechanisms in the shape of NGOs or community based organisations (CBOs) or net work of community coordinators/ animators or a commercial bank/ Regional Rural Banks/ Cooperative banks functioning in rural areas or a team of dedicated functionaries of the Government who are fully engaged in the task of initiating and sustaining the group development process.

With regard to involvement of Commercial bank/ Regional Rural bank/ Co - operative bank branches functioning in rural areas as facilitators/ Self Help Promoting Institutions (SHPI), effort should be made to involve only such bank branches who are committed and have shown keen interest in social mobilisation of poor people and could take up the responsibility of social mobilisation, group

formation and development of Self Help Groups. Accordingly, such rural bank branches could be involved as facilitators/SHPs for social mobilisation, formation, training and capacity building of SHGs formed under the Scheme. Further, involving banks as SHPs/ facilitators would help in credit linkage of groups which is one of the major objectives of organising SHGs and crucial for socio economic empowerment and sustenance of groups.

### **(ii) Linkage with banks & grading exercise**

During the stage of group formation, the SHG should be brought into contact with the local banks through opening of savings bank account preferably in their service area branch. The BDO and the banker may visit the SHG as often as they can and explain to the members the opportunities for self-employment. The DRDAs should involve the bank functionaries also in the training programme of SHGs.

In case the SHGs have been in existence prior to the SGSY under other programmes and have completed six months from the date of formation and it is being brought under the SGSY, such groups may be subjected to first grading immediately, without waiting for another six months.

For minor irrigation schemes, relaxation of time for the second grading could be allowed if the group is found credit-worthy and the project is viable. The decision in regard to the relaxation may be taken by the Block Level SGSY Committee.

In case the SHG has been in existence prior to the SGSY under other programmes and has completed one year from its date of formation and it is being brought under SGSY, the group may be subjected to second grading directly to assess its eligibility for economic activity without subjecting to first grading.

The choice of the agency carrying out the grading as well as the criteria should be to the satisfaction of the bank. It would be desirable that bank functionaries are involved in the grading exercise of groups functioning in their Service Area.

### **19. 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.

## **20. 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. Banks should ensure to achieve the credit mobilisation target set for each financial year without fail.

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.

The Central Level Co-ordination Committee in its meeting on February 7, 2005 reviewed the performance under the SGSY Scheme and made following recommendations which were advised to the banks to ensure successful implementation of the Scheme.

1. Powers be delegated to branch managers for sanction of all SGSY applications without making any reference to higher authorities.
2. Pending applications should be brought forward and disposed off in the first quarter of the succeeding year.
3. Banks may explore the possibility of utilising micro-finance institutions for bridging the credit gap.
4. Banks may take appropriate action to achieve the desired credit to subsidy ratio of 1:3.

5. Banks may furnish a status report to Ministry of Rural Development on the under-performance of their branches in lending under the Scheme during the last two years.
6. Banks should maintain separate record for recovery data in respect of SGSY distinct from IRDP and also utilise the Non-Public Business Working Day to attend to the problems of Swarozgaris under SGSY.

## **21. 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.

The Service Area branches may be grouped block wise without disturbing their Service Area identities or their obligation to prepare Village Credit Plans/ Service Area Plans so that borrowers will have the flexibility to approach other branches in a block in the event of inability of the concerned Service Area branch to adequately meet their requirements. The primary responsibility for financing borrowers within the Service Area will be that of the concerned Service Area branch. Borrowers will first approach their Service Area branch for credit facilities and in the event of the concerned Service Area branch not being in a position to finance them, it will be incumbent on it to give a 'No Dues Certificate' to the concerned borrower, who will then be free to approach any other branch in the block for credit support. If the Service Area branches do not issue 'No Dues Certificate' within 15 days from the date of receipt of the application, the borrower will be free to approach any other branch in the block for his credit requirements without production of 'No Dues Certificate' from the concerned Service Area branch (vide circular RPCD. No. BC.117/08.01.00/95-96 dated April 2, 1996 read with circular RPCD. No. BC. 150/08.01.00-93/94 dated 24 May 1994).

Banks should follow these Service Area Approach guidelines scrupulously.

## **22. 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.

Monthly/quarterly progress reports under the Scheme may be furnished to RBI/Ministry of Rural Development, Government of India, New Delhi as per the monthly/quarterly formats given in Annexure 1 (9) and 1 (10) respectively, for monitoring the State-wise/bank-wise progress in the implementation of the Scheme. The recovery statement under the Scheme may be submitted as per format given in Annexure 1 (8), on a half yearly basis as at the end of September/March every year. Banks should maintain separate record for recovery under SGSY (without mixing it with IRDP). The data for individual and group loans should also be compiled separately.

The quarterly (cumulative) progress reports and the recovery statement are required to be submitted within 45 days from the close of the quarter/half year to which it relates. The monthly cumulative progress report which has been modified with effect from September 2004 is required to be submitted within 30 days from the close of the quarter to which it relates. The modified format is at *Annexure 1 (9)*. Further, all the applications pending at the close of the year should be brought forward to the next year and decided upon. Banks should ensure timely submission of data. 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 regularly and without any delay.

### **23. 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.

### **24. LBR Returns**

The Code number for SGSY under LBR reporting system has been allotted and communicated to the banks (vide circular No.SAA 8/08.01.04/1999-2000 dt.20<sup>th</sup> 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.

### **25. Clarifications**

In regard to the above, some issues have been raised by banks in the operationalization 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.

**Swarnajayanti Gram Swarozgar Yojana (SGSY) – Clarifications**

No.	Matter Referred	Clarifications
<b>Scheme</b>		
1.	<p>State Governments have been informed that from 1.4.1999 only the BPL census list that has been undertaken in IXth Plan (1999-2000 to 2003-2004) will be the valid list.</p> <p>Average size of family that can be taken into account for calculating the income level to identify BPL families.</p>	<p>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.</p> <p>BPL list is the basis for consideration for assistance.</p>
2.	<p>Formalities for formation of SHG &amp; for 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.</p>	<p>The SHG formation should take required time and should not be driven by any targets. Process approach for formation of groups should be followed as detailed in the guidelines. Existing DWCRA groups may be considered for financing in key activities, if they possess characteristics of a good SHG.</p>
3.	<p>The stipulation on category wise reservations (40% for women, 50% for SC/ST, 3% for disabled) should be relaxed and flexibility offered.</p>	<p>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.</p>
<b>Skill Up-gradation</b>		
1.	<p>Financial assistance to undergo skill development training conducted for more than a week.</p> <p>(a) Maximum ceiling limit/mode /period of repayment.</p>	<p>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.</p>

No.	Matter Referred	Clarifications
		<p>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.</p> <p>Mode of payment is left to the individual judgement of the lending bank.</p>
	(b) Inclusion of the cost of training as part of the project and release the loan for training as 1 <sup>st</sup> instalment so that we can minimise the documentation formalities, (only one account instead of two separate accounts)	Separate documentation would be necessary, as the project cost would be disbursed separately after the training.
	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.
<b>Activity Clusters, Key activities</b>		
1.	<p>Block SGSY Committee should compile and update the data on village profile.</p> <p>Choice between spread and cluster based efficiency should be left to Block SGSY Committee.</p>	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.
<b>Self Help Groups</b>		
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	As per Bye-laws/agreement of the group.

No.	Matter Referred	Clarifications
	member.	
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. However, in difficult areas like deserts, hills and areas with scattered and sparse population and in case of minor irrigation and disabled persons, this number may vary from 5-20. The difficult areas have to be identified by the State Level SGSY Committee and the above relaxation will be permitted only in such areas.
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 DW CRA groups for the year 1999-2000.
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.
<b>Revolving Fund (RF)</b>		

No.	Matter Referred	Clarifications
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) For a 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 Cash Credit Account.	It would be liquidated like any other Cash Credit Account. The liability of the group is for the entire amount of cash credit outstanding.
2.	(a) Mode of sanction and recovery under Revolving Fund is to be clarified.	Revolving Fund is linked to corpus of the group and is given only to those groups that have passed the first round of grading. 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 subsidy. 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. Please refer to Para (6) of Master Circular.
	(b) Whether the operative limit or RF account. Is to be reduced to Rs. 15,000/-	The operative limit will depend upon the corpus of the group. (refer to Para (6) of Master Circular)
	(c) Whether the banks have to take documents for Rs. 25,000/- or Rs. 15,000/-.	Banks will have to take documents for the whole operative limit.
3.	(a) How is the DRDA subsidy of Rs. 10,000/- to be treated? Should it	It is a subsidy for Revolving Fund of the group and therefore may be kept in

No.	Matter Referred	Clarifications
	<p>be credited to the cash credit account straight away or to be kept in a separate non-interest bearing account as deposit?</p>	<p>subsidy Reserve Fund account 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.</p>
	<p>(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.</p>	<p>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.</p>
	<p>(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 themselves.</p>	<p>Revolving Fund and subsidy are two supports available for SHGs under SGSY and Revolving Fund is linked to group corpus.</p>
	<p>(d) Security and interest norms for Revolving Fund.</p>	<p>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.</p>
<p>4.</p>	<p>Under what sub-head Revolving Fund loan is to be categorised within priority sector?</p>	<p>May be shown under loans to SHGs under priority sector.</p>
<p><b>Lending Norms</b></p>		
<p>1.</p>	<p>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 2<sup>nd</sup>/multiple dose.</p>	<p>In terms of Para (7) of Master Circular, 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</p>

No.	Matter Referred	Clarifications
		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 be levied for each document?	The waiver of stamp duty on various documents to be executed by individual/ group loanees rests with the State Governments.
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	Savings of the group need not be linked to the loan under SGSY as the target group is from the BPL list. Loan

No.	Matter Referred	Clarifications
	bringing in a margin of 25% by way of group savings will reduce the future debt service burden of the beneficiaries.	is given to a SHG only if the grading is satisfactory. 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.
<b>Insurance Cover</b>		
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 determine the age of Swarozgari.(refer to Para (9) of Master Circular).
<b>Security Norms</b>		
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 Central Level Coordination Committee (CLCC) meeting held in June 2002. Norms indicated in paragraph 10 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.
<b>Subsidy</b>		
1.	RPCD.BC.6/568(A)(P) dated 10.7.91 permits the principal branches in a district to allow overdrawing to the	The same instructions will hold good under SGSY.

No.	Matter Referred	Clarifications
	extent of 10% of total subsidy allocated for the year. The limit 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.	
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 (11) of Master Circular)
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.	The terms and conditions of the back-end subsidy are the same as under IRDP. (refer Para (11) of Master Circular)
<b>Post Credit Follow-up</b>		
1.	(a) In case of non procurement misutilisation of loan whether the civil/criminal action can be initiated?  (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.	Reference is invited to para 12 of Master Circular
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.
<b>Risk Fund for Consumption Credit</b>		
1.	10% of consumption loans disbursed by banks could be provided out of Risk Fund at District Level for	The banks will get 10% of the consumption credit disbursed by them during the year from DRDA to maintain

No.	Matter Referred	Clarifications
	Swarozgaris from Weaker Section. Whether this 10% is subsidy or repayable loan.	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 (refer to Para 13 of Master Circular). 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 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.

No.	Matter Referred	Clarifications
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.
<b>Recovery</b>		
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..	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.
3.	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% (Temporarily suspended).
<b>Supervision &amp; Monitoring</b>		
1.	In some States, the quarterly meetings of Block Committees under Service Area Approach (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 so that issues can be discussed threadbare.
2.	Convenors at all levels except at District level are Government officials	There is no change in the existing position.

No.	Matter Referred	Clarifications
	– 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.	
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 Standing Committee (SC) of District Consultative Committee (DCC). There is need to synchronise these fora also.	The present position may continue.
<b>Service Area Approach</b>		
1.	Under SGSY Scheme, District SGSY Committee has been empowered to allocate the villages, which are either not 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.	This was discussed and decided in the CLCC. In order to ensure that such reallocation does not pose any problem at the level of implementation we have advised in Para 21 of our Master Circular 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.
<b>Submission of Data</b>		
1.	Segregation of Recoveries under IRDP/SGSY.	Loans disbursed up to 31 March 1999 under IRDP should be reported separately.

No.	Matter Referred	Clarifications
<b>Items not included in RBI Circular</b>		
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.

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

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

Subsidy Rs. 5,000/-

(in case of group loans)

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		
(A)	(B)		(Rs.)		(Rs.)
1	2	3	4	5	6
5 Years	3 Years	First Year and Second Year	Nil	3 <sup>rd</sup> Year 4 <sup>th</sup> Year 5 <sup>th</sup> Year	3000 4000 5000
7 Years	4 Years	First Year to Third Year	Nil	4 <sup>th</sup> Year 5 <sup>th</sup> Year 6 <sup>th</sup> year 7 <sup>th</sup> Year	4/7 x 5000 = 2857 5/7 x 5000 = 3571 6/7 x 5000 = 4286 7/7 x 5000 = 5000
9 Years	5 Years	First Year to Fourth Year	Nil	5 <sup>th</sup> Year 6 <sup>th</sup> year 7 <sup>th</sup> Year 8 <sup>th</sup> Year 9 <sup>th</sup> Year	5/9 x 5000 = 2778 6/9 x 5000 = 3333 7/9 x 5000 = 3889 8/9 x 5000 = 4444 9/9 x 5000 = 5000



**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 \_\_\_\_\_

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

**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 \_\_\_\_\_

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

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





**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
1	2	3	4	5

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

**Recovery position under SGSY for the Half Year ended September / March****(cumulative)****Name of the bank:****SC/ST** (Rs. in Lakhs)

Name of the State/ Union Territory	Demand Demand	Recovery Recovery	Overdues Overdues	%3 %3	to to	2 2
	1 1	2 2	3 3	4 4		
	Individual/ Group	Individual / Group	Individual/ Group	Individual / Group		
Andhra Pradesh						
Assam						
Bihar						
Gujarat						
Haryana						
Himachal Pradesh						
Jammu & Kashmir						
Karnataka						
Kerala						
Madhya Pradesh						
Maharashtra						
Manipur						
Meghalaya						
Nagaland						
Orissa						
Punjab						
Rajasthan						
Sikkim						
Tamil Nadu						
Tripura						
Uttar Pradesh						
West Bengal						
Andaman & Nicobar						
Arunachal Pradesh						
Chandigarh						
Dadra & Nagar Haveli						
Delhi						
Goa						
Mizoram						
Puduchery						
Lakshadweep						
Daman & Diu						
Chhattisgarh						
Jharkhand						
Uttaranchal						

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**Total**


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## Appendix

### List of circulars that have been consolidated in 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
6.	SP.BC.19/09.01.01/2001-2002	30.08.2001	SGSY-Implementation-CLCC Discussions
7.	SP.BC.99/09.01.01/2001-2002	04.06.2002	SGSY-Family and Wilful Defaulter-Clarification
8.	SP.BC.15/09.01.01/2002-2003	11.09.2002	SGSY-Group Life Insurance Scheme
9.	SP.BC.16/09.01.01/2002-2003	11.09.2002	SGSY-Submission of Quarterly Review Note
10.	SP.BC.113/09.01.01/2002-2003	04.07.2002	SGSY-CLCC Meeting held on 3 <sup>rd</sup> June 2002 at Hyderabad-Implementation of decisions
11.	SP.BC.03/09.01.01/2002-2003	13.08.2002	SGSY-Amendments in the Guidelines
12.	<a href="#">SP.BC.68/09.01.01/2002-2003</a>	29.01.2003	SGSY-CLCC Meeting held on 24 <sup>th</sup> December 2002 at New Delhi-Implementation of decisions
13.	<a href="#">SP.BC.86/09.01.01/2002-2003</a>	16.04.2003	SGSY-Financing of groups having Defaulters
14.	<a href="#">SP.BC.95/09.01.01/2002-03</a>	12.05.2003	SGSY- Amendments in the Guidelines
15.	<a href="#">RBI/2004-05/125 SP. BC. No. 18 / 09.01.01/2004-05</a>	17.08.2004	Submission of progress reports and change in the periodicity of returns under SGSY
16.	<a href="#">RBI/2004-05/220 S.P. BC. No. 41/09.01.01/2004-05</a>	16.10.2004	Submission of progress reports under Swarnjayanti Gram Swarozgar Yojana (SGSY)-certain modifications
17.	<a href="#">RBI / 2004-05 / 307 S. P. B C. No. 66/09.01.01/2004-05</a>	21.12.2004	Swarnjayanti Gram Swarozgar Yojana (SGSY) - Review by

No.	Circular No.	Date	Subject
			Central Level Coordination Committee (CLCC)
18.	<a href="#">S.P.BC.No.94/09.01.01/ 2004-05</a>	13.04.2005	Interest rates to be charged on group loans under SGSY
19.	<a href="#">S.P.BC.No.45/09.01.01/ 2005-06</a>	18.10.2005	Recommendations : In respect of review of Swarnajayanti Gram Swarozgar Yojana (SGSY)- Central Level Coordination Committee (CLCC) held on 07.02.2005 at NABARD, Mumbai
20.	<a href="#">S.P.BC.No.80/09.01.01/ 2005-06</a>	02.05.2006	Credit Mobilisation target under Swarnajayanti Gram Swarozgar Yojana (SGSY) during the year 2006-07
21.	<a href="#">SP BC No.24/09.01.01/2006-07</a>	14.09.2006	Delegation of adequate powers to Branch Managers for sanctioning loan/referring to higher authorities and following of the procedures for calculating interest subsidy amount under SGSY Scheme
22.	<a href="#">SP BC No.60/09.01.01/2006-07</a>	29.03.2007	Credit Mobilisation target under SGSY during 2007-08
23.	<a href="#">SP.BC.No.12/09.01.01/2009 - 10</a>	24.08.2009	Increase in exemption of collateral security in respect of individual and group loans under SGSY Scheme
24.	<a href="#">GSSD. BC. No. 30 / 09.01.01 / 2010 - 11</a>	15.12.2010	Swarnajayanti Gram Swarozgar Yojana (SGSY) - Group Life Insurance Scheme
25.	<a href="#">GSSD.C.O. No. 14360 / 09.01.01 CM / 2010 - 11</a>	14.06.2011	Credit Mobilisation Targets under the Swarnajayanti Gram Swarozgar Yojana (SGSY) for the year 2011 - 12.