**Rural Banking Operations**

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**1. New Definition of Micro, Small and Medium Enterprises**

**RBI/2021-2022/63 FIDD.MSME & NFS.BC.No.12/06.02.31/2021-22 June 25, 2021**

*The Chairman/ Managing Director/Chief Executive Officer, All Commercial Banks
(including Small Finance Banks, Local Area Banks and Regional Rural Banks) All Primary (Urban) Co-operative Banks/State Co-operative Banks / District Central Co-operative Banks
All-India Financial Institutions All Non-Banking Financial Companies*

Please refer to the [circular FIDD.MSME & NFS.BC.No.4/06.02.31/2020-21 dated August 21, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11951&Mode=0) on ‘New Definition of Micro, Small and Medium Enterprises –clarifications’.

2. In this connection, we inform that Government of India, vide their [Gazette Notification S.O. 2347(E) dated June 16, 2021](https://rbidocs.rbi.org.in/rdocs/content/pdfs/MoMSME16062021.pdf), has notified amendments in paragraph (7) sub-paragraph (3) in the notification of Government of India, Ministry of Micro, Small and Medium Enterprises number [S.O. 2119 (E), dated June 26, 2020](https://rbidocs.rbi.org.in/rdocs/content/pdfs/IndianGazzate02072020.pdf), published in the Gazette of India.

3. In view of the above amendment, paragraph 2.2 (i) of [RBI circular dated August 21, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11951&Mode=0) stands modified as under:

“The existing Entrepreneurs Memorandum (EM) Part II and Udyog Aadhaar Memorandum (UAMs) of the MSMEs obtained till June 30, 2020 shall remain valid till December 31, 2021”.

4. All other provisions of the circular remain unchanged.

**2. Gold (Metal) Loans – Repayment**

**RBI/2021-22/58DOR.CRE(DIR).REC.24/23.67.001/2021-22 June 23, 2021**

*All Scheduled Commercial Banks, (excluding Regional Rural Banks)*

Please refer to instructions issued vide [circulars DBOD.No.IBS.1519/23.67.001/98-99 dated December 31, 1998](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=7701&Mode=0), [DBOD.No.IBS.3161/23.67.001/98-99 dated June 25, 1999](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11135&Mode=0), [DBOD.No.IBD.BC.33/23.67.001/2005-06 dated September 5, 2005](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=2499&Mode=0), [DBOD.No.IBD.BC.71/23.67.001/2006-07 dated April 3, 2007](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=3387&Mode=0) and [DBOD.No.IBD.BC.104/23.67.001/2013-14 April 2, 2014](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=8823&Mode=0) on the captioned subject.

2. As per the extant instructions, nominated banks authorized to import gold and designated banks participating in [Gold Monetization Scheme, 2015 (GMS)](https://rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10084) can extend Gold (Metal) Loans (GML) to jewellery exporters or domestic manufacturers of gold jewellery. These loans are repaid in INR, equivalent to the value of gold borrowed, on the relevant date/s.

3. On a review, it has been decided as under:

i) Banks shall provide an option to the borrower to repay a part of the GML in physical gold in lots of one kg or more, provided:

1. the GML has been extended out of locally sourced / GMS-linked gold;
2. repayment is made using locally sourced IGDS (India Good Delivery Standard)/ LGDS (LBMA’s Good Delivery Standards) gold;
3. gold is delivered on behalf of the borrower to the bank directly by the refiner or a central agency, acceptable to the bank, without the borrower’s involvement;
4. the loan agreement contains details of the option to be exercised by the borrower, acceptable standards and manner of delivery of gold for repayment;
5. the borrower is apprised upfront, in a transparent manner, of the implications of exercising the option.

ii) Banks shall suitably incorporate the above aspects into the board-approved policy governing GML along with concomitant risk management measures. Banks shall continue to monitor the end-use of funds lent under GML.

4. All other instructions issued on GML shall remain unchanged.

**3. Submission of returns under Section 31 of the Banking Regulation Act, 1949 (AACS) – Extension of time**

**RBI/2021-22/49 DoR.RET.REC.19/12.05.009/2021-22 June 04, 2021**

*The Chairman / Managing Director / Chief Executive Officer, All Primary (Urban) Co-operative Banks, All State Co-operative Banks and Central Co-operative Banks*

In terms of Section 31 of the Banking Regulation Act, 1949 (“the Act”), read with Section 56 of the Act, accounts and balance sheet referred to in Section 29 of the Act together with the auditor's report shall be published in the prescribed manner and three copies thereof shall be furnished as returns to the Reserve Bank within three months from the end of the period to which they refer. In terms of Section 31 read with Section 56 (t) (ii) of BR Act, State Co-operative Banks and Central Co-operative Banks are also required to submit these statements as returns to the National Bank for Agriculture and Rural Development (NABARD).

2. As many of the Primary (Urban) Co-operative Banks (UCBs), State Co-operative Banks and Central Co-operative Banks are facing difficulties in finalising their Annual Accounts due to the ongoing COVID-19 pandemic, it is considered necessary to allow more time for submission of the aforesaid return during the current period.

3. In view of the above, Reserve Bank hereby extends the said period of three months for the furnishing of the returns under Section 31 of the Act for the financial year ended on March 31, 2021, by a further period of three months. Accordingly, all UCBs, State Co-operative Banks and Central Co-operative Banks shall ensure submission of the aforesaid returns to Reserve Bank on or before September 30, 2021. The State Co-operative Banks and Central Co-operative Banks shall also ensure submission of the aforesaid returns to NABARD on or before September 30, 2021.

**4. Resolution Framework - 2.0: Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs) – Revision in the threshold for aggregate exposure**

**RBI/2021-22/47 DOR.STR.REC.21/21.04.048/2021-22 June 4, 2021**

*All Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks), All Primary (Urban) Co-operative Banks/State Co-operative Banks/ District Central Co-operative Banks All All-India Financial Institutions, All Non-Banking Financial Companies (including Housing Finance Companies)*

A reference is invited to the [circular DOR.STR.REC.12/21.04.048/2021-22](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12086&Mode=0) on “Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs)” dated May 5, 2021.

2. Clause 2 of the above circular specifies the eligibility conditions for MSME accounts to be considered for restructuring under the framework, which inter alia include sub-clause (iii) which states that the aggregate exposure, including non-fund based facilities, of all lending institutions to the MSME borrower should not exceed ₹25 crore as on March 31, 2021.

3. Based on a review, it has been decided to enhance the above limit from ₹25 crore to ₹50 crore.

4. Consequently, clause 2(v) would stand modified as under:

“(v) The borrower’s account was not restructured in terms of the [circulars DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11942&Mode=0); [DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11808&Mode=0); or [DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11445&Mode=0) (collectively referred to as MSME restructuring circulars) or the [circular DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11941&Mode=0) on “Resolution Framework for COVID-19-related Stress.”

5. All other provisions of the circular remain unchanged.

**5. Resolution Framework - 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses – Revision in the threshold for aggregate exposure**

**RBI/2021-22/46 DOR.STR.REC.20/21.04.048/2021-22 June 4, 2021**

*All Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks), All Primary (Urban) Co-operative Banks/State Co-operative Banks/ District Central Co-operative Banks, All All-India Financial Institutions, All Non-Banking Financial Companies (including Housing Finance Companies)*

A reference is invited to circular DOR.STR.REC.11/21.04.048/2021-22 on “Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses” dated May 5, 2021.

2. Clause 5 of the above circular specifies the eligible borrowers who may be considered for resolution under the framework and includes the following sub-clauses:

(b) Individuals who have availed of loans and advances for business purposes and to whom the lending institutions have aggregate exposure of not more than ₹25 crore as on March 31, 2021.

(c) Small businesses, including those engaged in retail and wholesale trade, other than those classified as MSME as on March 31, 2021, and to whom the lending institutions have aggregate exposure of not more than ₹25 crore as on March 31, 2021.

3. Based on a review, it has been decided to enhance the above limits from ₹25 crore to ₹50 crore.

4. All other provisions of the circular remain unchanged.

**6. Amalgamation of District Central Co-operative Banks (DCCBs) with the State Co-operative Bank (StCB) – Guidelines**

RBI/2021-22/42
DOR.RUR.REC.No.17/19.51.007/2021-22

May 24, 2021

All State and Central Cooperative Banks

Dear Sir/ Madam,

**Amalgamation of District Central Co-operative Banks (DCCBs) with the State Co-operative Bank (StCB) - Guidelines**

The Banking Regulation (Amendment) Act, 2020 (39 of 2020) has been notified for the State Co-operative Banks (StCBs) and District Central Co-operative Banks (DCCBs) with effect from, April 1, 2021 vide Notification dated December 23, 2020 issued by Government of India. With the issue of the notification, the amalgamations of the above banks have to be sanctioned by Reserve Bank of India in terms of the provisions of the Section 44-A read with Section 56 of the Banking Regulation Act, 1949.

In recent past, a few State Governments approached RBI for amalgamation of DCCBs with the StCB as a two-tier Short-term Co-operative Credit Structure (STCCS). In order to help the States contemplating delayering their STCCS, following guidelines are being issued to bring the requirements and indicative benchmarks for the amalgamation of DCCBs with the StCB to the notice of all stakeholders. These guidelines will also apply for amalgamation of one or more DCCBs in a State with the StCB or amalgamation of one DCCB with another.

2. The Reserve Bank of India will consider proposals for amalgamation if the following conditions are fulfilled:

1. When the State Government of the State makes a proposal to amalgamate one or more DCCB/s in the State with the StCB after conducting a detailed study of the legal framework along with additional capital infusion strategy, assurance regarding financial support if required, projected business model with clear profitability and proposed governance model for the amalgamated bank.
2. When the scheme of amalgamation is approved by the requisite majority of shareholders in accordance with the provisions of Section 44A read with Section 56 of the Banking Regulation Act, 1949.
3. When such proposal of the State Government has been examined and recommended by NABARD.

3. The proposal for amalgamation of DCCBs with the StCB will be examined by Reserve Bank in consultation with NABARD and the sanction/ approval will be a two-stage process. In the first stage, an 'in-principle' approval will be accorded subject to fulfilment of certain conditions, following which the processes for amalgamation may be initiated by all concerned. After completion of the above processes, NABARD and Reserve Bank may be approached for final approval along with compliance report. To enable the Reserve Bank to consider the application for sanction, the State Government shall submit the information and documents specified in the [Annex](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12096&Mode=0#AN_1) to the concerned Regional Office of Reserve Bank and NABARD.

**Regulatory Criteria**

4. The basic regulatory criteria for amalgamation shall be as under:

1. The proposal should be in compliance with the legal requirements, past orders/ rulings of the Courts, if any. The State Government shall verify that there are no Court Orders prohibiting or staying the proposal for amalgamation.
2. Financial parameters of the amalgamated entity based on notionally consolidated latest audited financial statements should be robust. It should have its CRAR above the prescribed regulatory minimum, Gross NPA below 7% and Net NPA below 5% and availability of adequate liquid assets. Post-amalgamation, it should be a profit making and financially viable entity on sustained basis.
3. The StCB should have a satisfactory track record of regulatory and supervisory compliance.
4. The StCB should have strong governance/ management practices.

**General considerations governing the In-principle Approval**

5. The general considerations governing the in-principle approval by RBI shall be as under:

1. The scheme of amalgamation shall be presented to the shareholders of the StCB/ DCCBs. A resolution shall be passed by 2/3rd of the majority of the shareholders, both in number and value, present and voting at a General Body Meeting of StCB and each DCCB as required under section 44(A) read with section 56 of the Banking Regulation Act, 1949.
2. An MOU shall be executed by the constituents i.e. amalgamating DCCBs, StCB and State Government covering issues of governance structure, management, manpower/HR issues and the manner of arriving at the share swap ratio based on the net worth of DCCBs (Networth of the StCB/ DCCB to be computed as per the guidelines issued by NABARD in circular NB.DoS.HO.POL/2069/J-1/2012-13 Circular No.211/DoS 28/2012 dated August 24, 2012 and other circulars issued from time to time) which are proposed to be amalgamated with the StCB. A copy of the MOU shall be submitted to RBI / NABARD.
3. Due diligence on the amalgamating entities shall be carried out by Chartered Accountants. Shares in the amalgamated entity will be allotted on the basis of the net worth of the amalgamating banks. Share swap ratios for allotment of shares will be required to be worked out on the basis of valuation of assets and liabilities done by a chartered accountant firm registered with IBBI as valuers.
4. If as a result of share swap ratio based on net worth, shareholders of some DCCBs cannot be allotted any shares, the State Government shall infuse sufficient capital in such DCCBs to ensure that the shareholders of such DCCBs are allotted at least one share each.
5. In addition to compliance with extant income recognition, asset classification and provisioning norms, full provision shall be made for impairment of assets, if any, on account of frauds, misappropriation etc. while arriving at the value of net assets of the amalgamating banks.
6. The StCB, post-amalgamation, shall be required to adhere to the CRAR norms prescribed by RBI from time to time. The shortfall in capital, if required, for meeting CRAR requirement shall be met by State Government on an ongoing basis.
7. The StCB, post-amalgamation, shall meet with the regulatory requirements laid down for grant of various permissions/approvals given to the amalgamating banks so that none of the services currently extended by the banks under amalgamation get jeopardized. The required regulatory approvals for the said services shall be obtained, if required, before the amalgamated entity commences operations. In case the StCB is not eligible to continue with certain lines of business which the amalgamating banks have been permitted, such lines of business shall be phased-out non-disruptively within one year of grant of final approval.
8. StCB shall ensure to appropriately configure its IT system to enable system integration with all DCCBs before applying for final approval. The migration audit on IT systems of all the DCCBs shall be completed before the amalgamation. System integrity shall be established and certified before the DCCBs can migrate onto the StCB platform.
9. A new Board of the amalgamated bank shall be constituted within three months of amalgamation. The MD/ CEO who is to be appointed should meet the Fit & Proper criteria prescribed by RBI.
10. In addition to the Board of Directors, a Board of Management (BoM) shall be set up for the StCB within three months of amalgamation as prescribed in terms of the [circular DoR(PCB).BPD.Cir.No.8/12.05.002/2019-20 dated December 31, 2019](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11774&Mode=0) addressed to Urban Co-operative banks. For this purpose, the bye-laws of the StCB shall be amended for incorporating the provisions relating to guidelines on BoM issued by RBI.
11. The banking licence issued to the StCB shall continue after the process of amalgamation. DCCBs which are being amalgamated into the StCB shall surrender their licences to RBI. The process of surrendering licences shall be completed within three months of amalgamation.
12. Existing branches of the DCCBs shall be converted into branches of the StCB and will come under the purview of Section 23 of the BR Act, 1949 (AACS). Thus, the StCB will be required to apply for branch licence from RBI for all these existing branches of DCCBs within three months from the date of amalgamation. The StCB shall also seek prior approval of RBI for shifting of branches and opening of any new place of business including controlling offices. The granting of permission by RBI for shifting of branches/ opening of any new place of business shall be in accordance with the extant guidelines.
13. DICGC clearance for the amalgamation shall be obtained by the StCB before applying for final approval.
14. In case of divergence in interest rates offered on deposits by the StCB and the amalgamating DCCBs, the StCB shall provide sufficient notice period to the customers of DCCBs to enable them to take a decision with regard to continuing their deposits with the amalgamating bank. Depositors deciding to discontinue their deposits within the aforesaid notice period will not be levied any penalty for such premature withdrawal
15. RBI may prescribe any additional condition/s, as may be considered necessary.
16. The proposals for amalgamation which meet the indicative benchmarks would be evaluated by NABARD and RBI on merits and would be subject to additional requirements/ conditions as deemed fit.

6. The assets and liabilities of the transferor DCCBs will be transferred to StCB on the date of the amalgamation as advised by Reserve Bank while according final approval for the amalgamation.

**Post- amalgamation requirements**

7. Post-amalgamation, the StCB will be required to take the following action:

1. A compliance report with reference to the conditions of the final approval for amalgamation shall be submitted within the prescribed timeframe.
2. Licences of the transferor banks shall be surrendered. Applications for issue of branch licences shall be made by StCB within the given time frame as per the conditions of amalgamation.
3. Steps initiated by the authority / institution responsible for settlement of claims of the transferor banks and their members in respect of allotment of shares shall be indicated. Details of the list of pending claims and the time frame to settle such claims should also be indicated.

**Disclosures**

8. The amalgamated entity shall make disclosures in its first annual accounts post- amalgamation as mentioned below. These disclosures shall continue in the subsequent annual accounts till they are resolved/ closed with concurrence of the Statutory Auditors:

1. Pension liabilities pre and post-amalgamation. The methodology of valuation/ re-valuation of the pension liabilities shall be disclosed with details of the increase/ reduction in liabilities as a result of change in pension scheme, if any. This disclosure shall capture details of changes, if any, in pension schemes that are made applicable to the employees of amalgamating banks/ amalgamated bank.
2. Status of vigilance cases and complaints pending in the amalgamating banks as on the date of amalgamation and details of cases that are closed during the year.
3. Status of pending fraud cases, outstanding inter-bank adjustments (amalgamating/amalgamated) and inter-branch accounts and other intermediary accounts post–merger and their impact on the financial statements of the amalgamated bank.
4. Outstanding claims of the amalgamating banks and their members in respect of allotment of shares and time frame for settlement of such claims.
5. Such additional disclosures that may be required by the regulator/ supervisor

Yours faithfully

(Neeraj Nigam)
Chief General Manager in Charge

**7. Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs)**

**RBI/2021-22/32 DOR.STR.REC.12/21.04.048/2021-22 May 5, 2021**

*All Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks), All Primary (Urban) Co-operative Banks/State Co-operative Banks/ District Central Co-operative Banks, All All-India Financial Institutions, All Non-Banking Financial Companies (including Housing Finance Companies)*

Please refer to the [circular DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11942&Mode=0) on restructuring of advances to the MSME borrowers.

2. In view of the uncertainties created by the resurgence of the Covid-19 pandemic in India in the recent weeks, it has been decided to extend the above facility for restructuring existing loans without a downgrade in the asset classification subject to the following conditions:

(i) The borrower should be classified as a micro, small or medium enterprise as on March 31, 2021 in terms of the Gazette Notification S.O. 2119 (E) dated June 26, 2020.

(ii) The borrowing entity is GST-registered on the date of implementation of the restructuring. However, this condition will not apply to MSMEs that are exempt from GST-registration. This shall be determined on the basis of exemption limit obtaining as on March 31, 2021.

(iii) The aggregate exposure, including non-fund based facilities, of all lending institutions to the borrower does not exceed ₹25 crore as on March 31, 2021.

(iv) The borrower’s account was a ‘standard asset’ as on March 31, 2021.

(v) The borrower’s account was not restructured in terms of the [circulars DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11942&Mode=0); [DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11808&Mode=0); or [DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11445&Mode=0) (collectively referred to as MSME restructuring circulars).

(vi) The restructuring of the borrower account is invoked by September 30, 2021. For this purpose, the restructuring shall be treated as invoked when the lending institution and the borrower agree to proceed with the efforts towards finalising a restructuring plan to be implemented in respect of such borrower. The decisions on applications received by the lending institutions from their customers for invoking restructuring under this facility shall be communicated in writing to the applicant by the lending institutions within 30 days of receipt of such applications. The decision to invoke the restructuring under this facility shall be taken by each lending institution having exposure to a borrower independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.

(vii) The restructuring of the borrower account is implemented within 90 days from the date of invocation.

(viii) If the borrower is not registered in the Udyam Registration portal, such registration shall be required to be completed before the date of implementation of the restructuring plan for the plan to be treated as implemented.

(ix) Upon implementation of the restructuring plan, the lending institutions shall keep provision of 10 percent of the residual debt of the borrower.

(x) It is reiterated that lending institutions shall put in place a Board approved policy on restructuring of MSME advances under these instructions at the earliest, and in any case not later than a month from the date of this circular.

(xi) All other instructions specified in the [circular DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11942&Mode=0) shall remain applicable.

3. In respect of restructuring plans implemented as per Clause 2 above, asset classification of borrowers classified as standard may be retained as such, whereas the accounts which may have slipped into NPA category between April 1, 2021 and date of implementation may be upgraded as ‘standard asset’, as on the date of implementation of the restructuring plan.

4. In respect of accounts of borrowers which were restructured in terms of the MSME restructuring circulars, lending institutions are permitted, as a one-time measure, to review the working capital sanctioned limits and / or drawing power based on a reassessment of the working capital cycle, reduction of margins, etc. without the same being treated as restructuring. The decision with regard to above shall be taken by lending institutions by September 30, 2021. The reassessed sanctioned limit / drawing power shall be subject to review by the lending institution at least on a half yearly basis and the renewal / reassessment at least on an annual basis. The annual renewal/reassessment shall be expected to suitably modulate the limits as per the then-prevailing business conditions.

5. The above measures shall be contingent on the lending institutions satisfying themselves that the same is necessitated on account of the economic fallout from Covid-19. Further, accounts provided relief under these instructions shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from Covid-19.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12086&Mode=0>

**8. Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses**

**RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22 May 5, 2021**

*All Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks), All Primary (Urban) Co-operative Banks/State Co-operative Banks/ District Central Co-operative Banks, All All-India Financial Institutions, All Non-Banking Financial Companies (including Housing Finance Companies)*

The Reserve Bank of India vide its circular DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020 on “Resolution Framework for COVID-19-related Stress” (“Resolution Framework – 1.0”) had provided a window to enable lenders to implement a resolution plan in respect of eligible corporate exposures without change in ownership, and personal loans, while classifying such exposures as Standard, subject to specified conditions.

2. The resurgence of Covid-19 pandemic in India in the recent weeks and the consequent containment measures to check the spread of the pandemic may impact the recovery process and create new uncertainties. With the objective of alleviating the potential stress to individual borrowers and small businesses, the following set of measures are being announced. These set of measures are broadly in line with the contours of the Resolution Framework - 1.0, with suitable modifications.

3. Part A of this circular pertains to requirements specific to resolution of advances to individuals and small businesses and Part B pertains to working capital support for: (i) individuals who have availed of loans for business purposes, and (ii) small businesses, where resolution plans were implemented previously. Part C lists the disclosure requirements for the lending institutions with respect to the resolution plans implemented under this window.

A. Resolution of advances to individuals and small businesses

4. Lending institutions are permitted to offer a limited window to individual borrowers and small businesses to implement resolution plans in respect of their credit exposures while classifying the same as Standard upon implementation of the resolution plan subject to the conditions specified hereafter.

5. The following borrowers shall be eligible for the window of resolution to be invoked by the lending institutions:

Individuals who have availed of personal loans (as defined in the Circular DBR.No.BP.BC.99/08.13.100/2017-18 dated January 4, 2018 on “XBRL Returns – Harmonization of Banking Statistics”), excluding the credit facilities provided by lending institutions to their own personnel/staff.

Individuals who have availed of loans and advances for business purposes and to whom the lending institutions have aggregate exposure of not more than Rs.25 crore as on March 31, 2021.

Small businesses, including those engaged in retail and wholesale trade, other than those classified as micro, small and medium enterprises as on March 31, 2021, and to whom the lending institutions have aggregate exposure of not more than Rs.25 crore as on March 31, 2021.

Provided that the borrower accounts / credit facilities shall not belong to the categories listed in sub-clauses (a) to (e) of the Clause 2 of the Annex to the Resolution Framework 1.0, read with the response to Sl. No. 2 of FAQs on Resolution Framework for Covid-19 related stress (Revised on December 12, 2020).

Provided further that the borrower accounts should not have availed of any resolution in terms of the Resolution Framework – 1.0 subject to the special exemption mentioned at Clause 22 below.

Provided further that the credit facilities / investment exposure to the borrower was classified as Standard by the lending institution as on March 31, 2021.

6. Any resolution plan implemented in breach of the stipulations of this circular shall be fully governed by the Prudential Framework for Resolution of Stressed Assets issued on June 7, 2019 (“Prudential Framework”), or the relevant instructions as applicable to specific category of lending institutions where the Prudential Framework is not applicable.

Invocation of resolution process

7. The lending institutions shall frame Board approved policies at the earliest (but not later than four weeks from the date of this Circular), pertaining to implementation of viable resolution plans for eligible borrowers under this framework, ensuring that the resolution under this facility is provided only to the borrowers having stress on account of Covid-19. The Board approved policy shall, inter alia, detail the eligibility of borrowers in respect of whom the lending institutions shall be willing to consider the resolution, and shall lay down the due diligence considerations to be followed by the lending institutions to establish the necessity of implementing a resolution plan in respect of the concerned borrower as well as the system for redressing the grievance of borrowers who request for resolution under the window and / or are undergoing resolution under this window. The Board approved policy shall be sufficiently publicised and should be available on the website of the lending institutions in an easily accessible manner.

8. The resolution process under this window shall be treated as invoked when the lending institution and the borrower agree to proceed with the efforts towards finalising a resolution plan to be implemented in respect of such borrower. In respect of applications received by the lending institutions from their customers for invoking resolution process under this window, the assessment of eligibility for resolution as per the instructions contained in this circular and the Board approved policy put in place as above shall be completed, and the decision on the application shall be communicated in writing to the applicant by the lending institutions within 30 days of receipt of such applications. In order to optimise the processing time, lending institutions may prepare product-level standardized templates as part of their Board approved policies, as above, for resolution under this window.

9. The decision to invoke the resolution process under this window shall be taken by each lending institution having exposure to a borrower independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.

10. The last date for invocation of resolution permitted under this window is September 30, 2021.

Permitted features of resolution plans and implementation

11. The resolution plans implemented under this window may inter alia include rescheduling of payments, conversion of any interest accrued or to be accrued into another credit facility, revisions in working capital sanctions, granting of moratorium etc. based on an assessment of income streams of the borrower. However, compromise settlements are not permitted as a resolution plan for this purpose.

12. The moratorium period, if granted, may be for a maximum of two years, and shall come into force immediately upon implementation of the resolution plan. The extension of the residual tenor of the loan facilities may also be granted to borrowers, with or without payment moratorium. The overall cap on extension of residual tenor, inclusive of moratorium period if any permitted, shall be two years.

13. The resolution plan may also provide for conversion of a portion of the debt into equity or other marketable, non-convertible debt securities issued by the borrower, wherever applicable, and the same shall be governed in terms of Paragraphs 30-32 of the Annex to the Resolution Framework – 1.0.

14. The instructions contained in the circular DOR.No.BP.BC/13/21.04.048/2020-21 dated September 7, 2020 on “Resolution Framework for COVID-19-related Stress – Financial Parameters” shall not be applicable to resolution plans implemented under this window.

15. The resolution plan should be finalised and implemented within 90 days from the date of invocation of the resolution process under this window. The resolution plan shall be deemed to be implemented only if all the conditions in Paragraph 10 of the Annex to the Resolution Framework – 1.0 are met.

Asset classification and provisioning

16. If a resolution plan is implemented in adherence to the provisions of this circular, the asset classification of borrowers’ accounts classified as Standard may be retained as such upon implementation, whereas the borrowers’ accounts which may have slipped into NPA between invocation and implementation may be upgraded as Standard, as on the date of implementation of the resolution plan.

17. The subsequent asset classification for such exposures will be governed by the criteria laid out in the Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015 or other relevant instructions as applicable to specific category of lending institutions (“extant IRAC norms”).

18. In respect of borrowers where the resolution process has been invoked, lending institutions are permitted to sanction additional finance even before implementation of the plan in order to meet the interim liquidity requirements of the borrower. This facility of additional finance may be classified as ‘Standard’ till implementation of the plan regardless of the actual performance of the borrower in the interim. However, if the resolution plan is not implemented within the stipulated timelines, the asset classification of the additional finance sanctioned will be as per the actual performance of the borrower with respect to such additional finance or performance of the rest of the credit facilities, whichever is worse.

19. The lending institutions shall keep provisions from the date of implementation, which are higher of the provisions held as per the extant IRAC norms immediately before implementation, or 10 percent of the renegotiated debt exposure of the lending institution post implementation (residual debt). Residual debt, for this purpose, will also include the portion of non-fund based facilities that may have devolved into fund based facilities after the date of implementation.

20. Half of the above provisions may be written back upon the borrower paying at least 20 per cent of the residual debt without slipping into NPA post implementation of the plan, and the remaining half may be written back upon the borrower paying another 10 per cent of the residual debt without slipping into NPA subsequently.

Provided that in respect of exposures other than personal loans, the above provisions shall not be written back before one year from the commencement of the first payment of interest or principal (whichever is later) on the credit facility with longest period of moratorium.

21. The provisions required to be maintained under this window, to the extent not already reversed, shall be available for the provisioning requirements when any of the accounts, where a resolution plan had been implemented, is subsequently classified as NPA.

Convergence of the norms for loans resolved previously

22. In cases of loans of borrowers specified in Clause 5 above where resolution plans had been implemented in terms of the Resolution Framework – 1.0, and where the resolution plans had permitted no moratoria or moratoria of less than two years and / or extension of residual tenor by a period of less than two years, lending institutions are permitted to use this window to modify such plans only to the extent of increasing the period of moratorium / extension of residual tenor subject to the caps in Clause 12 above, and the consequent changes necessary in the terms of the loan for implementing such extension. The overall caps on moratorium and / or extension of residual tenor granted under Resolution Framework – 1.0 and this framework combined, shall be two years.

23. This modification shall also follow the timelines specified in Clauses 7, 10 and 15 above. For loans where modifications are implemented in line with Clause 22 above, the instructions regarding asset classification and provisioning shall continue to be as per the Resolution Framework – 1.0.

B. Working capital support for small businesses where resolution plans were implemented previously

24. In respect of borrowers specified at sub-clauses (b) and (c) of Clause 5 above where resolution plans had been implemented in terms of the Resolution Framework – 1.0, lending institutions are permitted, as a one-time measure, to review the working capital sanctioned limits and / or drawing power based on a reassessment of the working capital cycle, reduction of margins, etc. without the same being treated as restructuring. The decision with regard to above shall be taken by lending institutions by September 30, 2021, with the margins and working capital limits being restored to the levels as per the resolution plan implemented under Resolution Framework – 1.0, by March 31, 2022.

25. The above measures shall be contingent on the lending institutions satisfying themselves that the same is necessitated on account of the economic fallout from COVID-19. Further, accounts provided relief under these instructions shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from COVID-19.

26. Lending institutions may, accordingly, put in place a Board approved policy to implement the above measures, which should be disclosed in the public domain and placed on their websites in a prominent and easily accessible manner.

C. Disclosures and Credit Reporting

27. Lending institutions publishing quarterly financial statements shall, at the minimum, make disclosures as per the format prescribed in Format-X in their financial statements for the quarters ending September 30, 2021 and December 31, 2021. The resolution plans implemented in terms of Part A of this framework should also be included in the continuous disclosures required as per Format-B prescribed in the Resolution Framework – 1.0.

28. The number of borrower accounts where modifications were sanctioned and implemented in terms of Clause 22 above, and the aggregate exposure of the lending institution to such borrowers may also be disclosed on a quarterly basis, starting from the quarter ending June 30, 2021.

29. Lending institutions that are required to publish only annual financial statements shall make the required disclosures in their annual financial statements, along with other prescribed disclosures.

30. The credit reporting by the lending institutions in respect of borrowers where the resolution plan is implemented under Part A of this window shall reflect the “restructured due to COVID-19” status1 of the account. The credit history of the borrowers shall consequently be governed by the respective policies of the credit information companies as applicable to accounts that are restructured.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12085&Mode=0>

**9. Credit to MSME Entrepreneurs**

**RBI/2020-21/92 DOR.No.Ret.BC.37/12.01.001/2020-21 February 05, 2021**

*All Scheduled Commercial Banks*

In terms of paragraph 5 of the [Statement on Developmental and Regulatory Policies of February 5, 2021](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51078), Scheduled Commercial Banks will be allowed to deduct the amount equivalent to credit disbursed to ‘New MSME borrowers’ from their Net Demand and Time Liabilities (NDTL) for calculation of the Cash Reserve Ratio (CRR). For the purpose of this exemption, ‘New MSME borrowers’ shall be defined as those MSME borrowers who have not availed any credit facilities from the banking system as on January 1, 2021. This exemption will be available only up to ₹25 lakh per borrower disbursed up to the fortnight ending October 1, 2021, for a period of one year from the date of origination of the loan or the tenure of the loan, whichever is earlier.

2. Banks are required to report the exemption availed at the end of a fortnight, in Annex A to Form A as per [Master Circular on Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) dated July 1, 2015](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=9905), under the item “Any other liabilities coming under the purview of zero prescription” at VIII.1. Proper fortnightly records of credit disbursed to new MSME borrowers/CRR exemption claimed, duly certified by the Chief Financial Officer (CFO) or an equivalent level officer, must be maintained by banks for supervisory review.

**10. Periodic Updation of KYC – Restrictions on Account Operations for Non-compliance**

**RBI/2021-22/29 DOR. AML.REC 13/14.01.001/2021-22 May 5, 2021**

*The Chairpersons/ CEOs of all the Regulated Entities*

Please refer to Section 38 of the Master Direction on KYC dated February 25, 2016, in terms of which Regulated Entities (REs) have to carry out periodic updation of KYC of existing customers. Keeping in view the current COVID-19 related restrictions in various parts of the country, REs are advised that in respect of the customer accounts where periodic updation of KYC is due and pending as on date, no restrictions on operations of such account shall be imposed till December 31, 2021, for this reason alone, unless warranted under instructions of any regulator/ enforcement agency/court of law, etc.

Regulated entities are also advised to continue engaging with their customers for having their KYC updated in such cases.

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

**RBI/2021-22/12 FIDD.GSSD.CO.BC.No.03/09.16.03/2021-22 April 05, 2021**

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

Please refer to the Master Circular on DAY-NULM [FIDD.GSSD.CO.BC.No.01/09.16.03/2019-20 dated July 01, 2019](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=11615) containing the instructions / guidelines / directives issued to banks.

**Background**

The Government of India, Ministry of Housing and Urban Affairs (MoHUA), 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, erstwhile 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 had 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 5 percent reservation should be made for the differently-abled under this program with priority to women. 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 submission and settlement of claims made by banks would be done on monthly basis. 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 Banks can upload XML file format for Master data and XML file format for Claim data for interest subsidy as per Data Structure Document available on [www.paisaportal.in](https://www.paisaportal.in/)

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 at national level. 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 by concerned ULB/states, will transfer the interest subsidy to the beneficiaries through DBT mode. The State/UT will deposit some funds in advance with the nodal bank, which will release funds 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.06/12.01.033/2021-22 dated April 01, 2021](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=12063) 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 monthly basis to the banks following a similar procedure as mentioned in Para 5.

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 Ministry of Housing and Urban Affairs (MoHUA) 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 Ministry of Housing and Urban Affairs (MoHUA) 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 I](https://rbidocs.rbi.org.in/rdocs/content/pdfs/MC12_05042021AN1.pdf) & [II](https://rbidocs.rbi.org.in/rdocs/content/pdfs/MC12_05042021AN2.pdf)) to the Director, NULM 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://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12066&Mode=0>

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

**RBI/2021-22/09 FIDD.CO.FID.BC.No.06/12.01.033/2021-22 April 01, 2021**

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

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.

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**

The SHGs, registered or unregistered, which are engaged in promoting savings habit 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 on simplified Customer Due Diligence (CDD) applicable to SHGs as prescribed in Part VI of the [Master Direction - Know Your Customer (KYC) Direction, 2016](https://rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11566) (as updated from time to time) shall be adhered to.

**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, subject to regulatory guidelines on interest rate on advances contained in Master Direction - Reserve Bank of India (Interest Rate on Advances) Directions, 2016 issued vide [DBR.Dir.No.85/13.03.00/2015-16 dated March 3, 2016](https://rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10295), as amended from time to time.

**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**

Loans to SHGs are allowed to be classified under Priority Sector Lending (PSL) under the respective categories viz Agriculture, MSME, Social Infrastructure and others, subject to extant guidelines of Master Directions – Priority Sector Lending (PSL) – Targets and Classification issued vide [Master Directions FIDD.CO.Plan.BC.5/04.09.01/2020-21 dated September 4, 2020](https://www.rbi.org.in/scripts/FS_Notification.aspx?Id=11959&fn=2754&Mode=0), as amended from time to time.

**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 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://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12063&Mode=0>

**Master Circular – Lead Bank Scheme**

**RBI/2021-22/04 FIDD.CO.LBS.BC.No.02/02.01.001/2021-22 April 01, 2021**

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

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=12064&Mode=0#MC1) consolidates the relevant guidelines/ instructions issued by Reserve Bank of India on Lead Bank Scheme up to March 31, 2021 as listed in the [Appendix](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12064&Mode=0#APP).

For Detailed Master Circular: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12064&Mode=0>

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

**RBI/2021-22/05 FIDD.GSSD.CO.BC.No.04/09.01.01/2021-22 April 01, 2021**

*The Chairman/ Managing Director & CEO, Public Sector Banks, Private Sector Banks (including Small Finance Banks).*

Please refer to the [Master Circular FIDD.GSSD.CO.BC.No.06/09.01.01/2020-21 dated September 18, 2020](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=11967) on Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM).

**1. Background**

The Ministry of Rural Development (MoRD), Government of India launched the National Rural Livelihood Mission (NRLM) by restructuring Swarnajayanti Gram Swarojgar Yojana (SGSY) with effect from 01st April 2013 ([RBI Circular No. RBI/2012-13/559 dated 27 June 2013](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=8075&Mode=0)). NRLM was renamed as DAY-NRLM (Deendayal Antyodaya Yojana - National Rural Livelihoods Mission) w.e.f. March 29, 2016. The 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 livelihoods. DAY-NRLM adopts a demand driven approach, enabling the States to formulate their own State specific poverty reduction action plans. The blocks and districts in which all the components of DAY-NRLM would be implemented, either through the SRLMs or partner institutions or NGOs, would be the intensive blocks and districts, whereas remaining would be non-intensive blocks and districts. The key features of DAY-NRLM have been furnished in [Annex I](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12062&Mode=0#A_1).

**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 elder, transgender, 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 respective states.

**Financial Assistance to the SHGs**

**3. Revolving Fund:** DAY-NRLM, MoRD, would provide Revolving Fund (RF) support to SHGs in existence for a minimum period of 3/6 month 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 would 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 would be sanctioned to any SHG from the date of implementation of DAY-NRLM.

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

CIF would be provided by MoRD to the SHGs promoted under DAY – NRLM in all blocks (intensive and non-intensive) and would be routed through the Village level/ Cluster level Federations, to be maintained in perpetuity by the Federations. The CIF would 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 would be available across the country in two ways:

(i) In 250 identified districts, banks may lend to the women SHGs @7% up to an aggregated loan amount of ₹300,000/-. The banks would be subvented to the extent of difference between the Weighted Average Interest Charged and 7%, subject to the maximum limit of 5.5%. An additional interest subvention of 3% is also available on prompt repayment by the SHGs, reducing the effective rate of interest to 4%.

(ii) In the remaining districts, the banks may lend at their respective lending rates, applicable to SHGs. In these districts, all women SHGs under DAY– NRLM would be eligible for interest subvention on prompt repayment. The difference between the bank lending rates and 7% for loans up to ₹ 300,000/- subject to a maximum limit of 5.5%, would be subvented directly in the loan accounts of the SHGs by the SRLMs. This part of the scheme would be operationalized by the SRLMs.

* Salient features of the Scheme are enclosed in [Annex II](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12062&Mode=0#A_2).
* The list of 250 identified districts is as per [Annex III](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12062&Mode=0#A_3).
* Subvented interest rate would be communicated separately to the banks by GoI/RBI.

**7. Role of banks:**

**7.1 Opening of Savings account:**

**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.

1. Know Your Customer (KYC) verification of only the office bearers shall suffice for opening of savings bank account.
2. Banks may 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.
3. For KYC verification pertaining to SHG members during opening of accounts, instructions of Department of Banking Regulation in [Master Direction on KYC (dated February 25, 2016](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11566), updated as on March 23, 2021) shall be adhered to while completing Customer Due Diligence (CDD) process. CDD means identifying and verifying the customer and the beneficial owner. Accordingly, the current instructions under Simplified norms for Self Help Groups (SHGs) mention that while opening of accounts Customer Due Diligence (CDD) of all the members of SHG shall not be required and CDD of only the office bearers shall suffice. At the time of credit linking of SHGs, banks may undertake KYC verification of all the members in the SHG. However, 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.
4. Business Correspondents deployed by banks may also be authorized to open Saving Bank Accounts of the SHGs after verification/approval of the base branch, subject to adherence to extant BC guidelines and in accordance with the bank’s Board approved policy on Business Correspondents. However, ensuring compliance with KYC and AML norms under the BC model continues to be the responsibility of the banks.

**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 would be applicable.

**7.1.3 Opening of Current Account of Producer Groups (PGs):** In order to facilitate collective production and marketing for their produce, banks are advised to open current account for Producer Groups promoted under DAY-NRLM at village, Gram Panchayat, Cluster or higher level. The ‘Know Your Customer’ (KYC) norms for the signatories of such accounts as specified from time to time by Reserve Bank of India would be applicable.

**7.1.4 Transaction in Savings/Cash Credit account of SHGs and Federation of SHGs:** SHGs and their federations may be encouraged to transact through their respective saving accounts and Cash Credit Loan accounts on regular basis. To facilitate this, banks are advised to enable transactions in jointly operated savings/Cash Credit account of SHGs and their federations with interoperable facility at retail outlets managed by Business Correspondents. Banks are also advised to extend all such services to SHGs and their federations through Business Correspondents as per their board approved policies.

**7.2 Lending Norms to individual SHG members and SHGs**

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

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

The amount of credit under different facilities are as follows:

**Cash Credit Limit (CCL):** In case of CCL, banks are advised to sanction minimum loan of ₹ 6 lakh to each eligible SHGs for a period of 3 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 ₹6 lakh 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: Above ₹6 lakh, 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 ₹6 lakh, based on the Micro credit plan prepared by the SHGs and appraised by the Federations /Support agency and the previous credit history.
* Fourth Dose onwards: Above ₹6 lakh, based on the Micro credit plan prepared by the SHGs and appraised by the Federations /Support agency and the previous credit History.

Banks are advised take necessary measures to ensure that eligible SHGs are provided with repeat loans. Banks are advised to coordinate with DAY-NRLM to institutionalize a mechanism for online submission of loan application from 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 would 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 lakh, 75% of loans above ₹4 lakh and at least 85% of loans above ₹6 lakh 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 for Term Loans may be as follows:

* The First dose of loan may be repaid in 24-36 months in monthly/Quarterly Instalments.
* The Second dose of loan may be repaid in 36-48 months in monthly/Quarterly instalments.
* The Third dose of loan may be repaid in 48-60 months based on the cash flow in monthly/Quarterly instalments.
* The loan from Fourth dose onwards may be repaid between 60-84 months based on the cash flow in monthly/ quarterly installments.

**7.3.4** All facilities sanctioned under DAY- NRLM would be governed by the Asset Classification norms issued by Reserve Bank of India from time to time.

**7.4. Security and Margin:**

No collateral and no margin would be charged up to ₹10.00 lakh 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:**

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 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) /District Rural Development Agency(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 would assist the bankers in initiating the repayment

**11 Supervision and monitoring of the Scheme**

Banks may set up cells for Self Help Groups at respective Regional/Zonal offices of banks. 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.

**11.1** 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 discuss 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.

**11.2** District Coordination Committee: The DCC 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 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

**11.3** Block level Bankers Committee: The BLBC shall 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.

**11.4** 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](https://rbidocs.rbi.org.in/rdocs/content/pdfs/05MC01042021_A4.pdf) and [Annex-V](https://rbidocs.rbi.org.in/rdocs/content/pdfs/05MC01042021_A5.pdf) to the LDM every month for onward submission to Special Steering Committee/sub-committee constituted by SLBC.

**11.5** 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.

**11.6** LBR returns: Existing procedure of submitting LBR returns to be continued duly furnishing the correct code

**12 Financial Literacy:** Financial Literacy is one of the important strategies to spread awareness on financial behavior and keep households informed about various financial products and services. DAY-NRLM has trained and deployed a large number of cadre called ‘Financial Literacy Community Resource Persons (FL-CRPs)’ to carry out financial literacy camps at village level. Financial Literacy Centers (FLC) established by various banks may coordinate with respective SRLMs and utilize the services of FL-CRPs to conduct village camps on Financial Literacy.

**13 Data Sharing:**

**13.1** 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 DAY- NRLM or SRLMs, directly from the CBS platform.

**13.2** Banks should share data of Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) with DAY-NRLM on agreed formats to facilitate higher enrollment and claim settlement under the mentioned schemes.

**13.3** Banks to share data of all SHG transactions being done at Business Correspondents points using Dual Authentication technology introduced by banks on a mutually agreed format/interval only after obtaining consent of the customer. However, the banks should ensure preservation and protection of the security and confidentiality of customer information in the custody or possession of BC.

**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 would 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 would 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 would 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 would meet once in a month under the chairmanship of the Branch Manager in the branch premises with the agenda items relating to bank linkage.

For Detailed Master Circular:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12062&Mode=0>

**14. Amendment to Master Direction (MD) on KYC – KYC norms for Self Help Groups (SHGs)**

**RBI/2021-22/10 DOR.AML.BC.No.1/14.01.001/2021-22 April 1, 2021**

*The Chairpersons/ CEOs of all the banks*

Please refer to Section 43 of the [Master Direction on KYC dated February 25, 2016](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11566) as amended from time to time, wherein simplified norms for Self Help Groups (SHGs) have been stipulated.

2. In this regard, on a review, it has been decided to amend clause (c) of Section 43 to read as under:

“Customer Due Diligence (CDD) of all the members of SHG may be undertaken at the time of credit linking of SHGs.”

**15. Master Circular - Disbursement of Government Pension by Agency Banks (Updated as on May 17, 2021)**

**RBI/2021-22/08 DGBA.GBD.No.S-1/31.02.007/2021-22 April 1, 2021 (Updated as on May 17, 2021)**

*All Agency Banks*

Please refer to our [Master Circular RBI/2020-21/06 dated July 1, 2020](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=11929) on the above subject. We have now revised and updated the Master Circular which consolidates important instructions on the subject issued by the Reserve Bank of India till March 31, 2021

**Introduction**

Payment of pension to retired government employees, including payment of basic pension, increased Dearness Relief (DR), and other benefits as and when announced by the governments, is governed by the relevant schemes prepared by concerned Ministries/Departments of the Government of India and State Governments. This Master Circular consolidates important instructions on the subject issued by the Reserve Bank of India till March 31, 2021 ([listed in Appendix](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12059&Mode=0#AP1)). It does not replace or supersede any existing government instructions on the matter. The instructions issued by Pension Sanctioning Authority of the Central and State Governments and circulated by RBI in the past will continue to remain in operation subject to changes being made by the competent authority. In case of any doubt or apparent contradiction, agency banks may be guided by the relevant government instructions. Contents of various circulars issued in this connection by the Reserve Bank of India are summarized here under.

**General Instructions**

**Government orders on DR, etc. on websites**

2. In order to obviate the time lag between issue of DR orders and payment of DR to the beneficiary and to render expeditious service to senior citizens, the following actions are required to be taken:

1. It has been decided to discontinue the procedure of forwarding government orders in respect of dearness relief etc. to pension paying agency banks. Agency Banks may, therefore, act on the copies of government orders supplied by government to them through post, fax, e-mails or by accessing from the website and authorize their pension paying branches to make payments to the pensioners immediately.
2. All agency banks are advised to scrupulously follow all the guidelines/instructions contained in various notifications of Government (Central as well as States) and take necessary action immediately without waiting for any further instructions from RBI.

**Timing of pension disbursement by agency banks.**

3. The pension paying banks will credit the pension amount in the accounts of the pensioners based on the instructions given by respective Pension Paying Authorities.

**Refund of excess pension payment to Government**

4. Whenever any excess/overpayment is detected the entire amount thereof should be credited to the Government account in lump sum immediately when the excess/overpayment is due to an error on the part of the agency bank. This action is independent of recovery from the pensioner. Agency banks are requested to seek guidance from respective Pension Sanctioning Authorities regarding the process to be followed for recovery of excess pension paid to the pensioners, if any.

5. If the excess/wrong payment to the pensioner is due to errors committed by the government, banks may take up the matter with the full particulars of the cases with respective Government Department for a quick resolution of the matter. However, this must be a time bound exercise and the government authority’s acknowledgement to this effect must be kept on the bank’s record. The banks may take up such cases with government departments without reference to the Reserve Bank of India.

**Withdrawal of pension by old/ sick/ disabled/ incapacitated pensioners**

6. In order to take care of problems/ difficulties faced by sick and disabled pensioners in withdrawal of pension / family pension from the banks, agency banks may categorise such pensioners as under:

1. Pensioner who is too ill to sign a cheque / unable to be physically present in the bank.
2. Pensioner who is not only unable to be physically present in the bank but also not even able to put his/her thumb impression on the cheque/ withdrawal form due to certain physical defect /incapacity.

7. With a view to enabling such old/sick/incapacitated pensioners to operate their accounts, banks may follow the procedure as under:

1. Wherever thumb or toe impression of the old/sick pensioner is obtained, it should be identified by two independent witnesses known to the bank, one of whom should be a responsible bank official.
2. Where the pensioner cannot even put his/her thumb/ toe impression and also would not be able to be physically present in the bank, a mark can be obtained on the cheque/withdrawal form, which should be identified by two independent witnesses, one of whom should be a responsible bank official.

8. Accordingly, the agency banks are requested to instruct their branches to display the instructions issued in this regard on their notice board so that sick and disabled pensioners could make full use of these facilities. Agency Banks are also advised to strictly implement the instructions issued by RBI regarding the facilities to be provided to the sick and disabled persons and sensitise staff members in the matter and to refer to the [FAQs](https://www.rbi.org.in/Scripts/FAQView.aspx?Id=68) on pension disbursement hosted on our website [www.rbi.org.in](https://www.rbi.org.in/)in case of any doubt.

**Reimbursement of pension payments**

9. Link branches of agency banks may submit reimbursement claims to Reserve Bank of India, Central Accounts Section, Nagpur / Government Banking Division at Regional Office for Central/State Government pension payments.

**Continuation of either or survivor pension account after death of pensioner**

10. All agency banks disbursing Central Government pension have been advised that in case the spouse (Family pensioner) opts for existing joint account for credit of family pension, banks should not insist on opening a new account when the spouse is the survivor and having a joint account with the pensioner and in whose favour an authorisation for payment of family pension exists in the Pension Payment Order (PPO).

**Life Certificate - Issuance of Acknowledgement**

11. There have been complaints that life certificates submitted over the counter of pension paying branches are misplaced causing delay in payment of monthly pensions. In order to alleviate the hardships faced by pensioners, agency banks were instructed to mandatorily issue duly signed acknowledgements. They were also advised to consider entering the receipt of life certificates in their CBS and issue a system generated acknowledgement which would serve the twin purpose of acknowledgement as well as real time updation of records.

**Single Window System for reimbursement of Pension Payments**

12. Single Window System was introduced to facilitate prompt settlement of reimbursement claims and reconciliation. The underlying objective is to make each pension paying bank responsible in its own right to effect settlement without the intervention of RBI Offices or SBI (at District Headquarters) in the process eliminating cause of delay in reimbursement claims.

**Customer Service**

13. All agency banks may issue instructions to their dealing branches to adhere to the recommendations of the Prabhakar Rao Committee relating to pension payments. A checklist may be provided to the inspecting officers/auditors, which may at a minimum include the items given in [Annex 1](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12059&Mode=0#AN1). Agency banks may also instruct their internal auditors/inspectors to comment on the quality of customer service in their reports which may be made available to Reserve Bank’s inspecting officers, as and when they visit the branches.

14. Grievances of pensioners are not being addressed properly at the branch level especially after the setting up of Centralised Pension Processing Centres (CPPCs). To provide hassle free service to the pensioners, there should be a forum for regular interaction and settlement of grievances. Accordingly, agency banks should appoint one/two nodal officers at each Region/Zone for monitoring the resolution of grievances of pensioners on regular basis and the GM/CGM concerned should review the position at monthly intervals

15. At locations outside the CPPCs, there should be designated nodal officers for pension related complaints who should be easily accessible to pensioners and who should hold regular meetings at different locations in their jurisdiction on the lines of Pension Adalat. Each bank should establish toll free dedicated pension line manned by trained persons with access to the database to answer queries, note down and redress complaints.

16. Following several complaints from pensioners alleging inordinate delay in disbursing revised pension and arrears, agency banks are advised as under:

1. Pension paying banks should compensate the pensioner for delay in crediting pension/ arrears thereof at a fixed interest rate of 8 per cent per annum for the delay after the due date of payment and the compensation shall be credited to the pensioner's account automatically without any claim from the pensioner on the same day when the bank affords credit for revised pension/ pension arrears, in respect of all delayed pension payments made since October 1, 2008.
2. Pension paying banks have been advised to put in place a mechanism to obtain immediately the copies of pension orders from the pension paying authorities directly and make payments without waiting for receipt of instructions from the Reserve Bank of India so that pensioners should get benefits announced by the Governments in the succeeding month's pension payment itself.
3. When the agency bank is calculating pension, the branch should continue to be a point of referral for the pensioner lest he/she feel disenfranchised.
4. All branches having pension accounts should guide and assist the pensioners in all their dealings with the bank.
5. Suitable arrangements should be made to place the arithmetic and other details about pension calculations on the web, to be made available to the pensioners through the net or at the branches at periodic interval as may be necessary and sufficient advertisement is made about such arrangements.
6. All claims for agency commission by banks in respect of pension payments must be accompanied by a certificate from ED/CGM in charge of government business that there are no pension arrears to be credited/ delays in crediting regular pension/arrears thereof.
7. All agency banks disbursing pension are advised to provide considerate and sympathetic customer service to the pensioners, especially to those pensioners who are of old age.

**Annex 1**

**Checklist relating to Government Business (pension related) for internal/concurrent audit**

Internal inspections should assess branch performance in servicing pensioner customers. In this regard, the following may be ensured:

1. A specific questionnaire covering all aspects of pension payment may be devised for use during inspection of pension paying branches.
2. Inspecting officers may also, during inspections, call up pensioners at random and enquire about their satisfaction with pension-related services.
3. A detailed check-list relating to pension payments/government business may be given by banks to internal auditors/inspectors in order to adhere to the recommendations of the Prabhakar Rao Committee, constituted by the Government of India, relating to pension payments/government business.

These include the following:

1. Whether there is delay in payment of pension, revision of pension, revision in dearness relief etc.
2. Whether the branch manager has structured interaction with a cross section of pensioners serviced at the branch on quarterly basis, where the number of pensioners of all governments and departments exceeds affixed number, say, 100 or 200.
3. Whether nominations have been obtained for all pension accounts.
4. Whether pension accounts have been converted into joint accounts wherever applicable.
5. Whether the bank branch has an effective complaint redressal mechanism and the complaints of pensioners are attended promptly and their grievances redressed expeditiously.
6. Whether the pension is credited to pensioner’s account during the last four working days of the month except for the month of March for which pension is to be credited on or after first working day of April.
7. Whether the pension paying branch obtains Life Certificate/ Non-employment certificate/Employment Certificate from the pensioners in the month of November every year.
8. Whether pension paying branches deduct income tax at source from pension payments wherever applicable.
9. Whether paper tokens in acknowledgement of cheques presented are invariably given by the tax collecting branches.
10. Whether the challans are stamped giving bank’s BSR code and Challan Identification Number (CIN) clearly.
11. Whether the stamped challans are kept in the custody of bank’s staff and handed over to the concerned tax payer only on production of the paper token.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12059&Mode=0>

**16. Master Circular on Conduct of Government Business by Agency Banks - Payment of Agency Commission**

**RBI/2021-22/07 DGBA.GBD.No. S-2/31.12.010/2021-22 April 1, 2021**

*All Agency Banks*

Please refer to our [Master Circular RBI/2020-21/03; DGBA.GBD.No.2/31.12.010/2020-21 dated July 01, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11930&Mode=0) on the above subject. We have now revised and updated the Master Circular which consolidates important instructions on the subject issued by the Reserve Bank of India till March 31, 2021.

**Introduction**

1. The Reserve Bank of India carries out the general banking business of the Central and State Governments through its own offices and through the offices of the agency banks appointed under Section 45 of the RBI Act, 1934, by mutual agreement. RBI pays agency commission to the agency banks for the government business handled by them. This Master Circular consolidates the instructions contained in the circulars listed in [Annex 1](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12058&Mode=0#ANX_1).

**Government transactions eligible for agency commission**

2. Transactions relating to the following government business undertaken by agency banks are eligible for agency commission paid by RBI:

1. Revenue receipts and payments on behalf of the Central/State Governments
2. Pension payments in respect of Central / State Governments and
3. Any other item of work specifically advised by Reserve Bank as eligible for agency commission

3. The Agency banks also undertake the work related to Small Savings Schemes (SSS) the commission for which is borne by Government of India. Though the settlement of commission on such SSS is processed by RBI and settled at Central Accounts Section (CAS), Nagpur, the rates of agency commission related to SSS transactions are decided by Government of India. Agency commission claims on Special Deposit Scheme (SDS) related transactions (where mirror accounts are maintained in RBI) are also settled at CAS, Nagpur.

4. Short term/long term borrowings of State Governments raised directly from financial institutions and banks are not eligible for agency commission as these transactions are not considered to be in the nature of general banking business. Reserve Bank pays the agency banks separate remuneration as agreed upon for acting as agents for management of public debt.

5. Whenever agency banks collect stamp duty through physical mode or e-mode (challan based), they are eligible for payment of agency commission, provided the agency banks do not collect any charges from the members of public or receive remuneration from the State Government for doing this work.

6. If the agency bank is engaged by the State Government as Franking Vendor and it collects stamp duty from the public for franking the documents, it will not be eligible for agency commission since the State Government is paying commission to it as Franking Vendor. However, the agency bank which collects the stamp duty paid by the Franking Vendor for credit to the Treasury through challan in physical or e-mode for purchase of the franking bar, would be eligible for agency commission since it is a regular payment of Stamp Duty as stated above.

**Government transactions not eligible for agency commission**

7. Agency banks paying their own tax liabilities through their own branches or through authorised branches of any other agency bank including State Bank of India or offices of Reserve Bank of India wherever they do not have their own authorised direct tax collection branch should indicate the same separately in the scroll. Such transactions will not be eligible for payment of agency commission. Banks should furnish a certificate to the effect that own tax liabilities (TDS, Corporation Tax, etc.) paid by them have been excluded while claiming agency commission.

8. The following activities, inter alia, do not come under the purview of agency bank business and are therefore not eligible for payment of agency commission.

1. Furnishing of bank guarantees/security deposits, etc. through agency banks by government contractors/suppliers, which constitute banking transactions undertaken by banks for their customers.
2. The banking business of autonomous/statutory bodies/Municipalities/ companies/Corporations/Local Bodies.
3. Payments which have been classified as capital in nature by government to cover losses incurred by autonomous/statutory bodies/ Municipalities/ Corporations/Local Bodies, etc.
4. Prefunded schemes which may be implemented by a Central Government Ministry/Department (in consultation with CGA) and a State Government Department through any bank.
5. Transactions related to Gold Monetisation Scheme 2015
6. Transactions arising out of Letters of Credit / Bank Guarantee opened by banks on behalf of Ministries/Departments etc. do not qualify for agency commission as RBI only reimburses the paid amount to the banks based on the mandate received from the governments.
7. Any other item of work specifically advised by Reserve Bank or Central or State Government as ineligible for agency commission

9. Agency Banks are advised to meticulously follow instructions issued by RBI from time to time regarding transactions which are not eligible for agency commission and submit their claims for agency commission accordingly. All agency banks while claiming agency commission should certify that no claim of agency commission is made on ineligible transactions.

**Reporting of transactions by agency banks to RBI**

10. After the operationalisation of NEFT 24X7 and RTGS 24X7, agency banks authorised to collect GST shall upload their luggage files in RBI’s QPX/E-Kuber on all days except the Global holidays, which are January 26, August 15, October 2, all non-working Saturdays, all Sundays and any other day declared holiday by RBI for Government Transactions due to exigencies.

11. State government transactions (electronic as well as in physical mode) of previous month reported after 8th of the succeeding month and those pertaining to earlier months should be reported to RBI through a separate statement for accounting, after being confirmed by the competent authorities of concerned state government.

12. For Central Government transactions (electronic as well as in physical mode) or any adjustments thereof, if reported after a gap of 90 days from the date of transaction, agency banks have to obtain prior approval from concerned ministry/department and submit the same to RBI separately at the time of reporting such transactions for settlement.

**Rates for agency commission**

13. As per agency bank agreement, RBI pays agency commission at rates determined by it. The rates applicable with effect from July 1, 2019 are as under:

|  |  |  |  |
| --- | --- | --- | --- |
| **Sr. No.** | **Type of Transaction** | **Unit** | **Revised Rate** |
| a. | (i) | Receipts - Physical mode | Per transaction | ₹40/- |
|   | (ii) | Receipts - e-mode | Per transaction | ₹9/- |
| b. | Pension Payments | Per transaction | ₹75/- |
| c. | Payments other than Pension | Per ₹100 turnover | 6.5 paise per ₹100 |

14. In this context, the ‘Receipts-e-mode transactions’ indicated against Sr. No. a.(ii) in the above table refer to those transactions involving remittance of funds from the remitter’s bank account through internet banking as well as such transactions which do not involve physical receipt of cash /instruments at all. For example, challan generated electronically and submitted to agency bank along with cash/instrument should be treated as transaction under physical mode.

15. With reference to the implementation of Goods and Service Tax (GST) regime, it is advised that a single Common Portal Identification Number (CPIN), processed successfully leading to generation of a Challan Identification Number (CIN), under GST payment process, may be treated as a single transaction, even if multiple major head/sub major head/minor head of accounts are credited. This means that CGST, SGST, IGST and Cess etc. paid through a single challan would constitute a single transaction. Thus, all such records clubbed under a single challan i.e., CPIN have to be treated as a single transaction for the purpose of claiming agency commission effective July 1, 2017.

16. Similarly, in case of transactions not covered under GST, it is emphasised that a single challan (electronic or physical) should be treated as single transaction only and not multiple transactions, even if the challan contains multiple major head/sub major head/minor head of accounts that will get credited. Therefore, records clubbed under a single challan processed successfully have to be treated as a single transaction for the purpose of claiming agency commission.

17. Agency banks would be eligible to claim agency commission for pension transactions at the rate of ₹75 per transaction only when the entire work relating to disbursement of pension including pension calculation is attended to by them. If the work relating to pension calculations, etc., is attended to by the concerned Government Department / Treasury and the banks are required only to credit the amount of pension to the pensioners' accounts maintained with them by a single debit to Government Account, such transaction is to be categorised under ‘other than pension payment’ and would be eligible for payment of agency commission @ 6.5 paise per ₹ 100/- turnover w.e.f. July 1, 2019.

18. The number of transactions eligible for payment of agency commission should not exceed 14 per pensioner per year. This includes one monthly credit for payment of net pension and a maximum of two per year for payment of arrears on account of increase in dearness relief, if applicable. Cases involving payment of arrears on account of late start/restart of pension qualifies as a single transaction for claiming of agency commission. In other words, any payment of arrears on account of late start/restart of pension should be treated as a single credit transaction and not as separate monthly credits.

19. Agency commission is payable to an agency bank at the full rate provided the transactions are handled by the bank at all stages. Where, however, the work is shared between two banks, the agency commission is shared between the banks in the proportion of 75:25. Thus, broadly, the agency commission is payable to the agency banks as detailed below:

1. At the full rate, in cases where the transactions are handled by the bank at all stages, i.e., upto the stage of dispatch of scrolls and challans / cheques to the Pay and Accounts Offices, and treasuries/sub-treasuries.
2. At 75% of the applicable rate, where the dealing branch is required to account for the transaction by passing on the scrolls and documents to the local/nearest branch of Reserve Bank of India or by any agency bank conducting government business.
3. At 25% of the applicable rate, in the case of agency branch which received the scrolls and documents from dealing branches of other banks and is responsible for the accounting of these transactions and dispatching of the scrolls and documents to the Pay and Accounts Offices, Treasuries, etc.

20. All agency banks should settle their agency transactions for both funds and agency commission directly with the concerned Regional Office of Reserve Bank instead of routing them through any other agency bank that acts as aggregator in certain cases. So also for payments made by all agency banks on behalf of state government/s get directly settled with the concerned Regional Office of RBI. Agency Transaction details/scrolls may be sent directly by individual agency bank to the concerned State Government/Treasury. This new arrangement for settlement of state government funds on day to day basis (receipts and payments) directly with Reserve Bank is with effect from January 1, 2018.

**Claiming agency commission**

21. Agency banks are required to submit their claims for agency commission in the prescribed format to CAS Nagpur in respect of Central government transactions and the respective Regional Office of Reserve Bank of India for State government transactions. However, agency commission claims with respect to GST receipt transactions will be settled at Mumbai Regional Office of Reserve Bank of India only and accordingly all agency banks, authorized to collect GST, are advised to submit their agency commission claims pertaining to GST receipt transactions at Mumbai Regional Office only. The formats for claiming agency commission for all agency banks and separate and distinctive set of certificates to be signed by the branch officials and Chartered Accountants or Cost Accountants are given in [Annex 2](https://rbidocs.rbi.org.in/rdocs/content/pdfs/07MCPA010421_AN2.pdf), [Annex 2A](https://rbidocs.rbi.org.in/rdocs/content/pdfs/07MCPA010421_AN2A.pdf) and [Annex 2B](https://rbidocs.rbi.org.in/rdocs/content/pdfs/07MCPA010421_AN2B.pdf) respectively. These certificates would be in addition to the usual Certificate from ED / CGM (in charge of government business) to the effect that there are no pension arrears to be credited / delays in crediting regular pension / arrears thereof.

22. Where the External Auditor is also the Concurrent Auditor / Statutory Auditor, claims can be certified by such Concurrent Auditor / Statutory Auditor. In addition to this, agency banks are required to ensure that the agency bank’s internal inspectors / auditors verify the agency commission claims submitted by their branches and confirm their accuracy during the course of their inspection / audit.

23. Reference is also drawn to the instructions contained in our letter dated November 4, 2016 advising the process of claiming reimbursement of service tax (ST) on agency commission received for Central and State Government transactions, centrally from Reserve Bank of India at Central Accounts Section, Nagpur. The same process continued even after Service Tax got subsumed into the Goods and Service Tax (GST) framework. This process of centralised claims submission has been replaced with a system whereby applicable GST (18% at present) shall be paid along with agency commission by the respective Regional Offices of RBI / CAS, Nagpur as the case may be.

24. For eligible government transactions done with effect from July 01, 2019, agency banks shall submit the agency commission claims, including applicable GST amount, as per revised agency commission rates indicated above, to RBI at respective ROs / CAS, Nagpur as per the extant instructions issued by RBI in this regard. TDS on GST shall be deducted as applicable by RBI at the time of making agency commission payment in accordance with Government instructions in the matter.

25. However, for eligible government transactions done by agency banks upto June 30, 2019, agency banks shall continue to submit agency commission claims as well as the centralized claims for ST/GST reimbursement as hitherto.

26. Agency banks are required to ensure that agency commission claims submitted to the Regional Offices of Reserve Bank of India / Central Accounts Section, Nagpur as applicable in the prescribed format are accurate. Agency banks may also alert their branches concerned to ensure that agency commission claims submitted to our Regional Offices are accurate. Such erroneous claims, if certified by the Internal / Concurrent Auditors, will defeat the very purpose of making such requirement an essential condition for making quarterly claims.

27. Agency banks are advised to furnish their claim on agency commission to Reserve Bank within 60 calendar days from the end of the quarter in which the transactions have been conducted. If the banks fail to lodge the claims within the stipulated period mentioned above they may forward the same to RBI only after giving reasons for delay.

**Penal interest for wrong claims**

28. As per the agreement that agency banks have with RBI, violation or non-compliance of instructions issued by Government or Reserve Bank shall attract imposition of penalty. Agency banks will be liable to pay penal interest at Bank Rate as notified by Reserve Bank of India plus 2% for any wrong claims of agency commission settled.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12058&Mode=0>

**17. Master Circular - Credit Facilities to Minority Communities**

**RBI/2021-22/06 FIDD.GSSD.BC.No.01/09.10.01/2021-22 April 01, 2021**

*The Chairman/ Managing Director/ Chief Executive Officer, All Scheduled Commercial Banks including Small Finance Banks (Excluding RRBs and Foreign banks with less than 20 branches)*

Please refer to our [Master Circular FIDD.GSSD.BC.No.04/09.10.01/2019-20 dated July 01, 2019](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=11618) containing the instructions / guidelines / directives issued to banks on credit facilities to Minority Communities.

**1. Credit Facilities to Minority Communities:**

The Government of India has indicated that care should be taken to see that minority communities secure, in a fair and adequate measure the benefits flowing from various Government sponsored schemes. Accordingly, all commercial banks are advised to ensure smooth flow of bank credit to minority communities.

Government of India has also forwarded a list of 121 minority concentration districts having at least 25% minority population, excluding those States / UTs where minorities are in majority (J & K, Punjab, Meghalaya, Mizoram, Nagaland and Lakshadweep). Accordingly, all scheduled commercial banks are advised to specially monitor the credit flow to minorities in these 121 districts, thereby, ensuring that the **minority communities receive a fair and equitable portion of the credit within the overall target of the priority sector** (list of Minority Concentration Districts at [Annexure I](https://rbidocs.rbi.org.in/rdocs/content/pdfs/MC01042021_AN1.pdf)).

In terms of Reserve Bank's extant guidelines on lending to priority sector, a target of 40 percent of Adjusted Net Bank Credit (ANBC) or Credit Equivalent amount of Off-Balance Sheet Exposures (OBE), whichever is higher, as on March 31 of the previous year, has been mandated for lending to the priority sector by domestic scheduled commercial banks and foreign banks with 20 and above branches, for Small Finance Banks it is 75% of their Adjusted Net Bank Credit (ANBC). Within this, a sub-target of 12 per cent of ANBC or Credit Equivalent amount of OBE, whichever is higher, as on March 31 of the previous year, has been mandated for lending to weaker sections which includes, among others, persons from minority communities. Revised targets for weaker sections shall be implemented in a phased manner as indicated in Para 5.2 of RBI Master Directions on Priority Sector lending (Targets and Classification) dated September 04, 2020

**2. Definition of Minority Communities**

2.1 The following communities have been notified as minority communities by the Government of India, Ministry of Minority Affairs;

(a) Sikhs
(b) Muslims
(c) Christians
(d) Zoroastrians
(e) Buddhists
(f) Jains

2.2 In the case of a partnership firm, if the majority of the partners belong to one or the other of the specified minority communities, advances granted to such partnership firms may be treated as advances granted to minority communities. Further, if the majority beneficial ownership in a partnership firm belongs to the minority community, then such lending can be classified as advances to the specified communities. A company has a separate legal entity and hence advances granted to it cannot be classified as advances to the specified minority communities.

**3. Creation of Special Cell and Designating an exclusive Officer**

3.1 A Special Cell should be set up in each bank to ensure smooth flow of credit to minority communities and it should be headed by an officer holding the rank of Deputy General Manager/Assistant General Manager or any other similar rank who should function as a 'Nodal Officer'.

3.2 The Lead Bank in each of the minority concentration districts should have an officer who shall exclusively look after the problems regarding the credit flow to minority communities. It shall be his responsibility to publicise among the minority communities various programmes of bank credit and also to prepare suitable schemes for their benefit in collaboration with branch managers.

3.3 The designated officer should exclusively look after aspects relating to credit assistance to minority communities in the concerned districts. The designated officer may be attached to the Lead Bank set up at the district level. He would thus, be able to receive necessary guidance from Lead Bank Officer, who will be senior enough and have adequate experience for liaising effectively with the other credit institutions and Government agencies and will also be working in close collaboration with the branch managers of other banks in the district. The designated officer will also arrange group meetings for their guidance for formulation of schemes suitable for the members of the minority communities. It will be necessary for the banks concerned to ensure that the role assigned to the designated officer/s is effectively fulfilled.

3.4 The Convenor banks of the District Consultative Committees (DCCs) and the State Level Bankers Committees (SLBCs) should ensure that steps taken to facilitate the flow of credit to the minority communities and the progress made in this regard are reviewed regularly at their meetings.

3.5 The Convenor banks of DLRC/SLRM/SLBCs may invite Chairman/ Managing Directors of State Minority Commissions/Boards or the State Minorities Financial Corporations or their representatives to attend the meetings of District Level Review Committee (DLRC), State Level Review Meeting (SLRM) and State Level Bankers Committee (SLBC).

3.6 Names, designation and office addresses of (i) the officer-in-charge of the Special Cell at Head Office and (ii) officer appointed by Lead Banks in the identified districts to look after exclusively the problems of minority communities, should be furnished by banks to the National Commission for Minorities at the following address and updated periodically:

The Secretary
National Commission for Minorities
Government of India
5th Floor, Lok Nayak Bhawan
Khan Market
New Delhi 110 003

A copy of the relevant communication may also be furnished to Financial Inclusion and Development Department, Reserve Bank of India, Central Office, Mumbai.

3.7 The Lead Banks in the identified districts having concentration of minority communities may involve the State Minority Commission / Finance Corporation in the extension work including creating awareness, identification of beneficiaries, preparation of viable projects, provision of backward and forward linkages such as supply of inputs/marketing, recovery etc.

3.8 The Lead Banks in the identified districts may collaborate with DDMs of NABARD/ NGOs/ Voluntary Organizations in reaching the poor through Self Help Groups (SHGs). Lead Banks of the Minority Concentration Districts will have to exercise the pro-active role expected of them to ensure that the minority communities, particularly those who are poor and illiterate have access to bank credit for taking up productive activities.

**4 Advances under DRI Scheme**

Banks may route loans under the DRI scheme through State Minority Finance/Development Corporation on the same terms and conditions as are applicable to loans routed through SC/ST Development Corporations, subject to the beneficiaries of the Corporations meeting the eligibility criteria and other terms and conditions prescribed under the scheme. Banks may ensure proper maintenance of the register to evolve timely sanction and disbursement of loan applications.

**5. Monitoring**

5.1 With a view to monitoring the performance of banks in providing credit to the specified minority communities, data on credit assistance provided to members of minority communities should be furnished to Reserve Bank of India and to the Government of India, Ministry of Finance and Ministry of Minority Affairs, on half yearly basis as at the end of March and September every year. The statements (given in [Annexure II](https://rbidocs.rbi.org.in/rdocs/content/pdfs/MC01042021_AN2.pdf)) should reach RBI within one month from the end of each half year.”

5.2 The Convenor banks of the District Consultative Committees in the identified minority concentrated districts should furnish the data on priority sector advances granted by banks to specified minority communities compiled by them in the prescribed format (vide [Annexure III](https://rbidocs.rbi.org.in/rdocs/content/pdfs/MC01042021_AN3.pdf)) for the district under their lead responsibility to the concerned Regional Offices of RBl within one month from the close of the relative quarter.

5.3 The progress made in regard to the flow of credit to the minority communities should be reviewed regularly at the meetings of the District Consultative Committees (DCCs) and the State Level Bankers Committees (SLBCs).

5.4 The Lead Banks in the identified minority concentrated districts should furnish the relevant extracts of the agenda notes and the minutes of the meetings of the DCCs and of the respective SLBCs to the Union Ministry of Finance and to the Ministry of Minority Affairs on a quarterly basis for their use.

**6 Training**

6.1 With a view to ensuring that the bank staff and officers have proper perspective and appreciation of the various programmes for welfare of minorities, necessary orientation may be provided to officials and other staff. For this purpose, banks should include suitable lecture sessions as part of all relevant training programmes like induction courses, programmes on rural lending, financing of priority sectors, poverty alleviation programmes, etc.

6.2 The Lead Banks in the identified districts may sensitise and motivate the staff posted to identified districts through proper training to assist the minority communities under various credit schemes.

6.3 The Lead Banks may organize sensitization workshops for bank officials regarding micro credit/ lending to SHGs with the help of DDMs of NABARD.

6.4 The Lead Banks functioning in the identified districts should organize Entrepreneur Development Programmes so that the members of the minority communities in these areas are enabled to derive the benefit of various programmes being financed by the banks. Depending upon the major vocation and type of activity undertaken by large sections of the people in the districts, suitable programmes may be organized in co-operation with State Governments, Industries Department, District Industries Centre, SIDBI, State Technical Consultancy Organization, Khadi and Village Industries Commission and other voluntary organizations which are fully equipped to impart such training and orientation. The duration of the programme, the course content, the faculty support to be selected etc. should be decided by each Lead Bank taking into account the prevailing conditions, need and existing skills as well as aptitude of the people in the district.

**7 Publicity**

7.1 There should be good publicity about various anti-poverty programmes of the Government where there is large concentration of minority communities and particularly in the districts listed in the [Annexure I](https://rbidocs.rbi.org.in/rdocs/content/pdfs/MC01042021_AN1.pdf) which have a concentration of minority communities.

7.2 The Lead Banks in the identified districts may create awareness among minority communities regarding credit facilities available from banks through appropriate measures which may include publicity through (i) print media i.e. distribution of pamphlets in local languages, advertisements/articles in newspapers etc. (ii) TV channels - DD/ local channels, (iii) participation / setting up of stalls in the Melas / fairs organized during the religious /festive occasions by these communities.

**8. National Minorities Development and Finance Corporation (NMDFC)**

8.1 National Minorities Development and Finance Corporation (NMDFC) was established in September 1994 to promote economic and developmental activities for the backward sections amongst the minorities. NMDFC works as an apex body and channelises its funds to the beneficiaries through the State Minority Finance Corporation of the respective State/Union Territory Governments.

8.2 The NMDFC is operating, inter-alia, the Margin Money Scheme. Bank finance under the scheme will be upto 60 percent of the project cost. The remaining amount of the project cost is shared by NMDFC, the State channelising agency and the beneficiary in the proportion of 25%, 10%, and 5%, respectively. Banks may implement the Margin Money scheme evolved by NMDFC. While extending bank finance, banks should bear in mind the guidelines/instructions issued by RBI from time to time on priority sector advances. It may be ensured that the assets created out of the loan amount are mortgaged / hypothecated to the banks. Where recoveries have been made by the banks, it would be in order if the amounts are appropriated first towards bank dues.

**9 Prime Minister’s 15 Point Programme for the Welfare of Minorities**

Government of India has revised the “Prime Minister’s New 15-Point Programme for the Welfare of Minorities”. An important objective of the Programme is to ensure that an appropriate percentage of the priority sector lending is targeted for the minority communities and that the benefits of various government sponsored schemes reach the under-privileged, which includes the disadvantaged sections of the minority communities. The New Programme is to be implemented by the Central Ministries/Departments concerned through State Governments/Union Territories and envisages location of certain proportion of development projects in minority concentration districts. Accordingly, all scheduled commercial banks are required to ensure that within the overall target for priority sector lending and the sub-target of 12 percent for the weaker sections, sufficient care is taken to ensure that minority communities also receive an equitable portion of the credit. Lead Banks have been advised to keep this requirement in view while preparing district credit plans.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12057&Mode=0>

**18. Credit to MSME Entrepreneurs**

**RBI/2021-22/30 DoR.RET.REC.09/12.01.001/2021-22 May 05, 2021**

*All Scheduled Commercial Banks*

Please refer to our circular DOR.No.Ret.BC.37/12.01.001/2020-21 dated February 5, 2021, on captioned subject.

2. In terms of the above circular, Scheduled Commercial Banks were allowed to deduct the amount equivalent to credit disbursed to new MSME borrowers from their Net Demand and Time Liabilities (NDTL) for calculation of the Cash Reserve Ratio (CRR). This exemption was available up to ₹ 25 lakh per borrower for the credit disbursed up to the fortnight ending October 1, 2021.

3. It has been decided to extend this exemption for such credits disbursed up to the fortnight ending December 31, 2021. All other instructions contained in the circular ibid remain same.

19. **Strengthening of Grievance Redress Mechanism in Banks**

**RBI/2020-21/87 CEPD.CO.PRD.Cir.No.01/13.01.013/2020-21 January 27, 2021**

*All Scheduled Commercial Banks (excluding Regional Rural Banks)*

Please refer to the ‘[Statement on Developmental and Regulatory Policies](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=50748)’ issued as part of the [Monetary Policy statement dated December 4, 2020](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=50747), wherein it was stated that with a view to strengthen and improve the efficacy of the grievance redress mechanism of banks and to provide better customer service it has been decided to put in place a comprehensive framework comprising certain measures.

2. Reserve Bank of India has taken various initiatives over the years for improving customer service and grievance redress mechanism in banks. Detailed guidelines on customer service were issued to banks encompassing various aspects of operations that impact customers. The Banking Ombudsman Scheme was introduced in 1995 to serve as an alternate grievance redress mechanism for customer complaints against banks. In 2019, Reserve Bank also introduced the Complaint Management System (CMS), a fully automated process-flow based platform, available 24x7 for customers to lodge their complaints with the Banking Ombudsman (BO).

3. As part of the disclosure initiative, banks were advised to disclose in their annual reports, summary information regarding the complaints handled by them; and certain disclosures were also being made in the Annual Report of the Ombudsman Schemes published by the Reserve Bank. To further strengthen grievance redress mechanisms, banks were mandated to appoint an Internal Ombudsman (IO) to function as an independent and objective authority at the apex of their grievance redress mechanism.

4. Effective grievance redress should be an integral part of the business strategy of the banks. It is, however, evident from the increasing number of complaints received in the Offices of Banking Ombudsman (OBOs), that greater attention by banks to this area is warranted. More focused attention to customer service and grievance redress will ensure satisfactory customer outcomes and greater customer confidence.

5. In view of the above, and to further strengthen the customer grievance redress mechanism in banks, it has been decided to put in place a comprehensive framework comprising of, inter-alia, enhanced disclosures by banks on customer complaints, recovery of cost of redress from banks for the maintainable complaints received against them in OBOs in excess of the peer group average, and undertaking intensive review of the grievance redress mechanism and supervisory action against banks that fail to improve their redress mechanism in a time bound manner. Details of the framework are provided in the [Annex](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12017&Mode=0#AN1).

6. The framework will come into effect from the date of the circular.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12017&Mode=0>

**20.** **Finance Minister’s Press Conference on 28th June, 2021 - Economic Relief from Pandemic**

[**https://static.pib.gov.in/WriteReadData/specificdocs/documents/2021/jun/doc202162821.pdf**](https://static.pib.gov.in/WriteReadData/specificdocs/documents/2021/jun/doc202162821.pdf)

**Finance Minister’s Press Conference 28th June, 2021**

**ECONOMIC RELIEF FROM PANDEMIC**

**I. Rs. 1.1 Lakh Cr Loan Guarantee Scheme for COVID Affected Sectors**

**Health Sector: Rs. 50,000 crore**

Aimed at up scaling medical infrastructure targeting underserved areas.

* Guarantee cover for expansion and new projects related to health/medical infrastructure in cities other than 8 metropolitan cities.
* Guarantee coverage: 50% for expansion & 75% for new projects
* For Aspirational Districts, guarantee cover of 75% for both new projects and expansion.
* Maximum loan: Rs. 100 crore; Guarantee duration: Up to 3 years
* Interest rate capped at 7.95%
* Guarantee by National Credit Guarantee Trustee Company Limited

**Other Sectors: Rs. 60,000 crore**

* Interest rate capped at 8.25% p.a.
* Decisions at later stage based on evolving needs

Normal interest without guarantee cover is 10-11%

**II. Additional 1.5 lakh Cr for Emergency Credit Line Guarantee Scheme**

* Launched as part of Atma Nirbhar Bharat Package in May, 2020.
* ECLGS-1.0, 2.0 and 3.0 have resulted in credit disbursal of 2.69 lakh Crore to 1.1 crore units by 12 Public Sector Banks, 25 Private Sector Banks, and 31 Non-banking Financial Companies
* Contact intensive sectors already covered and shall be continued. Rs 4,000 crore given to these sectors through this window so far
* Limit of admissible guarantee and loan amount proposed to be increased above existing level of 20% of outstanding on each loan
* Sector wise details will be finalized as per evolving needs
* Overall cap of admissible guarantee to be raised from Rs. 3 lakh crore to Rs. 4.5 lakh crore

**III. Credit Guarantee Scheme to Facilitate Loans to 25 Lakh Persons Through Micro Finance Institutions (MFIs)**

* Guarantee will be provided to Scheduled Commercial Banks for loans to new or existing NBFC-MFIs or MFIs for on lending up to Rs 1.25 lakh to approximately 25 lakh small borrowers
* Interest Rate on Loans from banks to be capped at MCLR plus 2%
* Maximum loan tenure 3 years, 80% of assistance to be used by MFI for incremental lending, interest at least 2% below maximum rate prescribed by RBI
* Focus on new lending, not repayment of old loans
* Loans to borrowers to be in line with extant RBI guidelines such as number of lenders, borrower to be member of JLG, ceiling on household income & debt
* All borrowers (including defaulters up to 89 days) eligible
* Guarantee cover for funding provided by MLIs to MFIs/NBFC-MFIs till March 31, 2022 or till guarantees for an amount of Rs. 7,500 crore are issued, whichever is earlier.
* Guarantee up to 75% of default amount for up to 3 years through National Credit Guarantee Trustee Company (NCGTC)
* No guarantee fee to be charged by NCGTC

**IV. Reviving Tourism: Financial support to more than 11,000 Registered Tourist Guides/Travel and Tourism Stakeholders**

* Under new Loan Guarantee Scheme for COVID Affected Sectors, working capital/personal loans will be provided to people in tourism sector to discharge liabilities and restart businesses impacted due to COVID-19
* The scheme will cover:

✓ 10,700 Regional Level Tourist Guides recognised by Ministry of Tourism and Tourist Guides recognised by the State Governments

✓ Travel and Tourism Stakeholders (TTS) recognized by Ministry of Tourism (904)

* Loans will be provided with 100 % guarantee up to the following limits:
* Rs. 10,00,000 for TTS (per agency)
* Rs. 1,00,000 for tourist guides licenced at Regional or State level
* No processing charges, waiver of foreclosure/prepayment charges. No additional collateral requirement
* Scheme to be administered by the Ministry of Tourism through NCGTC

**V. Free Tourist Visa to 5 Lakh Tourists**

* 10.93 million foreign tourists visited India in 2019, spent US $ 30.098 billion on leisure and business.
* Average daily stay for a foreign tourist in India is 21 days. Average daily spending of a tourist in India is around $34 (Rs 2400).
* Once Visa issuance is restarted, the first 5 lakh Tourists Visas will be issued free of charge.
* Benefit will be available only once per tourist
* The scheme will be applicable till 31st March, 2022 or till 5,00,000 visas are issued, whichever is earlier
* Total financial implications- Rs 100 Crore

**VI. Extension of Atmanirbhar Bharat Rozgar Yojana**

* Launched on 1st Oct, 2020. Incentivizes employers for creation of new employment, restoration of loss of employment through EPFO.
* Approved outlay Rs. 22,810 crore for 58.50 lakh estimated beneficiaries. Last date for registration is 30.06.2021.
* Subsidy provided for two years from registration for new employees drawing monthly wages less than Rs. 15000 for:

➢ Both Employer’s and Employee’s share of contribution (total 24% of wages) for establishment strength upto 1000 employees.

➢ Only Employee’s share (12% of wages) in case of establishment strength of more than 1000.

* Benefit of Rs. 902 Cr given to 21.42 lakh beneficiaries of 79,577 establishments till 18.06.2021
* Scheme extended from 30.6.2021 to 31.03.2022

**VII. Additional Subsidy for DAP & P&K fertilizers**

**(Announced Earlier)**

* Record procurement of 432.48 Lakh MT of wheat in Rabi Marketing Season (RMS) 2021-22 (against 389.92 Lakh MT in RMS 2020-21)
* Rs 85,413 Crore paid to farmers
* Existing NBS subsidy was Rs. 27,500 crores in FY 2020-21 which has been increased to Rs. 42,275 crore in FY 2021-22
* Additional amount of Rs. 14,775 crore to be provided. This includes Rs. 9,125 crore additional subsidy for DAP and Rs.5,650 crore additional subsidy for NPK based complex fertilizer

**VIII. Extension of Pradhan Mantri Gareeb Kalyan Anna Yojana (PMGKAY)**

**(Announced Earlier)**

* PMGKAY was launched on 26th March 2020 to ameliorate the hardships faced by the poor due to economic disruption caused by COVID 19 Pandemic
* The scheme was launched initially for the period from April to June 2020.
* However, keeping in view the need for continuous support to the poor and the needy, the scheme was extended till November 2020.
* The total cost of the scheme in 2020-21 was Rs. 133,972 crore.
* In the wake of the second wave of COVID-19, the scheme was relaunched in May 2021 to ensure food security of poor/vulnerable
* 5 kg of food grains will be provided free of cost to NFSA beneficiaries from May to November 2021
* Estimated financial implications are Rs 93,869 cr, bringing the total cost of PMGKY to Rs 2,27,841 Crore

**HEALTH**

**IX. Rs. 23,220 Cr More for Public Health**

* Rs 15,000 Cr Emergency Health Systems Project (2020-21) led to 25-fold increase in COVID dedicated hospitals, setting up of 7,929 COVID health centres, 9,954 COVID care centres, 7.5 times increase in oxygen supported beds, 42-fold increase in isolation beds, 45-fold increase in ICU beds.
* New scheme focused on short term emergency preparedness with special emphasis on children and paediatric care/paediatric beds.
* Rs 23,220 Cr earmarked for one year
* Funding for short-term HR augmentation through medical students (interns, residents, final year) and nursing students
* Increase availability of ICU beds, oxygen supply at central, district and sub-district level.
* Ensure adequate availability of equipment, medicines; access to tele-consultation; ambulance services.
* Enhance testing capacity and supportive diagnostics, strengthen capacity for surveillance and genome sequencing.

**IMPETUS FOR GROWTH & EMPLOYMENT**

**X. Fighting Malnutrition and Improving Farmers’ Income: Release of Climate Resilient Special Traits Varieties**

* Earlier focus of research was on developing higher yield crop varieties. Attention towards nutrition, climate resilience and other traits was missing.
* Concentration of important nutrients far below required level, susceptible to biotic and abiotic stresses
* ICAR has developed bio-fortified crop varieties having high nutrients like protein, iron, zinc, Vitamin-A
* Varieties tolerant to diseases, insect’s, pests, drought, salinity, and flooding, early maturing and amenable to mechanical harvesting also developed
* 21 such varieties of rice, peas, millet, maize, soyabean, quinoa, buckwheat, winged bean, pigeon pea & sorghum will be dedicated to the nation.

**XI. Revival of North Eastern Regional Agricultural Marketing Corporation (NERAMAC)**

* Established in 1982 to support farmers of North East in getting remunerative prices of agri-horticulture produces
* Aims to enhance agricultural, procurement, processing and marketing infrastructure in North East
* 75 Farmer Producer Organisations/Farmer Producer Companies registered with NERAMAC. 13 GI crops of North East registered
* Prepared business plan to give 10-15% higher price to farmers by-passing middlemen/agents
* Roadmap for capacity building, aggregation, marketing and technology prepared
* Proposes to set up North-Eastern Centre for Organic Cultivation, facilitating equity finance to entrepreneurs
* Revival package of Rs 77.45 cr proposed for financial restructuring and infusion of funds to NERAMAC

**XII. Rs 33,000 Crore Boost for Project Exports through National Export Insurance Account (NEIA)**

* NEIA Trust promotes Medium and Long Term (MLT) project exports by extending risk covers
* Provides covers to buyer’s credit, given by EXIM Bank, to less creditworthy borrowers and supporting project exporters.
* NEIA Trust has supported 211 projects of Rs 52,860 cr in 52 countries by 63 different Indian Project Exporters till March 31, 2021
* Proposed to provide additional corpus to NEIA over 5 years to allow it to underwrite additional Rs. 33,000 crores of project exports

**XIII. Rs. 88,000 crore Boost to Export Insurance Cover**

* Export Credit Guarantee Corporation (ECGC) promotes exports by providing credit insurance services.
* Its products support around 30% of India’s merchandise exports.
* Proposed to infuse equity in ECGC over 5 years to boost export insurance cover by Rs. 88,000 cr

**XIV. Digital India: Rs. 19041 Cr for Broadband to each Village through BharatNet PPP Model**

* August 15, 2020: PM announced broadband connectivity to all inhabited villages in 1000 days
* Out of 2,50,000 Gram Panchayats, 1,56,223 Gram Panchayats have been made service ready by 31st May, 2021
* Implementation of BharatNet in PPP model in 16 States (bundled into 9 packages) on viability gap funding basis
* Additional Rs. 19,041 Cr being provided for BharatNet
* Total outlay will be Rs. 61,109 crores including already approved amount of Rs. 42,068 crores in 2017
* Expansion and upgradation of BharatNet to cover all Gram Panchayats and inhabited villages

**XV. Extension of Tenure of PLI Scheme for Large Scale Electronics Manufacturing**

* Provides incentive of 6% to 4% on incremental sales of goods under target segments that are manufactured in India, for a period of five years
* Incentives applicable from 01.08.2020. Base year 2019-20
* Companies have been unable to achieve incremental sales condition due to:
	+ disruption in production activities due to pandemic related lockdowns,
	+ restrictions on movement of personnel
	+ delay in installation of relocated plant and machinery
	+ disruption in supply chain of components
* Tenure of the scheme launched in 2020-21 is proposed to be extended by one year i.e. till 2025-26.
* Participating companies will get option of choosing any five years for meeting their production targets under the scheme.
* Investments made in 2020-21 will continue to be counted as eligible investments

**Rs 3.03 Lakh Cr for Reform Based Result Linked Power Distribution Scheme**

* Revamped reforms-based, result-linked power distribution scheme of financial assistance to DISCOMS for infrastructure creation, up-gradation of system, capacity building and process improvement.
* State specific intervention in place of “one size fits all”.
* Participation contingent to pre-qualification criteria like publication of audited financial reports, upfront liquidation of State Government’s dues/subsidy to DISCOMS and non – creation of additional regulatory assets.
* 25 crore smart meters, 10,000 feeders, 4 lakh km of LT overhead lines planned
* Ongoing works of IPDS, DDUGJY and SAUBHAGYA will be merged
* Total allocation- Rs.3,03,058 Cr, Central share- Rs. 97,631 cr
* States have already been allowed additional borrowing for four years up to 0.5% of Gross State Domestic Product annually (Rs. 1,05,864 Cr for 2021-22) subject to carrying out specified power sector reforms

**New Streamlined Process for PPP Projects and Asset Monetisation**

* Current process for approval of Public Private Partnership (PPP) projects is long and involves multiple levels of approval
* New policy will be formulated for appraisal and approval of PPP proposals and monetization of core infrastructure assets, including through InvITs
* Aim is to ensure speedy clearance of projects to facilitate private sector’s efficiencies in financing construction and management of infrastructure