**CAIIB ELECTIVE PAPER ON RURAL BANKING**

**RBI Notifications during the period 1st July 2019 to 31st December 2019**

**RBI/2019-20/37 DBR.AML.BC.No.11/14.01.001/2019-20 August 9, 2019**

The Chairpersons/ CEOs of all the Regulated Entities

**Amendment to Master Direction (MD) on KYC**

Government of India, vide Gazette Notification G.S.R. 381(E) dated May 28, 2019, has notified amendment to the Prevention of Money-laundering (Maintenance of Records) Rules, 2005.

2. The change carried out in the Master Direction in accordance with the aforementioned amendment to the PML Rules is as under:

* A proviso has been added to condition (b) of Section 23 of the Master Direction to the effect that, where the individual is a prisoner in a jail, the signature or thumb print shall be affixed in presence of the officer in-charge of the jail and the said officer shall certify the same under his signature and the account shall remain operational on annual submission of certificate of proof of address issued by the officer in-charge of the jail.

3. The [Master Direction on KYC dated February 25, 2016](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11566), is hereby updated to reflect the change effected by the above amendment and shall come into force with immediate effect.

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**RBI/2019-20/39 FIDD.CO.Plan.BC.7/04.09.01/2019-20 August 13, 2019**

The Chairman/ Managing Director & CEOs All Scheduled Commercial Banks (Excluding Regional Rural Banks and Small Finance Banks)

**Priority Sector Lending – Lending by banks to NBFCs for On-Lending**

In order to boost credit to the needy segment of borrowers, it has been decided that bank credit to registered NBFCs (other than MFIs) for on-lending will be eligible for classification as priority sector under respective categories subject to the following conditions:

1. **Agriculture:** On-lending by NBFCs for ‘Term lending’ component under Agriculture will be allowed up to ₹ 10 lakh per borrower.
2. **Micro & Small enterprises:** On-lending by NBFC will be allowed up to ₹ 20 lakh per borrower.
3. **Housing:** Enhancement of the existing limits for on-lending by HFCs vide para 10.5 of our Master Direction on Priority Sector lending, from ₹ 10 lakh per borrower to ₹ 20 lakh per borrower.

2. Under the above on-lending model, banks can classify only the fresh loans sanctioned by NBFCs out of bank borrowings, on or after the date of issue of this circular. However, loans given by HFCs under the existing on-lending guidelines will continue to be classified under priority sector by banks.

3. Bank credit to NBFCs for On-Lending will be allowed upto a limit of five percent of individual bank’s total priority sector lending on an ongoing basis. Further, the above instructions will be valid for the current financial year upto March 31, 2020 and will be reviewed thereafter. However, loans disbursed under the on-lending model will continue to be classified under Priority Sector till the date of repayment/maturity.

4. The existing guidelines on bank loans to MFIs for on-lending as detailed in para 19 of Master Directions on Priority Sector Lending will continue to be applicable for NBFC-MFIs.

5. The guidelines shall come into effect from the date of the issuance of this Circular.

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**RBI/2019-20/66 FIDD.CO.Plan.BC.12/04.09.01/2019-20 September 20, 2019**

The Chairman/Managing Director & CEOs All SCBs including SFBs (Excluding Regional Rural Banks)

**Priority Sector Lending (PSL) – Classification of Exports under priority Sector**

In order to boost credit to export sector, it has been decided to effect following changes in para 8 of the [“Master Direction on Priority Sector Lending-targets and Classification” dated July 7, 2016 (updated as on December 4, 2018)](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10497) pertaining to export credit.

1. Enhance the sanctioned limit, for classification of export credit under PSL, from ₹ 250 million per borrower to ₹ 400 million per borrower.
2. Remove the existing criteria of ‘units having turnover of up to ₹ 1 billion’

2. The existing guidelines for domestic scheduled commercial banks to classify ‘Incremental export credit over corresponding date of the preceding year, upto 2 per cent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher’ under PSL will continue to be applicable subject to the criteria mentioned at (i) above.

3. There is no change in the present instructions in respect of foreign banks.

**RBI/2019-20/10 FIDD.CO.LBS.BC.No.06/02.01.001/2019-20 July 2, 2019**

The Chairmen/ Managing Directors/ Chief Executive Officers SLBC/ UTLBC Convenor Banks / Lead Banks

**MASTER CIRCULAR – Lead Bank Scheme**

The Reserve Bank of India has issued a number of guidelines/instructions on Lead Bank Scheme from time to time. This [Master Circular](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11622&Mode=0#MC1) consolidates the relevant guidelines/instructions issued by Reserve Bank of India on Lead Bank Scheme up to June 30, 2019

For details, pl see the link given below:

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/10MCA66C09ECD99148DF8ABF4C39E7901BFE.PDF>

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**RBI/2019-20/04 FIDD.GSSD.CO.BC.No.02/09.01.01/2019-20 July 01, 2019**

The Chairman/ Managing Director & CEO All Scheduled Commercial Banks & Small Finance Banks

**Master Circular – Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM)**

**1. Background**

1.1 The Ministry of Rural Development, Government of India launched a new programme known as National Rural Livelihoods Mission (NRLM) by restructuring and replacing the Swarnjayanti Gram Swarozgar Yojana (SGSY) scheme with effect from April 01, 2013. Detailed ‘Guidelines’ were circulated to all Scheduled Commercial Banks including Regional Rural Banks vide [RBI circular RPCD.GSSD.CO.No.81/09.01.03/2012-13 dated June 27, 2013](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=8075&Mode=0). NRLM was renamed as Deendayal Antyodaya Yojana – National Livelihoods Mission (DAY-NRLM) with effect from March 29, 2016.

1.2 DAY-NRLM is the flagship program of Govt. of India for promoting poverty reduction through building strong institutions of the poor, particularly women, and enabling these institutions to access a range of financial services and livelihood services. DAY-NRLM is designed to be a highly intensive program and focuses on intensive application of human and material resources in order to mobilize the poor into functionally effective community owned institutions, promote their financial inclusion and strengthen their livelihoods. DAY-NRLM complements these institutional platforms of the poor with services that include financial and capital services, production and productivity enhancement services, technology, knowledge, skills and inputs, market linkage, etc. The community institutions also offer a platform for convergence and partnerships with various stakeholders by building environment for the poor to access their rights and entitlements and public service.

1.3 A women’s Self-Help Group (SHG), coming together on the basis of mutual affinity is the primary building block of the DAY-NRLM community institutional design. DAY-NRLM focuses on building, nurturing and strengthening the institutions of the poor women, including the SHGs and their Federations at village and higher levels. In addition, DAY- NRLM promotes livelihood institutions of rural poor. The mission provides a continuous hand-holding support to the institutions of poor for a period of 5 – 7 years till they come out of abject poverty. The community institutional architecture put in place under DAY- NRLM will provide support for a much longer duration and of a greater intensity.

1.4 The support from DAY-NRLM includes all round capacity building of the SHGs ensuring that the group functions effectively on all issues concerning their members, financial management, providing them with initial fund support to address vulnerabilities and high cost indebtedness, formation and nurturing of SHG federations, making the federations evolve as strong support organizations, making livelihoods of the poor sustainable, formation and nurturing of livelihoods organizations, skill development of the rural youth to start their own enterprises or take up jobs in organized sector, enabling these institutions to access their entitlements from the key line departments, etc.

1.5 The implementation of DAY-NRLM has been in a Mission Mode since April, 2013. DAY-NRLM adopts a demand driven approach, enabling the States to formulate their own State specific poverty reduction action plans. DAY-NRLM enables the State rural livelihoods missions to professionalize their human resources at State, district and block level. The State missions are capacitated to deliver a wide range of quality services to the rural poor. DAY-NRLM emphasizes continuous capacity building, imparting requisite skills and creating linkages with livelihoods opportunities for the poor, including those emerging in the organized sector, and monitoring against targets of poverty reduction outcomes. The blocks and districts in which all the components of DAY-NRLM will be implemented, either through the SRLMs or partner institutions or NGOs, will be the intensive blocks and districts, whereas remaining will be non-intensive blocks and districts. The selection of intensive districts are done by the states based on the demographic vulnerabilities. It will be rolled out in a phased manner over the next 7 - 8 years. All blocks in the country will become intensive blocks over time. The key features of DAY-NRLM have been furnished in [Annex I](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11619&Mode=0#AN1).

**2. Women SHGs and their Federations**

2.1 Women SHGs under DAY-NRLM consist of 10-20 persons. In case of special SHGs i.e. groups in the difficult areas, groups with disabled persons, and groups formed in remote tribal areas, this number may be a minimum of 5 persons.

2.2 DAY-NRLM promotes affinity-based women Self Help Groups (SHGs).

2.3 Only for groups to be formed with Persons with disabilities, and other special categories like elders, trans genders, DAY-NRLM will have both men and women in the Self-Help Groups.

2.4 SHG is an informal group and registration under any Societies Act, State cooperative Act or a partnership firm is not mandatory vide Circular RPCD.No.Plan BC.13/PL-09.22/90-91 dated July 24th, 1991. However, Federations of Self Help Groups formed at Village, Gram Panchayat, Cluster or higher level may be registered under appropriate acts prevailing in their States.

**Financial Assistance to the SHGs**

**3. Revolving Fund (RF):** DAY-NRLM would provide Revolving Fund (RF) support to SHGs in existence for a minimum period of 3/6 months and follow the norms of good SHGs, i.e. they follow ‘Panchasutra’ – regular meetings, regular savings, regular internal lending, regular recoveries and maintenance of proper books of accounts. Only such SHGs that have not received any RF earlier will be provided with RF, as corpus, with a minimum of ₹10,000 and up to a maximum of ₹15,000 per SHG. The purpose of RF is to strengthen their institutional and financial management capacity and build a good credit history within the group.

**4. Capital Subsidy has been discontinued under DAY-NRLM:**

No Capital Subsidy will be sanctioned to any SHG from the date of implementation of DAY-NRLM.

**5. Community Investment Support Fund (CIF)**

CIF will be provided to the SHGs in the intensive blocks, routed through the Village level/ Cluster level Federations, to be maintained in perpetuity by the Federations. The CIF will be used, by the Federations, to advance loans to the SHGs and/or to undertake the common/collective socio-economic activities.

**6. Introduction of Interest subvention:**

DAY-NRLM has a provision for interest subvention, to cover the difference between the Lending Rate of the banks and 7%, on all credit from the banks/ financial institutions availed by women SHGs, for a maximum of ₹ 300,000/- per SHG. This will be available across the country in two ways:

(i) In 250 identified districts, banks will lend to the women SHGs @7% up to an aggregated loan amount of ₹ 300,000/-.The SHGs will also get additional interest subvention of 3% on prompt payment, reducing the effective rate of interest to 4%.

(ii) In the remaining districts, the banks will lend at their respective lending rate applicable to SHGs. All women SHGs under DAY– NRLM, will be eligible for interest subvention on prompt payment to the extent of difference between the lending rates and 7% for the loan up to Rs. 300,000/- subject to maximum of 5.5 % or as prescribed by the MoRD. This part of the scheme will be operationalized by SRLMs.

* Salient features of the Scheme are enclosed in [Annex II](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11619&Mode=0#AN2).
* The list of 250 identified districts is as per [Annex III](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11619&Mode=0#AN3),
* Interest subvention will be communicated separately to the banks by GOI/RBI.

**7. Role of banks:**

**7.1 Opening of Savings accounts:**

**7.1.1 Opening of Savings account of SHGs:** The role of banks would commence with opening of accounts for all the Women SHGs including members with disability and the Federations of the SHGs. The SHGs engaged in promoting of savings habits among their members would be eligible to open savings bank accounts.

(i) Know Your Customer (KYC) verification of only the office bearers shall suffice for opening of savings bank account.

(ii) Banks should not insist on Permanent Account Number (PAN) of SHGs at the time of opening of account or transactions and may accept declaration in Form No 60 as may be required.

(iii) For KYC verification pertaining to SHG members, instructions of Department of Banking Regulation in Master Direction on KYC (dated February 25, 2016, updated as on May 29, 2019) (Part VI – Paragraph 43) shall be adhered to while completing Customer Due Diligence (CDD)[1](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11619&Mode=0#F1) process. Accordingly, the current instructions under Simplified norms for Self Help Groups (SHGs) mention that Customer Due Diligence (CDD)[1](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11619&Mode=0#F1) of all the members of SHG as mentioned in the above Direction shall not be required while opening the savings bank account of the SHG. CDD of all the office bearers shall suffice. No separate CDD of the members or office bearers shall be necessary at the time of credit linking of SHGs. Opening of savings account of all members with the bank shall not be made a prerequisite for credit linkage of SHGs. Banks are advised to maintain separate Savings and loan account for Self Help Groups.

**7.1.2 Opening of Savings account of Federation of SHGs:** Banks are advised to open savings account of Federations of SHGs at village, Gram Panchayat, Cluster or higher level. These accounts may be categorized as savings account for ‘Association of persons’. The ‘Know Your Customer’ (KYC) norms for the signatories of such accounts as specified from time to time by Reserve Bank of India will be applicable.

**7.1.3 Transaction in Savings account of SHGs and Federation of SHGs:** SHGs and their federations may be encouraged to transact through their respective saving account on regular basis. To facilitate this, banks are advised to enable transactions in jointly operated savings account of SHGs and their federations with inter-operable facility at retail outlets managed by Business Correspondent Agents. Banks are also advised to extend all such services to SHGs and their federations through Business Correspondent agents permitted vide [circular DBOD.No.BAPD.BC.122/22.01.009/2013-14 dated June 24, 2014.](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=8955&Mode=0)

**7.2 Lending Norms:**

**7.2.1 The eligibility criteria for the SHGs to avail loans:**

* SHG should be in active existence at least since the last 6 months as per the books of account of SHGs and not from the date of opening of S/B account.
* SHG should be practicing ‘*Panchasutras’ i.e.*Regular meetings; Regular savings; Regular inter-loaning; Timely repayment; and Up-to-date books of accounts;
* Qualified as per grading norms fixed by NABARD. As and when the federations of the SHGs come to existence, the grading exercise can be done by the Federations to support the Banks.
* The existing defunct SHGs are also eligible for credit if they are revived and continue to be active for a minimum period of 3 months.

7.2.2 Loan Application: It is advised that all banks should use the Common Loan Application Forms recommended by Indian Bank’s Association (IBA) for extending credit facility to SHGs.

**7.2.3 Loan amount:** Emphasis is laid on the multiple doses of assistance under DAY- NRLM. This would mean assisting an SHG over a period of time, through repeat doses of credit, to enable them to access higher amounts of credit for taking up sustainable livelihoods and improve on the quality of life.

SHGs can avail either Term Loan (TL) or a Cash Credit Limit (CCL) loan or both based on the need. In case of need, additional loan can be sanctioned even though the previous loan is outstanding.

The amount of credit under different facilities should be as follows:

**Cash Credit Limit (CCL):** In case of CCL, banks are advised to sanction minimum loan of ₹ 5 lakhs to each eligible SHGs for a period of 5 years with a yearly drawing power (DP). The drawing power may be enhanced annually based on the repayment performance of the SHG. The drawing power may be calculated as follows:

* DP for First Year: 6 times of the existing corpus or minimum of ₹ 1 lakh whichever is higher.
* DP for Second Year: 8 times of the corpus at the time review/ enhancement or minimum of ₹ 2 lakh, whichever is higher.
* DP for Third Year: Minimum of ₹ 3 lakhs based on the Micro credit plan prepared by SHG and appraised by the Federations /Support agency and the previous credit history.
* DP for Fourth Year onwards: Minimum of ₹ 5 lakhs based on the Micro credit plan prepared by SHG and appraised by the Federations /Support agency and the previous credit History.

**Term Loan:** In case of Term Loan, banks are advised to sanction loan amount in doses as mentioned below:

* First Dose: 6 times of the existing corpus or minimum of ₹ 1 lakh whichever is higher.
* Second Dose: 8 times of the existing corpus or minimum of ₹ 2 lakh, whichever is higher
* Third Dose: Minimum of ₹ 3 lakhs based on the Micro credit plan prepared by the SHGs and appraised by the Federations /Support agency and the previous credit history
* Fourth Dose: Minimum of ₹ 5 lakhs based on the Micro credit plan prepared by the SHGs and appraised by the Federations /Support agency and the previous credit History

Banks should take necessary measures to ensure that eligible SHGs are provided with repeat loans. Banks are advised to work with DAY-NRLM to institutionalize a mechanism for online submission of loan application of SHGs for tracking and timely disposal of application.

(Corpus is inclusive of revolving funds, if any, received by that SHG, its own savings, interest earning by SHG from on-lending to its members, income from other sources, and funds from other sources in case of promotion by other institutes/NGOs.)

**7.3 Purpose of loan and repayment:**

7.3.1 The loan amount will be distributed among members based on the Micro Credit Plan (MCP) prepared by the SHGs. The loans may be used by members for meeting social needs, high cost debt swapping, construction or repair of house, construction of toilets and taking up sustainable livelihoods by the individual members within the SHGs or to finance any viable common activity started by the SHGs.

7.3.2 In order to facilitate use of loans for augmenting livelihoods of SHG members, it is advised that at least 50% of loans above ₹ 2 lakhs and 75% of loans above ₹ 4 lakhs be used primarily for income generating productive purposes. Micro Credit Plan (MCP) prepared by SHGs would form the basis for determining the purpose and usage of loans.

7.3.3 Repayment schedule could be as follows:

* The First year/ first dose of loan will be repaid in 12-18 months in monthly/ quarterly instalments.
* The Second year/ Second dose of loan will be repaid in 18-24 months in monthly/ quarterly instalments
* The Third year/ Third dose of loan will be repaid in 24-36 months in monthly/ quarterly instalments.
* The loan from Fourth year/ Fourth dose onwards has to be repaid between 3-6 years based on the cash flow in monthly/ quarterly installments.

**7.4. Security and Margin:** No collateral and no margin will be charged up to ₹ 10.00 lakhs limit to the SHGs. No lien should be marked against savings bank account of SHGs and no deposits should be insisted upon while sanctioning loans.

**7.5. Dealing with Defaulters:**

7.5.1 It is desirable that willful defaulters should not be financed under DAY-NRLM. In case willful 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 accessing bank loan by SHG for financing economic activities by its members, the willful defaulters should not have the benefit of such bank loan until the outstanding loans are repaid. Willful defaulters of the group should not get benefits under the DAY-NRLM Scheme and the group may be financed excluding such defaulters while documenting the loan. However, banks should not deny loan to entire SHG on the pretext that spouse or other family members of individual members of SHG being a defaulter with the bank. Further, non-willful defaulters should not be debarred from receiving the loan. In case default is due to genuine reasons, Banks may follow the norms suggested for restructuring the account with revised repayment schedule.

**8. Credit Target Planning**

8.1 Based on the Potential Linked Plan/State Focus Paper prepared by NABARD, SLBC sub-committee on SHG Bank Linkage may arrive at the district-wise, block-wise and branch-wise credit plan. The sub- committee should consider the existing SHGs, New SHGs proposed, and number of SHGs eligible for fresh and repeat loans as suggested by the SRLMs to arrive at the credit targets for the states. The targets so decided should be approved in the SLBC and should be reviewed and monitored periodically for effective implementation.

8.2 The district-wise credit plans should be communicated to the DCC. The Block- wise/Cluster-wise targets are to be communicated to the bank Branches through the Controllers.

**9. Post credit follow-up**

9.1 Loan pass books or statement of accounts in regional languages may be issued to the SHGs which may contain all the details of the loans disbursed to them and the terms and conditions applicable to the loan sanctioned. The passbook should be updated with every transaction made by the SHGs. At the time of documentation and disbursement of loan, it is advisable to clearly explain the terms and conditions as part of financial literacy.

9.2 Bank branches may observe one fixed day in a fortnight to enable the staff to go to the field and attend the meetings of the SHGs and Federations to observe the operations of the SHGs and keep a track of the regularity in the SHGs meetings and performance.

**10. Repayment:**

Prompt repayment of the loans is necessary to ensure the success of the programme. Banks shall take all possible measures, i.e. personal contact, organization of joint recovery camps with District Mission Management Units (DPMUs) / DRDAs to ensure the recovery of loans. Keeping in view, the importance of loan recovery, banks should prepare a list of defaulting SHGs under DAY-NRLM every month and furnish the list in the BLBC, DCC meetings. This would ensure that DAY-NRLM staff at the district/ block level will assist the bankers in initiating the repayment.

**11. Deputation of the bank officials to SRLMs**

As a measure of strengthening the (DPMUs) / DRDAs and for promoting a better credit environment, deputation of the bank officials to DPMUs/ DRDAs has been suggested. Banks may consider deputing officers at various levels to the State Governments/DRDAs in consultation with them.

**12. Supervision and monitoring of the Scheme**

Banks may set up DAY-NRLM cells at Regional/Zonal offices. These cells should periodically monitor and review the flow of credit to the SHGs, ensure the implementation of the guidelines to the scheme, collect data from the branches and make available consolidated data to the Head office and the DAY-NRLM units at the districts/ blocks. The cell should also discuss this consolidated data in the SLBC, BLBC and DCC meetings regularly to maintain the effective communication with the state staff and all banks.

**12.1 State Level Bankers’ Committee:** SLBCs shall constitute a sub-committee on SHG bank linkage. The sub-committee should consist of members from all banks operating in the State, RBI, NABARD, CEO of SRLM, representatives of State Rural Development Department, Secretary-Institutional Finance and Representatives of Development Departments etc. The sub- committee shall meet once in a month with a specific agenda of review, implementation and monitoring of the SHG-Bank linkage and the issues/ constraints in achievement of the credit target. The decisions of SLBCs should be derived from the analysis of the reports of the sub-committee.

**12.2 District Coordination Committee:** The DCC (DAY-NRLM sub-committee) shall regularly monitor the flow of credit to SHGs at the district level and resolve issues that constrain the flow of credit to the SHGs at district level. This committee meeting should have participation of LDMs, AGM of NABARD, district coordinators of the banks and DPMU staff representing DAY-NRLM and office bearers of SHG federations.

**12.3 Block level Bankers Committee:** The BLBC shall meet regularly and take up issues of SHG bank linkage at the block level. In this Committee, the SHGs/ Federations of the SHGs should be included as members to raise their voice in the forum. Branch wise status of SHG credit shall be monitored at the BLBC (Annex B and C may be used for the purpose)

**12.4 Reporting to Lead District Managers:** The branches may furnish the progress report and the delinquency report achieved under various activities of DAY-NRLM in the format at [Annex ‘IV’](http://rbidocs.rbi.org.in/rdocs/content/pdfs/4MC01072019_AN1.pdf) and [‘Annex V’](http://rbidocs.rbi.org.in/rdocs/content/pdfs/4MC01072019_AN2.pdf) to the LDM every month for onward submission to Special Steering Committee/sub-committee constituted by SLBC.

12.5 Reporting to RBI: Banks may give a state-wise consolidated report on the progress made on DAY-NRLM to RBI/NABARD at quarterly intervals. The data may be submitted within a month from the end of the concerned quarter.

12.6 LBR returns: Existing procedure of submitting LBR returns to be continued duly furnishing the correct code.

**13. Data Sharing:**

Data sharing on a mutually agreed format / interval may be provided to DAY-NRLM or State Rural Livelihood Missions (SRLMs) for initiating various strategies including recovery etc.

The financing banks are advised to regularly share data on loans to SHGs with the DAYNRLM or SRLMs, directly from the CBS platform.

**14. DAY-NRLM support to the bankers:**

14.1 SRLM would develop strategic partnerships with major banks at various levels. It would invest in creating enabling conditions for both the banks and the poor for a mutually rewarding relationship.

14.2 SRLM will assist the SHGs through imparting financial Literacy, extending counselling services on savings, credit, insurance, pension and training on Micro-investment Planning embedded in capacity building.

14.3 SRLMs will extend support to banks for improving quality of banking services to poor clients including follow-up for recovery of over dues if any, by positioning customer relationship managers (Bank Mitra/ Sakhi) with every bank branch involved in financing of SHGs.

14.4 Leveraging IT mobile technologies and institutions of poor, youth or SHG member as business facilitators and business correspondents.

**14.5 Community Based Repayment mechanism (CBRM):** One exclusive sub - committee for SHG Bank Linkage may be formed at village/cluster/ block level which will provide support to the banks in ensuring proper utilization of loan amount, recovery etc. The bank linkage sub - committee members from each village level federation along with project staff will meet once in a month under the chairmanship of the Branch Manager in the branch premises with the agenda items relating to bank linkage.

**Annex I**

**Key Features of DAY-NRLM**

**1. Universal Social Mobilization:** To begin with, DAY-NRLM would ensure that at least one member from each identified rural poor household, preferably a woman, is brought under the Self Help Group (SHG) network in a time bound manner. Subsequently, both women and men would be organized for addressing livelihoods issues i.e. farmers organizations, milk producers’ cooperatives, weavers associations, etc. All these institutions are inclusive and no poor would be left out of them. DAY-NRLM would ensure adequate coverage of vulnerable sections of the society such that 50% of the beneficiaries are SC/STs, 15% are minorities and 3% are persons with disability, while keeping in view the ultimate target of 100% coverage of all households under the automatically included criteria and households with at least one deprivation criteria as per Socio-Economic and Caste Census (SECC).

**2. Participatory Identification of poor (PIP):** The experience from SGSY suggests that the current BPL list has large inclusion and exclusion errors. To widen the target groups beyond the BPL list and to include all the needy poor identified as households with at least one deprivation criteria as per Socio-Economic and Caste Census (SECC). DAY- NRLM will also undertake community-based process i.e. participation of the poor in the process of identifying the target group. Participatory process based on sound methodology and tools *(social mapping and well-being categorization, deprivation indicators)*and also locally understood and accepted criterion ensures local consensus that inadvertently reduces the inclusion and exclusion errors and enables formation of the groups on the basis of mutual affinity. Over the years, the participatory method of identifying the poor have been developed and applied successfully in the states like AP, Kerala, Tamil Nadu and Odisha.

The households identified with at least one deprivation criteria as per SECC along with households identified through the P.I.P process will be accepted as DAY-NRLM target group and will be eligible for all the benefits under the programme. The list finalized after PIP process will be vetted by the Gram Sabha and approved by the Gram Panchayat.

Till the PIP process is undertaken by the State in a particular district/Block, the rural households with at least one deprivation criteria as per SECC list will be targeted under DAY-NRLM. As already provided in the Framework for implementation of DAY-NRLM, up to 30% of the total membership of the SHGs may be from among the population marginally above the poverty line, subject to the approval of other members of the group. This 30% also includes the poor households whose name does not figure in the SECC list but are as poor as those included in SECC list.

**3. Promotion of Institutions of the poor:** Strong institutions of the poor such as SHGs and their village level and higher-level federations are necessary to provide space, voice and resources for the poor and for reducing their dependence on external agencies. They empower them and also act as instruments of knowledge and technology dissemination, and hubs of production, collectivization and commerce. DAY-NRLM, therefore, would focus on setting up these institutions at various levels. In addition, DAY- NRLM would promote specialized institutions like Livelihoods collectives, producers’ cooperative/companies for livelihoods promotion through deriving economies of scale, backward and forward linkages, and access to information, credit, technology, markets etc.

The Livelihoods collectives would enable the poor to optimize their limited resource.

**4. Strengthening all existing SHGs and federations of the poor.** There are existing institutions of the poor women formed by Government efforts and efforts of NGOs. DAY- NRLM would strengthen all existing institutions of the poor in a partnership mode. The selfhelp promoting institutions both in the Government and in the NGO sector would promote social accountability practices to introduce greater transparency. This would be in addition to the mechanisms that would be evolved by SRLMs and state governments. The learning from one another underpins the key processes of learning in DAY-NRLM.

**5. Emphasis on Training, Capacity building and skill building:** DAY-NRLM would ensure that the poor are provided with the requisite skills for managing their institutions, linking up with markets, managing their existing livelihoods, enhancing their credit absorption capacity and credit worthiness, etc. A multi-pronged approach is envisaged for continuous capacity building of the targeted families, SHGs, their federations, government functionaries, bankers, NGOs and other key stakeholders. Particular focus would be on developing and engaging community professionals and community resource persons for capacity building of SHGs and their federations and other collectives. DAY- NRLM would make extensive use of ICT to make knowledge dissemination and capacity building more effective.

**6. Revolving Fund and Community investment support Fund (C.I.F):** A Revolving Fund would be provided to eligible SHGs as an incentive to inculcate the habit of thrift and accumulate their own funds towards meeting their credit needs in the long-run and immediate consumption needs in the short-run. The C.I.F would be a corpus and used for meeting the members’ credit needs directly and as catalytic capital for leveraging repeat bank finance. The C.I.F would be routed to the SHGs through the Federations. The key to coming out of poverty is continuous and easy access to finance, at reasonable rates, till they accumulate their own funds in large measure.

**7. Universal Financial Inclusion:** DAY-NRLM would work towards achieving universal financial inclusion, beyond basic banking services to all the poor households, SHGs and their federations. DAY-NRLM would work on both demand and supply side of Financial Inclusion. On the demand side, it would promote financial literacy among the poor and provides catalytic capital to the SHGs and their federations. On the supply side, it would coordinate with the financial sector and encourage use of Information, Communication & Technology (ICT) based financial technologies, business correspondents and community facilitators like ‘Bank Mitras’. It would also work towards universal coverage of rural poor against loss of life, health and assets. Further, it would work on remittances, especially in areas where migration is endemic.

**8. Provision of Interest Subvention:** The rural poor need credit at low rate of interest and in multiple doses to make their ventures economically viable. In order to ensure affordable credit, DAY-NRLM has a provision for subvention on interest rate above 7% per annum for all eligible SHGs, who have availed loans from mainstream financial institutions.

**9. Funding Pattern:** DAY-NRLM is a Centrally Sponsored Scheme and the financing of the programme would be shared between the Centre and the States in the ratio of 60:40 (90:10 in case of North Eastern States including Sikkim; completely from the Centre in case of UTs). The Central allocation earmarked for the States would broadly be distributed in relation to the incidence of poverty in the States.

**10. Phased Implementation:** Social capital of the poor consists of the institutions of the poor, their leaders, community professionals and more importantly community resource persons (poor women whose lives have been transformed through the support of their institutions). Building up social capital takes some time in the initial years, but it multiplies rapidly after some time. If the social capital of the poor does not play the lead role in DAY-NRLM, then it would not be a people’s programme. Further, it is important to ensure that the quality and effectiveness of the interventions is not diluted. Therefore, a phased implementation approach is adopted in DAY-NRLM. DAY-NRLM would reach all districts by the end of 12th Five-year Plan.

**11. Intensive blocks.** The blocks that are taken up for implementation of DAY-NRLM, ‘intensive blocks’, would have access to a full complement of trained professional staff and cover a whole range of activities of universal and intense social and financial inclusion, livelihoods, partnerships etc. However, in the remaining blocks or non-intensive blocks, the activities may be limited in scope and intensity.

**12. Rural Self Employment Training Institutes (RSETIs).** RSETI concept is built on the model pioneered by Rural Development Self Employment Institute (RUDSETI) – a collaborative partnership between SDME Trust, Syndicate Bank and Canara Bank. The model envisages transforming unemployed youth into confident self- employed entrepreneurs through a short duration experiential learning programme followed by systematic long duration hand holding support. The need-based training builds entrepreneurship qualities, improves self-confidence, reduces risk of failure and develops the trainees into change agents. Banks are fully involved in selection, training and post training follow up stages. The needs of the poor articulated through the institutions of the poor would guide RSETIs in preparing the participants/trainees in their pursuits of self- employment and enterprises. DAY-NRLM would encourage public sector banks to set up RSETIs in all districts of the country.

**Annex II**

**Interest subvention scheme for Women SHGs**

I. Interest subvention scheme on Credit to Women SHG for all Commercial Banks (only Public Sector Banks, Private Sector Banks and Regional Rural Banks) and Co-operative banks in 250 districts

i. All women SHGs will be eligible for interest subvention on credit up to 3 lakhs at 7% per annum. SHG availing capital subsidy under SGSY in their existing credit outstanding will not be eligible for benefit under this scheme.

ii. The Commercial Banks and Cooperative Banks will lend to all the women SHGs at the rate of 7% in the 250 districts. [Annex III](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11619&Mode=0#AN3) provides the names of the 250 districts.

iii. All Commercial Banks (excluding RRBs) will be subvented to the extent of difference between the Weighted Average Interest Charged (*WAIC as specified by Department of Financial Services, Ministry of Finance)*and 7% subject to the maximum limit of 5.5%.This subvention will be available to all the Banks on the condition that they make SHG credit available at 7% p.a. in the 250 districts.

iv. RRBs and Cooperative Banks will be subvented to the extent of difference between the maximum lending rates (as specified by NABARD) and 7% subject to the maximum limit of 5.5%. This subvention will be available to all RRBs and Cooperative Banks on the condition that they make SHG credit available at 7% p.a. in the 250 districts. RRBs and Cooperative Banks will also get concessional refinance from NABARD. Detailed guidelines for RRBs and Cooperative Banks will be issued by NABARD.

v. Further, the SHGs will be provided with an additional 3% subvention on the prompt repayment of loans. For the purpose of Interest Subvention of additional 3% on prompt repayment, an SHG account will be considered prompt payee if it satisfies the following criterion.

a. For Cash Credit Limit:

1. Outstanding balance shall not have remained in excess of the limit /drawing power continuously for more than 30 days.
2. There should be regular credit and debits in the accounts. In any case there shall be at least one customer induced credit during a month.
3. Customer induced credit should be sufficient to cover the interest debited during the month.

b. For the Term loans: A term loan account where all of the interest payments and/or instalments of principal were paid within 30 days of the due date during the tenure of the loan, would be considered as an account having prompt payment.

All prompt payee SHG accounts as on the end of the reporting quarter will be eligible for the additional interest subvention of 3%. The banks should credit the amount of 3% interest subvention to the eligible SHG loan accounts and thereafter seek the reimbursement.

vi. The Interest Subvention scheme shall be implemented for all commercial banks (excluding RRBs) through a Nodal Bank selected by the Ministry of Rural Development.

vii. For the RRBs and Cooperative Banks the scheme will be operationalized by NABARD similar to the short-term crop loan scheme.

viii. All Commercial Banks (including the PSBs, Private Banks and RRBs) who are operating on the Core Banking Solutions (CBS) can avail the interest subvention under the scheme.

ix. In order to avail the Interest Subvention on credit extended to the SHGs @ 7%, regular subvention, all commercial banks (excluding RRBs) are required to upload the SHG loan account information on the Nodal Bank’s portal as per the required technical specification. Banks must submit the claims for 3% additional subvention on the same portal.

x. The claims submitted by bank should be accompanied by a Statutory Auditor’s certificate (in original) certifying the claims for subvention as true and correct.

xi. In order to avail the Interest Subvention on credit extended to the SHGs @ 7%, all RRBs and Cooperative Banks are required to submit their claims to respective NABARD - Regional Offices on a quarterly basis as at June, September, December and March. The claims for the last quarter should be accompanied with a Statutory Auditor’s certificate certifying the claims for the Financial Year as true and correct. The claims of any Bank for the quarter ending March will be settled by MoRD only on receipt of the Statutory Audited certificate for the complete Financial Year by the Bank.

xii. RRBs and Cooperative Banks may submit their consolidated claims pertaining to the 3% additional subvention on disbursements made during the entire year to respective NABARD - Regional Offices latest by June every year, duly audited by Statutory Auditors certifying the correctness.

xiii. Any remaining claim pertaining to the disbursements made during the year and not included during the year, may be consolidated separately and marked as an *'Additional Claim*' and submitted to Nodal Bank (for all Commercial banks except RRBs) and NABARD Regional Offices (for all RRBs and Cooperative Banks) latest by June every year, duly audited by Statutory Auditors certifying the correctness.

xiv. Any corrections in claims by PSBs and Pvt. Sector Banks shall be adjusted from later claims based on auditor’s certificate. The corrections must be made on the nodal banks portal accordingly.

xv. For process of submission of claims by RRBs and Cooperative Banks, detailed guidelines will be issued by NABARD

**II. Interest subvention scheme for Category II Districts (Other than 250 districts).**

For category II districts, comprising of districts other than the above 250 districts, all women SHGs under DAY-NRLM will continue to be eligible for interest subvention to avail the loan facility at an interest rate of 7%. The funding for this subvention will be provided to the State Rural Livelihoods Missions (S.R.L.Ms). The State-wise distribution of the provision under this budget head would be determined each year. In the Category II districts, Banks will charge the SHGs as per their respective lending norms and the difference between the lending rates and 7% subjected to a maximum limit of 5.5% will be subvented in the loan accounts of the SHGs by the SRLM. In pursuance of the above, the salient features and the operational guidelines in respect of the interest subvention for the category II districts, are as follows:

**(A) Role of the Banks:**

All banks who are operating on the Core Banking Solution (CBS) are required to furnish the details of the Credit disbursement and Credit outstanding of the SHGs across all districts in the desired format as suggested by the MoRD, directly from the CBS platform, to the Ministry of Rural Development *(through FTP)*and to the SRLMs. The information should be provided on a monthly basis to facilitate the calculation and disbursement of the Interest Subvention amount to SHGs.

**B) Role of the State Governments:**

i. All women SHGs, comprising of more than 70% BPL or rural poor members (rural poor as per the Participatory Identification Process) are regarded as SHGs under DAY-NRLM. Such SHGs, comprising of rural poor members from the intended DAY-NRLM target group will be eligible for interest subvention on credit up to ₹ 3 lakhs at the rate of 7% per annum on prompt repayment.

ii. This scheme will be implemented by the State Rural Livelihood Missions (SRLMs). SRLMs will provide interest subvention to the eligible SHGs who have accessed loan from Commercial and Cooperative Banks. The funding for this subvention will be met out of the Central Allocation: State Contribution in the ratio of 75:25.

iii. The SHGs will be subvented with the extent of difference between the lending Rate of the banks and 7% subjected to a maximum limit of 5.5% by the SRLMs, directly on a monthly / quarterly basis. An e-transfer of the subvention amount will be made by the SRLM to the loan accounts of the SHGs who have repaid promptly.

iv. Women SHGs who have availed capital subsidy under SGSY in their existing loans, will not be eligible for benefit of Interest Subvention for their subsisting loan under this scheme.

v. SRLMs should submit Quarterly Utilization Certificate indicating subvention amounts transferred to the Loan accounts of the eligible SHGs

The States with state specific interest subvention schemes are advised to. harmonize their guidelines with the Central scheme.

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/4MC01072019506189EF9A684645AF078EAA43E6BFC5.PDF>

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The Chairman & Managing Director/CEO All Scheduled Commercial Banks & Small Finance Banks

**Deendayal Antyodaya Yojana – National Urban Livelihoods Mission (DAY-NULM)**

**Master Circular: Deendayal Antyodaya Yojana- National Urban Livelihoods Mission (DAY-NULM)**

**Background**

The Government of India, Ministry of Housing and Urban Poverty Alleviation (MoHUPA), restructured the existing Swarna Jayanti Shahari Rozgar Yojana (SJSRY) and launched the National Urban Livelihoods Mission (NULM) in 2013. NULM has been under implementation w.e.f. September 24, 2013 in all district headquarters (irrespective of population) and all the cities with population of 1 lakh or more.

The Self Employment Program (SEP) of NULM focuses on providing financial assistance through provision of interest subsidy on loans to support establishment of Individual & Group Enterprises and Self-Help Groups (SHGs) of urban poor. The erstwhile provision of capital subsidy for USEP (Urban Self Employment Program) and UWSP (Urban Women Self-Help Program) under SJSRY has been replaced by interest subsidy for loans to Individual enterprise (SEP-I), Group enterprise (SEP-G) and Self Help Groups (SEP-SHGs). With a view to improving the livelihood opportunities for the poor in urban areas, Ministry of Housing and Urban Poverty Alleviation (UPA Division), Government of India vide their Office Memorandum No.K-14011/2/2012-UPA/FTS-5196 dated February 19, 2016 has enhanced the scope of National Urban Livelihoods Mission. The Mission with enhanced scope was renamed as **“Deendayal Antyodaya Yojana -National Urban Livelihoods Mission (DAY-NULM)”.**

The operational guidelines of the Self Employment Program (SEP) component of DAY-NULM are as under:

**1. Introduction:**

1.1 The SEP provides financial assistance to individuals/groups including street venders/hawkers of urban poor for setting up gainful self-employment ventures/ micro-enterprises, suited to their skills, training, aptitude and local conditions. The programme also supports Self Help Groups (SHGs) of urban poor to access easy credit from bank and avail interest subsidy on SHG loans. The SEP will also focus on technology, marketing and other support services to the above beneficiaries engaged in micro enterprises for their livelihoods and will also facilitate issuance of credit cards for working capital requirement of the entrepreneurs.

1.2 The underemployed and unemployed urban poor will be encouraged to set up small enterprises relating to manufacturing, service and small business for which there is considerable local demand. Local skills and local crafts should be particularly encouraged. Each Urban Local Body (ULB) should develop a compendium of such activities/projects keeping in view skills available, marketability of products, costs, economic viability etc.

1.3 The percentage of women beneficiaries under SEP shall not be less than 30 percent. SCs and STs must be benefited at least to the extent of the proportion of their strength in the city/town population of poor. A special provision of 3 percent reservation should be made for the differently-abled under this program. In view of the Prime Minister’s 15-Point Program for the Welfare of Minorities, at least 15 percent of the physical and financial targets under this component shall be earmarked for the minority communities.

**2. Selection of Beneficiary & Procedure for Sponsoring Applications:**

The Community Organizers (COs) and professionals from Urban Local Body (ULB) will identify the prospective beneficiaries from among the urban poor. The community structures formed under Social Mobilization & Institutional Development (SM&ID) component of DAY- NULM viz. Self Help Groups (SHGs) and Area Level Federations (ALFs) may also refer prospective individual and group entrepreneurs for purpose of financial assistance under SEP to ULB. The beneficiaries may directly approach ULB or its representatives for assistance. Banks may also identify prospective beneficiaries at their end and forward such cases directly to ULB. The Banks may also use their empaneled Business Correspondents (BCs) and Business Facilitators (BFs) to increase the outreach. Due diligence will be undertaken as per the Banks’ policy, in this regard.

2.1 The application for individual and group enterprise loans will be sponsored by the Urban Local Body (ULB) which will be the sponsoring agency for the individual and group enterprise.

2.2 The ULB will create awareness regarding SEP to the prospective beneficiaries through mass media campaigns, Information Education and Communication (IEC) activities, advertisements in local newspapers, City Livelihoods Centres (CLCs) etc. The ULB may also disseminate information regarding this component through active involvement of Resource Organizations and its field staff.

2.3 The beneficiaries desirous of seeking financial assistance for setting up an enterprise can submit an application of intent to the concerned ULB officials on a plain paper with basic details viz: Name, Age, Contact details, Address, Aadhaar details (if any), amount of loan required, bank account number (if available), type of enterprise/ activity, category etc. The intent could also be sent by mail /post to the ULB office. The ULB shall accept such intents throughout the year.

2.4 The community structures formed under Social Mobilization & Institutional Development (SM&ID) component of DAY-NULM viz: Self Help Groups (SHGs)/ Area Level Federations (ALFs) may also refer prospective individual and group entrepreneurs for purpose of financial assistance under SEP to ULB.

2.5 On submission/receipt of the intent from the beneficiary the respective ULB will enter the details in a register/or MIS if available and hence will generate a waiting list of beneficiaries. The ULB will issue an acknowledgement to the beneficiary with a unique registration number, which may be used as a reference number for tracking the status of application.

2.6 ULB will call the beneficiaries in order of the waiting list to complete requisite documentation including filling of Loan Application Form (LAF), activity details, identity proof, address proof, bank account details etc. To verify the identity of the beneficiary, her/his Aadhar number will also be brought on record. If beneficiary does not have Aadhaar card, his/ her any other unique identification document like voters’ card, driving license etc. will be taken and s/he will be helped to obtain Aadhar card as soon as possible. The State Urban Livelihoods Mission (SULM) may develop a Loan Application Form (LAF) in suitable format in consultation with State Level Bankers Committee (SLBC) convenor bank. The same LAF may be utilised across the State/UTs. The Loan Application Form (LAF) will contain basic data in respect of economic status of the beneficiary and her/his family. This data will be such that it can be used to analyse impact of the benefits on her/his economic status at a later stage.

2.7 A Task Force constituted at ULB level will scrutinize the applications based on experience, skills, viability of activity, scope of the activity etc. Thereafter, the Task Force will shortlist the applications and call for interview of the applicants before recommending or rejecting the application or call for additional information from the applicant if required.

2.8 The Chief Executive Officer (CEO)/ Municipal Commissioner of ULB will be responsible to constitute the Task Force and will be the Chairman of the Task force. There could be more than 1 task force at ULB level depending upon the size/population of the ULB.

2.9 The indicative composition of the Task Force is as follows:

|  |  |  |
| --- | --- | --- |
| **Sr. No.** | **TASK Force at ULB level** | **Role** |
| 1. | Chief Executive Officer (CEO) ULB/ Municipal Commissioner of ULB/ or any representative authorized by CEO ULB | Chairman |
| 2. | Lead District Manager (LDM) | Member |
| 3. | City Project Officer (CPO), ULB/ or any authorized representative of ULB | Member Convenor |
| 4. | Representative from District Industries Centre (DIC) | Member |
| 5. | Senior Branch Managers (Max-2) of banks | Member |
| 6. | Representatives(2) of Area Level Federation / City Level Federation | Member |

2.10 The task force will then recommend the applications if found suitable, reject if found unsuitable or ask the beneficiary to submit further requisite information for re-examination on case to case basis.

2.11 The case duly recommended by the task force will be forwarded by the ULB to the concerned banks for further processing. Such cases recommended by task force have to be processed by concerned banks within a time frame of 15 days. As these cases are already recommended by the task force, such cases should be rejected by banks only in exceptional circumstances.

2.12 The banks will send a periodic report to the ULB on the status of the applications received. In case of MIS being used, the banks may be allowed to update the status of application online in addition to manual report.

2.13 Banks may also directly accept the loan applications of urban poor beneficiaries on the basis of relevant documents as per the guidelines of Prime Minister MUDRA Yojana (PMMY) or any other such scheme without the need of having prior sponsoring from ULB. The banks can send details of such loans sanctioned by them to ULBs for confirmation of their eligibility for interest subsidy under DAY-NULM. Task Force constituted for scrutinizing applications should quickly clear these applications if they otherwise meet the criteria. On confirmation of their eligibility, interest subsidy may be claimed from ULBs on the pattern of interest subsidy claim for beneficiaries sponsored by ULBs. The subsidy will be transferred directly to the loan account of DAY-NULM beneficiaries. This procedure will also be direct benefit transfer compliant.

**3. Educational Qualifications and Training Requirement:**

No minimum educational qualification is required for prospective beneficiaries under this component. However where the identified activity for micro-enterprise development requires some special skills appropriate training must be provided to the beneficiaries before extending financial support.

**3.1 Employment through Skills Training and Placement (EST&P):** Financial assistance should be extended only after the prospective beneficiary has acquired required skills for running the proposed micro-enterprise. Such training may not be necessary if the beneficiary has already undergone training from a known institution, registered NGO/Voluntary Organization or trained under any government scheme provided requisite certificate is produced. In case the beneficiary has acquired requisite skills from family occupation such cases should be certified by the ULB before extending financial assistance.

**3.2 Entrepreneurship Development Program (EDP):** In addition to skill training of the beneficiaries, the ULB will also arrange to conduct Entrepreneurship Development Program for 3-7 days for individual and group entrepreneurs. The EDP will cover basics of entrepreneurship development such as management of an enterprise, basic accounting, financial management, marketing, backward and forward linkages, legal procedures, costing and revenue etc. In addition to above topics the module should also include group dynamics, allocation of work, profit sharing mechanism etc. for group enterprises.

3.3 The EDP module may be developed and finalized by State Urban Livelihoods Mission (SULM) supported by State Mission Management Unit (SMMU) with assistance of an empaneled institution/agency or consulting firm and same may be utilized for conducting training program by the ULB. This EDP training may be arranged through institutions such as Rural Self Employment Training Institutes (RSETI), reputed institutions engaged in entrepreneurship development/ training, management/ educational institutes, reputed NGOs engaged in entrepreneurship development/ training etc.

**3.4 Follow-up entrepreneurial support to Individual and Group entrepreneurs:** After financing to Individual and Group beneficiaries, the ULB will also arrange to conduct follow-up Entrepreneurship Development Programme (EDP) as and when required. Such programme should preferably be conducted once in six months for each beneficiary who has been given a loan. During the follow-up EDP, problems and issues faced by beneficiaries should also be discussed and solutions should be given.

**4. Pattern of Financial Assistance:**

The financial assistance available to urban poor in setting up individual and group enterprises will be in the form of Interest subsidy on the bank loans. Interest subsidy, over and above 7% rate of interest will be available on a bank loan for setting up of individual or group enterprises. The difference between 7% p.a. and the rate of interest charged by the bank will be provided to banks under DAY-NULM. Interest subsidy will be given only in case of timely repayment of loan. Suitable certification from banks will be obtained in this regard. An additional 3 percent interest subvention will be provided to all Women Self Help Groups (WSHGs) who repay their loan in time. The Interest subsidy will be subject to timely repayment of the loan (as per the loan repayment schedule) and suitable certification obtained from banks by the ULB. The additional 3% interest subvention amount will be reimbursed to the eligible WSHGs. The banks should credit the amount of 3% interest subvention to the eligible WHSGs accounts and thereafter seek the reimbursement.

**5. Procedure for interest subsidy to Banks:**

5.1 All scheduled commercial banks (SCBs) and Small Finance Banks which are on the Core Banking Solution (CBS) platform would be eligible for getting interest subvention under the scheme.

5.2 After disbursement of loan to the beneficiaries, the concerned branch of the bank will send details of disbursed loan cases to ULB along with details of interest subsidy amount.

**Procedure I**

5.3 The settlement of claims made by banks would be done on quarterly basis by the ULBs, however the submission of claims should be monthly. The ULB will check the data at their end and will release the interest subsidy amount (difference between 7% p.a. and prevailing rate of interest) to the banks.

5.4 A prescribed format for interest subsidy claims for loans under this component is enclosed at ([Annex-I](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11615&Mode=0#A_1))

5.5 The claims should not be pending more than a quarter. In case the claims of the banks are not settled for a period of 6 months, SLBC is empowered to stop the scheme temporarily in selected cities subject to clearance of claims by such ULBs. In such eventualities, the claims settlement should prospectively be given to the Lead District Bank.

**Procedure - II**

**5.6 Settlement of Claims:** Nodal Agency for releasing interest subsidy: A public sector bank may be engaged by each State as nodal bank in consultation with the convener of the respective State Level Bankers’ Committee (SLBC). All the Banks will consolidate data regarding interest subsidy from their branches and upload on the portal of Nodal Bank. The nodal bank, after verification, will transfer the interest subsidy to the bank branches. The State/UT will deposit some funds in advance with the nodal bank, which will release funds to the bank branches as per guidelines of the DAY-NULM. Nodal bank will regularly render account of reimbursement to the SULM. This procedure will be followed in all three types of loans i.e. SEP (I), SEP (G) and SHG-Bank Linkage.

**6. Individual Enterprises (SEP-I)-Loan & Subsidy**

An urban poor individual beneficiary desirous of setting up an individual micro-enterprise for self-employment can avail benefit of subsidized loan under this component from any bank. The norms/ specifications for individual micro-enterprise loans are as follows:

**6.1 Age:** The prospective beneficiary should have attained the age of 18 Years at the time of applying for loan.

**6.2 Project Cost (PC):** The Maximum unit Project Cost for an individual micro-enterprise is ₹ 2,00,000 (₹ Two Lakhs).

**6.3 Collateral Guarantee on Bank Loan:** No collateral required. As per RBI [Circular RPCD.SME & NFS.BC.No.79/06.02.31/2009-10 dated May 6, 2010](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=5657&Mode=0) banks are mandated not to accept collateral security in the case of loans up to ₹ 10 lakhs extended to units in the MSE sector. Therefore, only the assets created would be hypothecated/ mortgaged/ pledged to banks for advancing loans. The banks may approach Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) setup by Small Industries Development Bank (SIDBI) or any other appropriate guarantee fund for the purpose of availing guarantee cover for SEP loans as per the eligibility of the activity for guarantee cover.

**6.4 Repayment:** Repayment schedule would range between 5 to 7 Years after initial moratorium of 6-18 months as per norms of the banks.

**6.5 Margin Money:** No margin money should be taken for a loan up to ₹ 50,000 and for higher amount loans, preferably 5% should be taken as margin money and it should in no case be more than 10% of the project cost.

**6.6 Type of Loan Facility:** Banks may extend finance to individuals for capital expenditure in the form of Term Loan and Working Capital loans through Cash Credit. Banks may also extend Composite Loans consisting of Capital Expenditure and Working Capital components, depending upon individual borrower’s requirement.

**7. Group Enterprises (SEP-G) -Loan & Subsidy**

A Self Help Group (SHG) or members of an SHG constituted under DAY-NULM or a group of urban poor for self-employment can avail benefit of subsidized loans under this component from any bank. The norms/ specifications for group based micro-enterprise loans are as follows:

**7.1 Eligibility Criteria:** The group enterprises should have minimum of Three (3) members with a minimum of 70% of the members from urban poor families. More than one person from the same family should not be included in the same group.

**7.2 Age:** All members of the group enterprise should have attained an age of 18 years at the time of applying for bank loan.

**7.3 Project Cost (PC):** The group will be eligible for a maximum loan of Rs. 2 Lakh per member or Rs. 10 Lakh, whichever is lower.

**7.4 Type of Loan:** Loan can be extended either as a single loan to the group functioning as one borrowing unit or each member of the group can be provided individual loans up to 2 lakhs and an overall cap of 10 lakhs based on the principal of joint liability of the group. The principles laid down in the RBI circular on “Budget (2014-15) Announcement Financing of Joint Farming Groups of ‘Bhoomi Heen Kisan’ dated 13th November, 2014” and subsequent revisions should be followed in case of loans to a group.

**7.5 Type of Loan Facility:** Banks may extend finance to groups for capital expenditure in the form of Term Loan and for Working Capital, through Cash Credit Facility. Banks may also extend Composite Loans for Capital Expenditure and Working Capital, depending upon Group’s requirement.

**7.6 Loan and Margin Money:** The Project Cost minus the beneficiary contribution (Margin Money) would be made available as loan amount to the group enterprise by the bank. No margin money should be taken for loan up to ₹ 50,000 and for higher amount loans, preferably 5% should be taken as margin money and it should in no case be more than 10% of the project cost.

**7.7 Collateral Guarantee on Bank Loan:** No collateral guarantee is required. Only the assets created would be hypothecated/ mortgaged/ pledged to banks for advancing loans. The banks may approach Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) or any other appropriate guarantee fund as detailed in Para-6.3.

**7.8 Repayment:** Repayment schedule would range between 5 to 7 Years after initial moratorium of 6-18 months as per the norms of the banks.

**8. SHG-Bank Linkage – General Guidelines**

Linking of SHGs with banks have been emphasized in the Monetary policy of Reserve Bank of India and Union Budget announcements from time to time and various guidelines in this regard have been issued by the Reserve Bank of India (RBI) to banks. To scale up the SHGs linkage program and make it sustainable, banks have been advised to consider lending to SHGs as part of their mainstream credit operations both at policy and implementation level.

8.1 Master Circular of RBI on SHG-Bank Linkage Programme, [FIDD.FID.BC. No.04/12.01.033/2018-19 dated July 02, 2018](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11320&Mode=0) contains instructions on opening of Savings Bank Account of Self Help Groups (whether registered or unregistered), which are engaged in promoting habit of savings among their members as a starting point. Thereafter, the SHGs may be sanctioned Savings Linked Loans (varying from a saving to loan ratio of 1:1 to 1:4) after due assessment or grading by banks. However, in case of matured SHGs, loans may be given beyond the limit of four times the savings as per the discretion of the bank. The Banks have also been instructed that the advances to SHGs irrespective of the purposes for which the members of SHGs should be included by the banks as part of their lending to the weaker sections.

8.2 Under Social Mobilization & Institution Development (SM&ID) component of DAY-NULM, the ULB will do necessary groundwork to open bank accounts for SHGs and facilitating access to Revolving Fund (RF). The ULB may also engage Resource Organization (RO) for the purpose or may directly facilitate SHGs through its staff. (Concept & Formation of SHGs, ROs and Revolving Fund has been detailed out in Social Mobilization & Institutional Development (SM&ID) component of DAY- NULM).

8.3 The banks will send the details of disbursed loan cases to the ULB along with the calculation details of the interest subsidy amount. The ULB will check the data at their end and will release the interest subsidy amount on quarterly basis to the banks following a similar procedure as mentioned in Para 5.The prescribed format for claiming the additional interest subvention is enclosed at ([Annex –II](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11615&Mode=0#A_2)).

8.4 The ULB through its field staff or Resource Organization (ROs) will facilitate filling of loan applications for eligible SHGs to access credit from the banks. The ULB will be responsible to forward the Loan application of the SHGs to the concerned banks with requisite documentation. The ULB will maintain area wise, bank-wise, ROs/ Staff wise data of SHGs loan applications forwarded to the banks. The same will be sent to SULM on a monthly basis.

8.5 In order to ensure effective SHG-Bank Linkage under DAY-NULM, the SULM will monitor and review the progress with banks on regular basis and co-ordinate with SLBC for interest subsidy/ subvention on SHG Loans in the state. Active involvement of State level Bankers’ Committee (SLBC) and lead banks may be ensured for sensitization of bank and branch staff for financial inclusion of urban poor.

8.6 It may be noted that the identification, selection, formation and monitoring of SHGs who are to get interest subvention would be the responsibility of State/ ULBs and banks would not be liable for wrong identification of SHGs who get interest subvention.

8.7 Type of Loan Facility: SHGs can avail either Term loan or a Cash Credit Limit (CCL) loan or both based on their needs. In case of need, additional loan can be sanctioned even though the previous loan is outstanding.

8.8 Guidelines for prompt repayment are as follows:

**a. For Cash Credit Limit to SHGs:**

i) Outstanding balance shall not have remained in excess of the sanctioned limit/drawing power continuously for more than 30 days.

ii) There shall be regular credits and debits in the account. In any case there shall be at least one customer induced credit during the month.

iii) Customer induced Credits during a month shall be sufficient to cover the interest debited during the month.

**b. For Term Loan to SHGs:** A term loan account where all of the interest payments and/or instalments of principal were paid within 30 days of the due date during the entire tenure of the loans would be considered as an account having prompt payment.

**9. Progress Reporting for SEP-I, SEP-G & SEP-SHG**

9.1 The ULB will prepare a data sheet of the applications recommended by the TASK force along with their status details of the sanction, disbursement and rejection (along with reasons) after validating the same with the respective banks. This data sheet will be sent to SULM on a monthly basis.

9.2 The SULM will compile all the reports received from respective ULBs and will communicate to M/o HUPA on a monthly basis.

9.3 SULM must ensure that progress under SEP is reviewed in every SLBC and District Consultative Committee (DCC) meetings. Any other important issue with regard to SEP may be taken up by SULM with SLBC convener bank for effective coordination and implementation.

**10. Credit Card for enterprise development**

10.1 The financial assistance to the individual entrepreneurs though subsidized loan for setting up of enterprises under DAY-NULM could be viewed as initial impetus to facilitate livelihood support to the urban poor. However the individual entrepreneurs require further financial support in terms of working capital to make the enterprise economically sustainable. This may include immediate and short term monthly requirement of cash for meeting expenses for purchase of goods, raw materials and other miscellaneous expenditures etc. The micro-entrepreneur does not have a regular fixed monthly cash inflow/income to meet expenses arising out of entrepreneurial activities. To approach a financial institution for such immediate credit requirement, it requires procedural documentation and consumes a lot of time. This need for working capital credit is generally met from informal sources of credit (including money lenders) which is typically available at high rate of interest.

10.2 In order to support the micro-entrepreneurs to meet their working capital and miscellaneous credit needs, DAY-NULM will facilitate access to Credit Cards or MUDRA Card through banks.

10.3 The SULM in consultation with the State Level Bankers Committee (SLBC) will finalize the norms, limits and specifications for issuance of Credit Card (or) MUDRA Card to the individual entrepreneurs. The General Credit Card Scheme (GCC), which is being implemented by all scheduled commercial banks or any other variant of credit cards for enterprise development of banks in urban areas, may be explored by SULM and SLBC for the same. The Circular on revised GCC scheme has been issued by RBI notification vide [RPCD.MSME& NFS.BC.No.61/06.02.31/2013-14 dated December 02, 2013](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=8603&Mode=0) available on RBI web-site ‘[www.rbi.org.in](https://www.rbi.org.in/)’.

10.4 The ULB will identify the prospective beneficiaries and will facilitate linkages with banks for issuance of credit cards. The focus is to initially facilitate issuance of credit card to cover all the beneficiaries who have availed financial assistance under SEP. Additionally, other beneficiaries who are running their own business but have not availed assistance under SEP may also be covered if they satisfy the norms of issuance of credit cards.

10.5 The targets for the same may be decided at ULB level and the progress under this component is aggregated at SULM level and communicated to M/o HUPA periodically.

**11. Technology, Marketing and Other Support**

11.1 Micro entrepreneurs often need support in order to grow and sustain their businesses. Support needed may be for establishment, technology, marketing, and other services. Micro entrepreneurs who run very small businesses may need to gain a better understanding of what the market needs, demand of the products produced by them, prices, where to sell, etc. Support services under this component are envisaged with a view to provide an encouraging environment for development of micro enterprises.

11.2 The City Livelihoods Centers (CLCs) established under DAY-NULM will offer services to the micro-enterprises such as in establishment (licenses, certificates registration, legal services etc.), production, procurement, technology, processing, marketing, sales, packaging, accounting etc. for long term sustainability. CLCs will also provide support in taking up feasibility/ assessment studies on market demand and market strategy for products and services of micro-enterprises.

11.3 All SEP individual and groups enterprises can avail the services from CLCs as per the norms of CLCs. The CLCs with support of ULB may also tie up with various other government schemes which offer services and benefits for micro-enterprise development for the benefit of prospective beneficiaries.

11.4 The SULM may arrange for additional funds/professional assistance for the purpose of providing above services to CLCs.

**12. Funding Pattern of SEP of DAY-NULM**

12.1 Funding under this component will be shared between the Centre and the States as per the general norms under DAY-NULM.

12.2 The Ministry will allocate funds to the states on annual basis based on the targets assigned to the states. The states in consultation with the respective SLBCs and ULBs will decide the targets and corresponding funds will be allocated to ULBs so that full reimbursement to the banks on account of Interest subvention is settled during the financial year and no subvention amount remain overdue or pending with the States.

**13. Monitoring and Evaluation**

13.1 The State Mission management Unit (SMMU) at the State level and City Mission Management Unit (CMMU) at the ULB level will closely monitor progress of activities / targets under this component, undertake reporting and evaluation. The SULM and the ULB/executing agencies shall report timely progress in formats prescribed by the Mission Directorate from time-to-time, indicating the cumulative achievement monthly and up to the end of the quarter and key issues in implementation.

13.2 In addition, under DAY-NULM, a comprehensive and robust IT-enabled DAY-NULM MIS will be established for tracking targets and achievements. States and ULBs will be required to submit their progress reports online and may also use this tool to monitor progress on the ground. In the spirit of proactive disclosure of information and ensuring transparency under DAY-NULM, key progress reports under SEP will also be made available in the public domain in a timely manner.

13.3 All the SEP beneficiaries should be visited periodically to assess the impact of the benefit and also to know any problem being faced by them. The Community Organisers (COs) should visit all the beneficiaries in their jurisdiction at least once in three months. The project officer/ technical experts at CMMU level should visit at least 50% beneficiaries once in three months. The observations during the field visit should be kept in record and be uploaded on MIS also.

13.4 During the field visit mentioned above data on economic status of the beneficiaries should be collected and be compared with similar data given in loan application form, to know the impact of the benefit on the economic conditions of the beneficiaries.

13.5 Impact analysis studies may also be conducted at suitable interval to assess the impact of benefit under SEP on the economic status of the beneficiaries.

13.6 To monitor progress of the targets vis-a-vis achievement under DAY-NULM, Banks are advised to furnish cumulative progress reports on quarterly basis as per enclosed proforma ([Annex III](https://rbidocs.rbi.org.in/rdocs/content/pdfs/5MC01072019_A3.pdf) & [IV](https://rbidocs.rbi.org.in/rdocs/content/pdfs/5MC01072019_A4.pdf)) to the Director, UPA at dupa-mhupa@nic.in as well as to RBI on email latest by the end of next month of the quarter to which they relate.

**13.7 Unique Code for loans under NULM:** Banks are advised to categorise these loans under Non-Farm sector and use unique sub-code in their database for loans granted under NULM. Further, separate sub-sub-codes may also be assigned for SEP-I, SEP-G, SHG and WSHGs. Proper care must be taken while classifying loans under NULM particularly relating to SHG and WSHGs to enable distinct identification of these loans vis-à-vis NRLM loans as WSHGs are eligible for additional 3 percent interest subvention.

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/5MC5CDD3CB9C56943709BAC0EADCC2D810F.PDF>

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**RBI/2019-20/08 FIDD.FID.BC.No.05/12.01.033/2019-20 July 01, 2019**

The Chairman/ Managing Director/Chief Executive Officer All Scheduled Commercial Banks

**Master Circular on SHG-Bank Linkage Programme**

The Reserve Bank of India has, from time to time, issued a number of guidelines/instructions to banks on SHG-Bank Linkage Programme. In order to enable banks to have instructions at one place, the Master Circular incorporating the existing guidelines/instructions on the subject has been updated and enclosed.

**Master Circular on SHG-Bank Linkage Programme**

Self Help Groups have the potential to bring together the formal banking structure and the rural poor for mutual benefit. Studies conducted by NABARD in a few states to assess the impact of the linkage project have brought out encouraging and positive features like increase in loan volume of the SHGs, definite shift in the loaning pattern of the members from non-income generating activities to production activities, nearly 100 per cent recovery performance, significant reduction in the transaction costs for both the banks and the borrowers etc., besides leading to a gradual increase in the income level of the SHG members. Another significant feature observed in the linkage project is that about 85 per cent of the groups linked with banks were formed exclusively by women.

2. Recognizing the importance of SHG Bank linkage, banks have been advised to meet the entire credit requirements of SHG members, as envisaged in Paragraph 93 of the Union Budget announcement for the year 2008-09, made by the Honorable Finance Minister, wherein it was stated as under: "Banks will be encouraged to embrace the concept of Total Financial Inclusion. Government will request all scheduled commercial banks to follow the example set by some public sector banks and meet the entire credit requirements of SHG members, namely, (a) income generation activities, (b) social needs like housing, education, marriage, etc. and (c) debt swapping". Linking of SHGs with banks has thus been emphasized in the Monetary Policy Statements of Reserve Bank of India and Union Budget announcements from time to time and various guidelines have been issued to banks in this regard.

3. Banks should provide adequate incentives to their branches in financing the Self Help Groups (SHGs) and establish linkages with them, making the procedures simple and easy. The group dynamics of working of the SHGs need neither be regulated nor formal structures imposed or insisted upon. The approach to financing of SHGs should be totally hassle-free and may also include consumption expenditures. Accordingly, the following guidelines should be adhered to enable effective linkage of SHGs with the banking sector.

**4. Opening of Savings Bank A/C**

a) The SHGs, registered or unregistered, which are engaged in promoting savings habits among their members are eligible to open savings bank accounts with banks. These SHGs need not necessarily have already availed of credit facilities from banks before opening savings bank accounts. The instructions of the Department of Banking Regulation in the [Master Direction - Know Your Customer (KYC) Direction, 2016](https://rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11566) pertaining to SHG members (Part VI-Paragraph 43) shall be adhered to, while completing Customer Due Diligence (CDD)[1](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11614&Mode=0#F1) process.

b) Accordingly, the current instructions under Simplified norms for Self Help Groups (SHGs) mention that CDD of all the members of SHG as mentioned in the above Direction shall not be required while opening the savings bank account of the SHG. CDD of all the office bearers shall suffice. No separate CDD of the members or office bearers shall be necessary at the time of credit linking of SHGs.

**5. Lending to SHGs**

a) Bank lending to SHGs should be included in branch credit plan, block credit plan, district credit plan and state credit plan of each bank. Utmost priority should be accorded to the sector in preparation of these plans. It should also form an integral part of the bank’s corporate credit plan.

b) As per operational guidelines issued by NABARD, SHGs may be sanctioned savings linked loans by banks (varying from a saving to loan ratio of 1:1 to 1:4). However, in case of matured SHGs, loans may be given beyond the limit of four times the savings as per the discretion of the bank.

c) A simple system requiring minimum procedures and documentation is a precondition for augmenting flow of credit to SHGs. Banks should strive to remove all operational irritants and make arrangements to expeditiously sanction and disburse credit by delegating adequate sanctioning powers to branch managers. The loan application forms, procedures and documents should be made simple. It would help in providing prompt and hassle-free credit.

**6. Interest rates**

The banks would have the discretion to decide on the interest rates applicable to loans given to Self Help Groups/member beneficiaries.

**7. Service/ Processing charges**

No loan related and ad hoc service charges/inspection charges should be levied on priority sector loans up to ₹ 25,000. In the case of eligible priority sector loans to SHGs/ JLGs, this limit will be applicable per member and not to the group as a whole.

**8. Separate Segment under priority sector**

In order to enable the banks to report their SHG lending without difficulty, it is decided that the banks should report their lending to SHGs for on-lending to members of SHGs under the respective categories, viz. 'Advances to SHGs' irrespective of the purposes for which the loans have been disbursed to the SHG members. Priority Sector loans to SHGs are considered under “Weaker Sections” category.

**9. Presence of defaulters in SHGs**

Defaults by a few members of SHGs and/or their family members to the financing bank should not ordinarily come in the way of financing SHGs per se by banks, provided the SHG is not in default. However, the bank loan may not be utilized by the SHG for financing a defaulter member to the bank.

**10. Capacity Building and Training**

a) Banks may initiate suitable steps to internalize the SHGs linkage project and organize exclusive short duration programmes for the field level functionaries. In addition, suitable awareness/sensitization programmes may be conducted for their middle level controlling officers as well as senior officers.

b) Banks shall refer to instructions on Financial Literacy by FLCs and rural branches – Policy review vide [Circular FIDD.FLC.BC.No.22/12.01.018/2016-17 dated March 02, 2017](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10869&Mode=0) conducting tailored programs targeting [SHGs](https://www.rbi.org.in/FinancialEducation/content/04SELFHELP20042018.pdf).

**11. Monitoring and Review of SHG Lending**

Considering the potential of SHGs, banks shall closely monitor the progress regularly at various levels. In order to give a boost to the ongoing SHG bank linkage programme for credit flow to the unorganized sector, monitoring of SHG bank linkage programme shall be a regular item on the agenda for discussion at the SLBC and DCC meetings. It should be reviewed at the highest corporate level on a quarterly basis. Further, progress of the programme may be reviewed by banks at regular intervals. The progress under SHG-BLP, as prescribed vide RBI letter FIDD.CO.FID.No.3387/12.01.033/2017-18 dated April 26, 2018 shall be reported to NABARD (Micro Credit Innovations Department), Mumbai, on a quarterly basis, and the returns in the [prescribed format](https://rbidocs.rbi.org.in/rdocs/content/pdfs/SHGLPR210515_AN.pdf) shall be submitted within 15 days from due date.

**12. Reporting to CICs**

Recognizing the importance of credit information reporting in respect of the SHG members for financial inclusion, banks are advised to adhere to the guidelines issued by Department of Banking Regulation on [Credit information reporting in respect of Self Help Group (SHG) members dated June 16, 2016](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=10449&Mode=0) and [Credit information reporting in respect of Self Help Group (SHG) members dated January 14, 2016](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=10227&Mode=0).

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/08MC37FC72FB77B5429BBC9CDA4194DD8583.PDF>

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**RBI/2019-20/48 FIDD.CO.FSD.BC.No.10/05.02.001/2019-20 August 26, 2019**

The Chairman / Managing Director & CEOs All Public & Private Sector Scheduled Commercial Banks

**Interest Subvention Scheme for Kisan Credit Card (KCC) to Fisheries and Animal Husbandry farmers during the years 2018-19 and 2019-20**

Please refer to our [circular FIDD.CO.FSD.BC.12/05.05.010/2018-19 dated February 4, 2019](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11462&Mode=0) extending KCC facility to animal husbandry farmers and fisheries for their working capital requirements and our letter dated May 27, 2019 conveying Government’s approval to extend the benefits of Interest Subvention at 2% and Prompt Repayment Incentive (PRI) at 3% to fisheries and animal husbandry farmers to meet their working capital needs under the KCC scheme.

2. In this regard, it is advised that Government of India has now issued the operational guidelines of the Interest Subvention Scheme for Kisan Credit Card facility to fisheries and animal husbandry farmers for a period of two years i.e. **2018-19 and 2019-20** with the following stipulations:

1. In order to provide short-term loans upto ₹ 2 lakh to farmers involved in activities related to Animal Husbandry and Fisheries, through a separate KCC for these activities, apart from the existing KCC for crop loan, at a concessional interest rate of 7% per annum during the years 2018-19 and 2019-20, it has been decided to provide interest subvention of 2% per annum to lending institutions viz. Public Sector Banks (PSBs) and Private Sector Commercial Banks (in respect of loans given by their rural and semi-urban branches only) on use of their own resources. This interest subvention of 2% will be calculated on the loan amount from the date of its disbursement / drawal upto the date of actual repayment of the loan by the farmer or up to the due date of the loan fixed by the banks, whichever is earlier, subject to a maximum period of one year. In case of farmers possessing KCC for raising crops and involved in activities related to animal husbandry and/or fisheries, the KCC for animal husbandry/fisheries shall be within the overall limit of ₹ 3 lakh.
2. To provide an additional interest subvention of 3% per annum to such of those farmers repaying in time i.e. from the date of disbursement of the working capital loan upto the actual date of repayment by farmers or upto the due date fixed by the banks for repayment of loan, whichever is earlier, subject to a maximum period of one year from the date of disbursement. This also implies that the farmers repaying promptly as above would get short term loans @ 4% per annum during the years 2018-19 and 2019-20. This benefit would accrue to only those farmers who repay their **both** short term crop loan and working capital loan for animal husbandry/fisheries activities in time.
3. Interest subvention is to be provided on a maximum limit of ₹ 2 lakh short term loan to farmers involved in animal husbandry and fisheries. The farmers already possessing KCC (crop loan) and involved in animal husbandry & fisheries activities, can avail a sub-limit for such activities. However, the interest subvention and prompt repayment incentive benefit on short term loan (i.e. crop loan+ working capital loan for animal husbandry and fisheries) will be available only on an overall limit of ₹ 3 lakh per annum and subject to a maximum limit of ₹ 2 lakh per farmer involved in activities only related to animal husbandry and / or fisheries. **The limit for crop loan component will take priority for interest subvention and prompt repayment incentive benefits and the residual amount will be considered towards animal husbandry and / or fisheries subject to cap as mentioned above.** ([Illustrations](https://rbidocs.rbi.org.in/rdocs/content/pdfs/48KCC26082019_ILL.pdf))
4. To ensure hassle-free benefits to farmers under Interest Subvention Scheme, banks are advised to make Aadhar linkage mandatory for availing short-term loans for Animal Husbandry and Fisheries in 2018-19 and 2019-20.
5. The Interest Subvention Scheme is being put on DBT mode on ‘In Kind/services’ basis and all short term loans processed from 2018-19 are required to be brought on ISS portal / DBT platform. Banks are advised to capture and submit the category wise data of beneficiaries under the scheme and report the same on ISS portal individual farmer wise once it is launched by the Ministry of Agriculture and Farmers Welfare to settle the claims arising from 2018-19 onwards.

3. Banks may give adequate publicity to the above scheme so that the eligible farmers can avail the benefits.

4. It is also advised as under:

i) In respect of 2% interest subvention, banks are required to submit their claims on a half-yearly basis as on September 30 and March 31 for the years 2018-2019 and 2019-2020, of which, the latter needs to be accompanied by a Statutory Auditor’s certificate certifying the claims for subvention for the financial year ended on March 31 of the corresponding year as true and correct.

ii) In respect of 3% prompt repayment incentive, banks may submit their one-time consolidated claims pertaining to the disbursements made during the years 2018-19 and 2019-20, accompanied by Statutory Auditor’s certificate certifying the claim as true and correct. Any remaining claim pertaining to the disbursements made during the years 2018-19 and 2019-20 and due during 2019-20 and 2020-21 respectively, may be consolidated separately and marked as an 'Additional Claim' duly certified by the Statutory Auditor as true and correct.

iii) Claims in respect of 2% interest subvention and 3% prompt repayment incentive may be submitted **within a quarter from the close of the half year/year**. The ‘Additional Claim’ pertaining to the disbursements made during the years 2018-19 and 2019-20 may be submitted latest by **June 30, 2020 and June 30, 2021** respectively. The above mentioned claims may be submitted in [**Formats I**](https://rbidocs.rbi.org.in/rdocs/content/pdfs/48KCC26082019_F1.pdf)**and**[**II**](https://rbidocs.rbi.org.in/rdocs/content/pdfs/48KCC26082019_F2.pdf)**(enclosed herewith)** to the Chief General Manager, Financial Inclusion and Development Department, Reserve Bank of India, Central Office, Shahid Bhagat Singh Marg, Fort, Mumbai – 400 001 both in hard copy and soft copy (excel format) to fsdco@rbi.org.in.

iv) The copies of such audited claims may also be submitted to the **Department of Animal Husbandry and Dairying**, Ministry of Fisheries, Animal Husbandry and Dairying, Government of India and **Department of Agriculture Cooperation and Farmers Welfare**, Ministry of Agriculture & Farmers Welfare, Government of India.

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**RBI/2019-20/40 FIDD.CO.LBS.BC.No.09/02.01.001/2019-20 August 13, 2019**

The Chairmen / Managing Directors & CEOs Scheduled Commercial Banks (including Regional Rural Banks), Small Finance Banks and Payments Banks

**Direct Benefit Transfer (DBT) Scheme – Implementation**

Please refer to [Circular RPCD.CO.LBS.BC.No.75/02.01.001/2012-13 dated May 10, 2013](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=7976&Mode=0) and [RPCD.CO.LBS.BC.No.11/02.01.001/2013-14 dated July 9, 2013](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=8227&Mode=0) regarding the use of Aadhaar to facilitate delivery of social welfare benefits by direct credit to the bank accounts of beneficiaries.

2. In this connection, banks are advised to ensure that opening of bank accounts and seeding of Aadhaar numbers with existing or new accounts of eligible beneficiaries opened for the purpose of Direct Benefit Transfer (DBT) under social welfare schemes, is in conformity with the provisions listed under Section 16 of the [Master Direction - Know Your Customer (KYC) Direction, 2016 (updated as on May 29, 2019)](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11566) and extant provisions of the Prevention of Money Laundering (PML) Rules.

3. The above guidelines will be in supersession of [Circular FIDD.CO.LBS.BC.No.17/02.01.001/2015-16 dated January 14, 2016](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10225&Mode=0) on “Direct Benefit Transfer (DBT) Scheme – Seeding of Aadhaar in Bank Accounts – Clarification”.

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**RBI/2019-20/31 DCBR.BPD (PCB/RCB).Cir.No.02/13.01.000/2019-20 August 2, 2019**

The Chief Executive Officer All Primary (Urban) Co-operative Banks, All State/ Central Co-operative Banks

**Financial Inclusion - Access to Banking Services - Basic Savings Bank Deposit Account (BSBDA)**

Please refer to our [circulars UBD.BPD.Cir.No.5/13.01.000/2012-13 dated August 17, 2012](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=7511&Mode=0) and [RPCD.CO.RRB.RCB.BC.No.24/07.38.01/2012-13 dated August 22, 2012](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=7519&Mode=0) on the captioned subject.

2. The Basic Savings Bank Deposit (BSBD) Account was designed as a savings account which would offer certain minimum facilities, free of charge, to the holders of such accounts. In the interest of better customer service, it has been decided to make certain changes in the facilities associated with the account. Banks are now advised to offer the following basic minimum facilities in the BSBD Account, free of charge, without any requirement of minimum balance.

(i) Deposit of cash at bank branch as well as ATMs/CDMs

(ii) Receipt/ credit of money through any electronic channel or by means of deposit /collection of cheques drawn by Central/State Government agencies and departments

(iii) No limit on number and value of deposits that can be made in a month

(iv) Minimum of four withdrawals in a month, including ATM withdrawal

(v) ATM Card or ATM-cum-Debit Card

The BSBD Account shall be considered a normal banking service available to all.

3. Banks are free to provide additional value-added services, including issue of cheque book, beyond the above minimum facilities, which may/may not be priced (in a non-discriminatory manner) subject to disclosure. The availment of such additional services shall be at the option of the customers. However, while offering such additional services, banks shall not require the customer to maintain a minimum balance. Offering such additional services will not make it a non-BSBD Account, so long as the prescribed minimum services are provided free of charge.

4. The holders of BSBD Account will not be eligible for opening any other savings bank deposit account in that bank. If a customer has any existing savings bank deposit account in that bank, he/she will be required to close it within 30 days from the date of opening a BSBD Account. Further, before opening a BSBD account, the bank should obtain a declaration from the customer that he/she is not having a BSBD account in any other bank.

5. The BSBD Account shall be subject to RBI instructions on KYC/AML for opening of bank accounts issued vide [Master Direction DBR.AML.BC.No.81/14.01.001/2015-16 dated February 25, 2016](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11566) on ‘Master Direction - Know Your Customer (KYC) Direction, 2016’, as amended from time to time.

6. The instructions issued on free transactions available for normal savings bank account in own-bank/other bank ATMs vide [circulars DPSS. CO.PD.No.316/02.10.002/2014-2015 dated August 14, 2014](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=9170&Mode=0) and [DPSS. CO.PD.No.659/02.10.002/2014-2015 dated October 10, 2014](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=9276&Mode=0) are not applicable to BSBD accounts. The minimum free withdrawals available to the BSBD Account holders can be made at all ATMs (own-bank/other bank ATMs).

7. This circular supersedes earlier instructions issued vide [circulars UBD. BPD. Cir. No. 5/13.01.000/2012-13 dated August 17, 2012](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=7511&Mode=0) and [RPCD. CO. RRB. RCB. BC. No. 24/07.38.01/2012-13 dated August 22, 2012](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=7519&Mode=0) on ‘Financial Inclusion-Access to Banking Services–Basic Savings Bank Deposit Account’ and [UBD. BPD. (PCB) Cir No.35/13.01.000/2013-14 dated October 31, 2013](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=8549&Mode=0) and [RPCD.RRB.RCB.AML.BC No.36/07.51.018/2013-14 dated September 17, 2013](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=8431&Mode=0) on ‘Financial Inclusion- Access to Banking Services – Basic Savings Bank Deposit Account (BSBDA) – FAQs’.

8. These instructions will come into force with effect from September 1, 2019. Banks are advised to frame Board approved policy / operational guidelines in this regard.

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**RBI/2019-20/105 FIDD.GSSD.CO.BC.No.15/09.01.01/2019-20 November 26, 2019**

The Chairman/ Managing Director & CEO All Scheduled Commercial Banks & Small Finance Banks

**Master Circular – Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM)**

Please refer to the [Master Circular FIDD.GSSD.CO.BC.No.02/09.01.01/2019-20 dated July 01, 2019](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=11619) on Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM).

2. The latest guidelines on Interest Subvention Scheme for the year 2019-20, as advised by Ministry of Rural Development (MoRD), Government of India, have been incorporated in [Annex-II](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11743&Mode=0#AN2) of this [Master Circular](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11743&Mode=0#MC) for implementation.

3. The Master Circular has been suitably updated by incorporating the instructions on DAY-NRLM issued up to November 26, 2019

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NT105C9AB07919617490AA6CBC835EE89236C.PDF>

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**RBI/2019-20/87 DOR.RRB.No.21/31.01.001/2019-20 November 01, 2019**

The Chairmen All Regional Rural Banks

**Issue of additional instruments for augmenting regulatory capital for RRBs**

Capital adequacy norms were prescribed for Regional Rural Banks (RRBs) vide [circular RPCD.CO.RRB.BC.44/05.03.095/2007-08 dated December 28, 2007](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=3989&Mode=0), to compute capital to risk weighted assets (CRAR) and disclose it in 'Notes on Accounts' to their Balance Sheets. Further, the ‘risk weights for calculation of CRAR’ were revised, vide [circular RPCD.CO.RRB.BC.No.35/03.05.33/2014-15 dated October 21, 2014](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=9290&Mode=0). RRBs were also advised vide [circular RPCD.CO.RRB.BC.No.60/03.05.33/2013-14 dated November 26, 2013](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=8595&Mode=0), to achieve and maintain a minimum CRAR of 9 per cent on an ongoing basis with effect from March 31, 2014.

2. With a view to providing RRBs additional options for augmenting regulatory capital funds, so as to maintain the minimum prescribed CRAR, besides meeting the increasing business requirements, it has been decided to allow RRBs to issue Perpetual Debt Instruments (PDIs) eligible for inclusion as Tier 1 capital.

The terms and conditions for issue of Perpetual Debt Instruments (PDIs) are given in the [Annex](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11718&Mode=0#A_1).

**3. Capital Funds**

RRBs are required to maintain a minimum Capital to Risk-weighted Assets Ratio (CRAR) of 9 per cent on an ongoing basis. The capital funds for capital adequacy purpose shall consist of both Tier 1 and Tier 2 capital.

**3.1 Tier 1 Capital**

**3.1.1 Common Equity (CET 1) Capital:** The elements of Common Equity Capital are,

a) Paid up share capital

b) Share capital deposit

c) Statutory and other disclosed free reserves

d) Capital Reserve representing surplus arising out of sale proceeds of assets.

e) Any surplus (net) in profit and loss account i.e. balance after appropriation

**3.1.2 Additional Tier 1 Capital**

f) Perpetual Debt Instruments

**3.1.3. Limits on Tier 1 capital**

1. The total Tier 1 capital should not be less than 7 per cent of risk weighted assets after the regulatory adjustment / deduction as per paragraph 3.1.4 and 3.1.5 below.
2. Of the minimum Tier 1 capital of 7 percent, the Perpetual Debt Instruments will be limited to 1.5 per cent of the total risk weighted assets.
3. Any additional amount raised through Perpetual Debt Instruments over and above the 1.5 per cent of the risk weighted assets will also be reckoned as Tier 1 capital provided the bank complies with the minimum Tier 1 capital of 7 percent of risk weighted assets before reckoning such additional amounts.

**3.1.4 Deductions from Tier 1 Capital**

The amount of intangible assets, losses in current year and those brought forward from previous years, deficit in NPA provisions, income wrongly recognized on non-performing assets, provision required for liability devolved on bank etc., shall be deducted from Tier 1 capital.

**3.1.5 Treatment of deferred tax assets (DTAs)**

i) Deferred tax assets (DTAs) associated with accumulated losses and other such assets should be deducted in full from CET1 capital.

ii) DTAs which relate to timing differences (other than those related to accumulated losses) may, instead of full deduction from CET1 capital, be recognized in the CET1 capital up to 10% of a bank's CET1 capital [after the application of all regulatory adjustments].

iii) The amount of DTAs which are to be deducted from CET1 capital may be netted with associated deferred tax liabilities (DTLs) provided:

* Both the DTAs and DTLs relate to taxes levied by the same taxation authority and offsetting is permitted by the relevant taxation authority;
* The DTLs permitted to be netted against DTAs must exclude amounts that have been netted against the deduction of goodwill, intangibles and defined benefit pension assets; and
* The DTLs must be allocated on a pro rata basis between DTAs subject to deduction from CET1 capital as at (i) and (ii) above.

**4. Other Conditions**

1. RRBs are not permitted to issue Perpetual Debt Instruments to retail investors / FPIs / NRIs.
2. RRBs are not permitted to invest in the Perpetual Debt Instruments of other banks including RRBs.
3. RRBs shall issue the Perpetual Debt Instruments in Indian currency only.

The other instructions in the circulars cited above remain unchanged.

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NT87F0659C1C3DE14BADB0A1173AFE820478.PDF>

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