

Proceedings of the Government of Karnataka

Subject: Interest Subvention for Bank Credit at the Rate of 4% to all Women SHGs in State on prompt repayment.

Read: 1. GOI, DO No.I-12011/10/2011-SGSY(C), Dated: 11.11.2013- Interest Subvention Guidelines to SHGs.
2. Budget Speech dated:12-7-2013

Preamble:

Ministry of Rural Development, New Delhi has restructured Swarna Jayanthi Gram Swarojgar Yojana (SGSY) as "Aajeevika"-National Rural Livelihood Mission (NRLM) and intimated that SGSY scheme is no more in operation during 2013-14. The State is implementing the scheme in the name of "SANJEEVINI" through Karnataka State Rural Livelihood Promotion Society (KSRLPS).

In order to improve credit linkage to the SHGs, Government of India has announced that all Women SHGs will be eligible to avail credit at 7% rate of interest p.a. up-to Rs.3 Lakhs. Banks (PSBs and RRBs) will be sub-vented to the extent of difference between the weighted average interest charged (WAIC as specified by Ministry of Finance, Department of Financial Services) and 7% subject to a maximum of 5.5% for the year 2013-14. This subvention will be available to all Public Sector Banks and RRBs on the condition that they make SHG credit available at 7% in 150 districts (4 districts in Karnataka). SHGs which have availed capital subsidy under SGSY in their existing loans, will not be eligible for benefit for their subsisting loan under this scheme. The Women SHGs will get an additional Interest Subvention of 3% if they repay the loans in time, thereby reducing the effective rate of Interest to 4%. This initiative, in its first phase is implemented in 150 districts in the country identified by the Government of India (out of which 4 districts have been allotted to Karnataka). The Interest Subvention in these 4 districts will be administered and the entire cost of Interest Subvention will be borne by the Central Government. The State Government has identified 4 districts namely Mysore, Tumkur, Gadag & Koppal for the same.

In the remaining 26 districts in Karnataka all NRLM Compliant Women SHGs will be eligible for Interest Subvention to avail the facility up-to Rs.3 lakhs at an interest rate of 7%. Banks will charge SHGs interest rate as per their respective lending norms and the difference between lending rates and 7% subject to maximum of 5.5% will be sub-

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vented in the loan accounts of SHGs, who have been prompt in repayment of the loans, by KSRLPS. The cost of Interest Subvention is to be shared in the ratio 75:25 by the Central and State Government.

In order to have parity in implementation of the scheme across the state, Chief Minister in his budget speech read(2) has announced to extend the additional interest subvention scheme in remaining 26 districts of the State covering upto 1 lakh SHGs, during the year 2013-14.

In pursuance of the Chief Minister's announcement, State Government intends to extend additional Interest Subvention for prompt repayment at the rate of 3% covering up to 1 lakh SHGs, during the year 2013-14, over and above the 7% interest subvention announced by GoI. The implementation of the scheme will be limited to the budget allocation provided for the year 2013-14 Hence this order.

Government Order No. KSRLPS/02/SPM (FI)/2013, Bangalore, Dated: 20.01.2014

State Government is pleased to accord sanction for additional interest subvention of 3% on prompt repayment to women SHGs across 26 districts of State (excluding Mysore, Tumkur, Gadag & Koppal) covering up to 1 lakh SHGs during the year 2013-14, Subject to the following conditions.

- The implementation of the scheme will be limited to the budget allocation provided by the Ministry of Rural Development, New Delhi.
- The Criteria for selection of One lakh SHGs is as per **Annexure-I**.
- All NRLM Compliant Women SHGs will be eligible for Interest Subvention to avail credit up to Rs.3 lakhs at the rate of 7% on prompt repayment. The NRLM Compliant SHGs will be as identified by the KSRLPS. Interest Subvention will be to the extent of difference between the lending rates charged by banks as per their respective lending norms and 7% subject to a maximum of 5.5%.
- Further, SHGs will be provided additional 3% subvention on prompt repayment. For additional Interest Subvention of 3%, all the identified regular SHG accounts as at the end of reporting quarter will be eligible. The banks shall credit the amount of 3% interest subvention to the eligible SHG loan account and thereafter seek the reimbursement from SRLM.

- Operational Guidelines on modalities for the implementation of the scheme is as per **Annexure-II.**

By order and in the name of the
Governor of Karnataka.



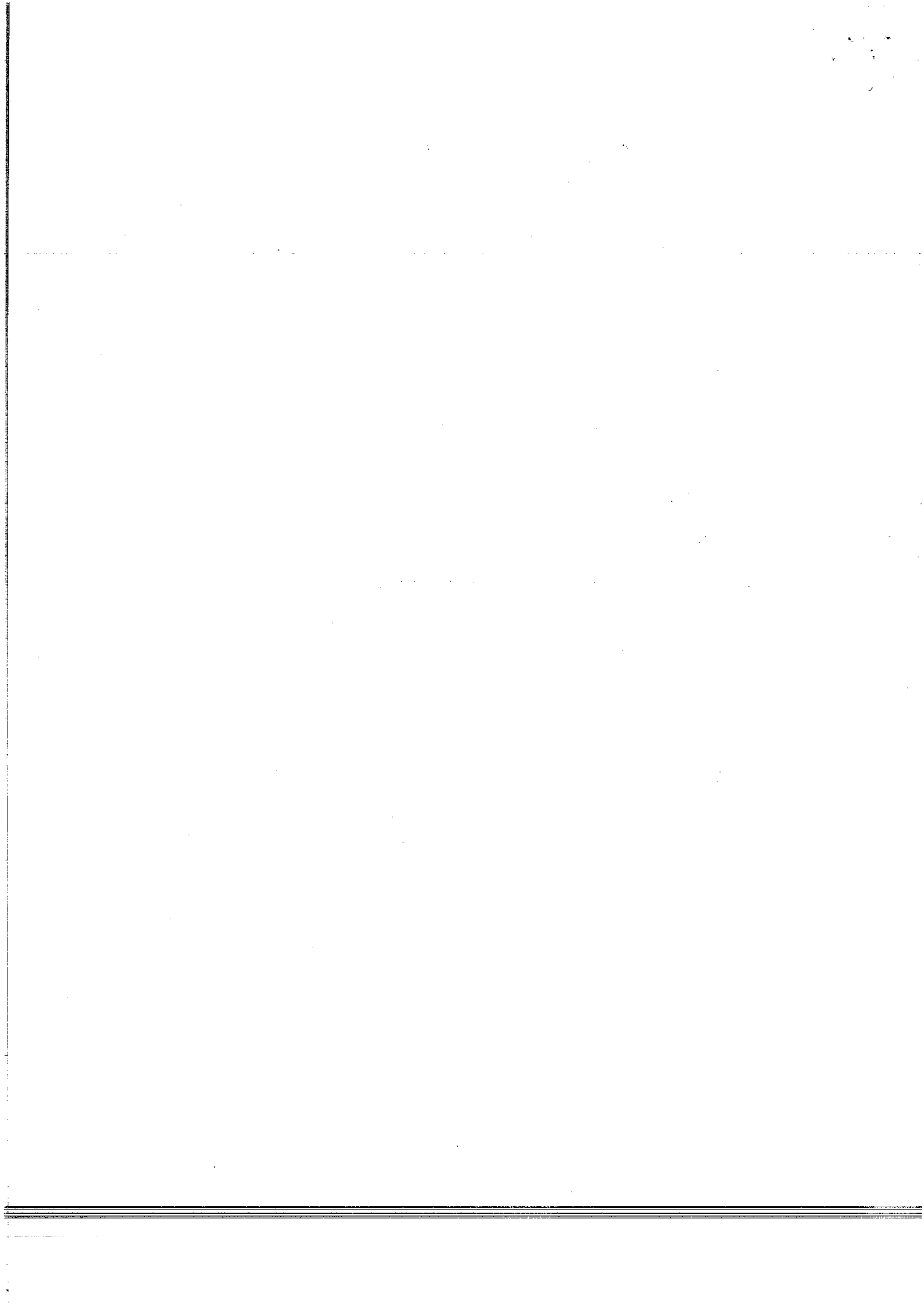
(T.M. Vijay Bhaskar)

Principal Secretary to Government
Rural Development & Panchayat Raj Dept.

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3. To all the Presidents of the Zilla Panchayats in the State,
4. To all the Chief Executive Officers of the Zilla Panchayats in the State,
5. The General Manager, RBI, Bangalore,
6. The Convenor, SLBC, Gandhinagar, Bangalore,
7. To all the Lead Bank Managers in the State,
8. The Director, Treasury Department, Bangalore,
9. P.S. to Chief Minister of Karnataka, Vidhana Soudha, Bangalore,
10. P.S. to RDPR Minister, Vidhana Soudha, Bangalore
11. P.S. to Chief Secretary, Government of Karnataka, Vidhana Soudha, Bangalore,
12. P.S. to Addl Chief Secretary & Development Commissioner, Vidhana Soudha, Bangalore,
13. P.S. to Principal Secretaries of Line Departments in Karnataka, Bangalore,
14. P.S. to Secretary(PR) Government of Karnataka, MS Building, Bangalore,
15. The Mission Director/ Additional Mission Director, KSRLPS, Bangalore.
16. The Internal Financial Advisor/ Director, PMI, RDPR, Bangalore.
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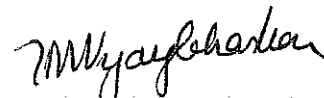
Annexure-1

Criteria for selecting 1 lakh SHGs to be eligible for Interest Subvention for Prompt Repayment Scheme by PSB & RRB's

The following data will be collected from the SLBC in respect of 26 Districts for selecting the eligible One Lakh women SHGs for Interest Subvention Scheme for Prompt Repayment:-

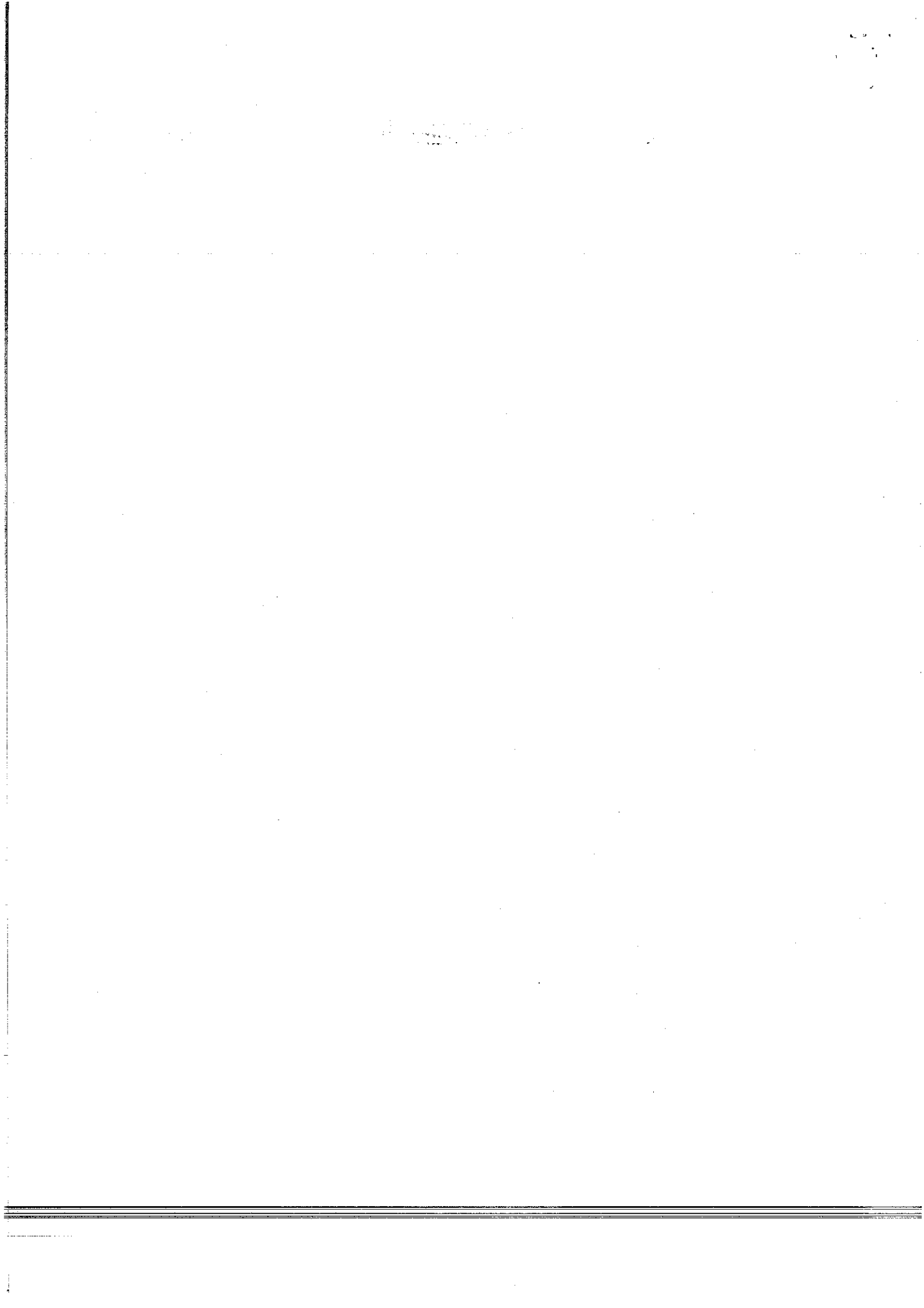
- i) All NRLM compliant women SHGs with loans outstanding as on 31.03.2013 and who have been promptly repaying the periodical instalments and the loans are continuing in the current year 2013-14.
- ii) All NRLM compliant women SHGs who were enjoying Cash Credit Limit (CCL) facility in the earlier years and who have been promptly servicing the interest on the CCL, and this facility is renewed / enhanced in the current year and,
- iii) All women SHGs who are given Term Loans / CCLs in the current year i.e., from 1st April 2013 till date which are being promptly repaid / serviced by the SHG borrower.

This exercise will continue till the one Lakh mark is reached. When the eligible one lakh SHGs are covered, the decision to continue the subvention or otherwise for the remaining SHGs will be taken in the next financial year 2014-15 based on the support and guidelines given by Ministry of Rural Development, Government of India.



(T.M. Vijay Bhaskar)

Principal Secretary to Government
Rural Development & Panchayat Raj Dept.



Annexure -II
Operational Guidelines on modalities for implementation
of the scheme

A. Role of the Banks:

All Public Sector Banks and Regional Rural Banks shall furnish the details of the credit disbursement and credit outstanding of the SHGs along with the transactions every month in the desired format as given by MoRD directly from the CBS platform to MoRD. The information should be provided on the monthly basis to facilitate calculation of Interest Subvention.

B. Role of State Government:

1. A) All Women SHGs comprising of more than 70% BPL or Rural poor members [Rural Poor as per the Participatory Identification Process] are regarded as NRLM compliant SHGs.

B) Authentication as BPL member by the Project Director (DRDA), Zilla Panchayath/Executive Officer, Taluk Panchayath.

C) Endorsement as BPL member by Grama Sabha.

Such above NRLM compliant SHGs will be eligible for Interest Subvention to avail credit up-to Rs.3 lakhs at the rate of 7% p.a on prompt repayment.

2. This scheme will be implemented by KSRLPS. KSRLPS will provide Interest Subvention to NRLM compliant SHGs, who have availed loan from Public Sector Banks and Regional Rural Banks. The funding for this subvention will be met out of Central Allocation under NRLM to the States and the State contribution towards Interest Subvention Scheme in the ratio 75:25.
3. The SHGs will be sub-vented to the extent of difference between lending rates of the respective banks and 7% subject to a maximum of 5.5% by KSRLPS directly on a monthly / quarterly basis. An electronic transfer of the subvention amount

will be made by the KSRLPS to the loan accounts of the SHGs who have repaid promptly with the help of the Nodal Bank identified for the purpose.

4. For the purpose of Interest Subvention an account will be considered as promptly repaid account if it satisfies the following conditions as specified by RBI.

a. For Cash Credit Limit:

- i. Outstanding balance shall not have remained in excess of the limit / drawing power continuously for more than 30 days.
- ii. There should be regular credit and debits in the account. In any case there shall be at-least one customer induced credit during the month.
- iii. Customer induced credit should be sufficient to cover the Interest debited during the month.

b. For the Term Loans:


- i. A term loan account where all the interest payments and / or instalments of principle / EMI were paid within 30 days of the due date during the tenure of the term loan, would be considered as promptly repaid to loan account.

The prompt payment guidelines would continue to be guided by RBI guidelines on the subject.

5. Women SHGs who have availed capital subsidy under SGSY in their existing loans, will not be eligible for benefit of Interest Subvention for their subsisting loan under the scheme.
6. The Nodal Bank shall submit the quarterly utilization certificate indicating monthly credit of Interest Subvention amounts transferred to the loan accounts of SHGs.
7. Further, SHGs will be provided additional Interest Subvention of 3% on prompt repayment, as above, up-to maximum credit outstanding of Rs.3 lakhs. This

additional Interest Subvention of 3% on prompt repayment is however restricted to 1 lakh SHGs during the current year 2013-14.

8. KSRLPS will open an account with the Nodal Bank and provide the funds required towards Interest Subvention.
9. Individual PSU Bank / RRB shall submit the claim to the Nodal Bank who will consolidate the claims from various banks and shall submit one consolidated claim to KSRLPS.
10. KSRLPS after scrutiny will authorize the Nodal Bank to debit the amount of Interest Subvention to the savings bank account opened for the purpose. On receipt of such authorization from KSRLPS, the Nodal Bank shall debit the amount of Interest Subvention authorized by KSRLPS to the SB account and transfer the share of the amounts to the respective banks for onward online credit to the eligible loan accounts of SHGs.
11. The individual bank shall get the payment of Interest Subvention verified by statutory auditors and submit the audit certificate to the Nodal Bank who will consolidate the same and forward to KSRLPS.


(T.M. Vijay Bhaskar)

Principal Secretary to Government
Rural Development & Panchayat Raj Dept.

