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CAIIB Module-C

CAIIB Rural Banking

CAIIB Rural Banking Module C -Priority Sector Financing And Govt. Initiatives

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CAIIB Rural Banking Module C Unit 1- Priority Sector Lending

Priority Sector Advances

- In 1980, all commercial banks were advised to achieve the target of priority sector lending at 40 per cent of the aggregate bank advances by 1985. Sub-targets were also specified for lending to agriculture and the weaker sections within the priority sector. **The guidelines have undergone changes over the period and the a revised Master Directions – Priority Sector Lending (PSL) – Targets and Classification was issued in September 2020.**
- The targets and sub-targets as fixed for each category are applicable to every commercial bank [including Regional Rural Bank (RRB), Small Finance Bank (SFB), Local Area Bank] and Primary (Urban) Co- operative Bank (UCB) other than Salary Earners' Bank.

The categories under priority sector are as follows:

- Agriculture
- Micro, Small and Medium Enterprises
- Export Credit
- Education
- Housing
- Social Infrastructure
- Renewable Energy
- Others

Targets and Sub-Targets for Priority Sector

Categories	Domestic commercial banks (excl. RRBs & SFBs) & foreign banks with 20 branches and above	Foreign banks with less than 20 branches	Regional Rural Banks	Small Finance Banks
Total Priority Sector	40 per cent of ANBC as computed in para 6 below or CEOBE whichever is higher	40 per cent of ANBC as computed in para 6 below or CEOBE whichever is higher; out of which up to 32% can be in the form of lending to Exports and not less than 8% can be to any other priority sector	75 per cent of ANBC as computed in para 6 below or CEOBE whichever is higher; However, lending to Medium Enterprises, Social Infrastructure and Renewable Energy shall be reckoned for priority sector achievement only up to 15 per cent of ANBC.	75 per cent of ANBC as computed in para 6 below or CEOBE whichever is higher.
Agriculture	18 per cent of ANBC or CEOBE, whichever is higher; out of which a target of 10 percent# is prescribed for Small and Marginal Farmers (SMFs)	Not applicable	18 per cent ANBC or CEOBE, whichever is higher; out of which a target of 10 percent# is prescribed for SMFs	18 per cent of ANBC or CEOBE, whichever is higher; out of which a target of 10 percent# is prescribed for SMFs

Categories	Domestic commercial banks (excl. RRBs & SFBs) & foreign banks with 20 branches and above	Foreign banks with less than 20 branches	Regional Rural Banks	Small Finance Banks
Micro Enterprises	7.5 per cent of ANBC or CEOBE, whichever is higher	Not applicable	7.5 per cent of ANBC or CEOBE, whichever is higher	7.5 per cent of ANBC or CEOBE, whichever is higher
Advances to Weaker Sections	12 percent# of ANBC or CEOBE, whichever is higher	Not applicable	15 per cent of ANBC or CEOBE, whichever is higher	12 percent# of ANBC or CEOBE, whichever is higher

Categories	Primary Urban Co-operative Bank
Total Priority Sector	40 per cent of ANBC or CEOBE, whichever is higher, which shall stand increased to 75 per cent of ANBC or CEOBE, whichever is higher, with effect from March 31, 2024. UCBs shall comply with the stipulated target as per the following milestones:
Micro Enterprises	7.5 per cent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher
Advances to Weaker Sections	12 per cent# of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher.

Milestones for Total Priority Sector (Primary Urban Co-operative Bank):

Existing target	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024
40%	45%	50%	60%	75%

Targets and Sub-Targets for Priority Sector

Financial Year	Small and Marginal Farmers target *	Weaker Sections target ^
2020-21	8%	10%
2021-22	9%	11%
2022-23	9.5%	11.5%
2023-24	10%	12%

The applicable target for lending to the non-corporate farmers for FY 2022-23 will be 13.78 per cent of ANBC or CEOBE whichever is higher.

Computation of Adjusted Net Bank Credit

Bank Credit in India (As prescribed in item No.VI of Form 'A' (Special Return as on March 31st) under Section 42 (2) of the RBI Act, 1934.	I
Bills Rediscounted with RBI and other approved Financial Institutions	II
Net Bank Credit (NBC)	III (I – II)
Investments in Non-SLR categories under HTM category + other investments eligible to be treated as priority sector.	IV
ANBC	III + IV

Description Of Eligible Categories Under Priority Sector

Agriculture:

- Crop loans including loans for traditional / non-traditional plantations, horticulture and allied activities.
- Medium and long-term loans for agriculture and allied activities (e.g., purchase of agricultural implements and machinery and developmental loans for allied activities).
- Loans for pre and post-harvest activities viz. spraying, harvesting, grading and transporting of their own farm produce.
- Loans to distressed farmers indebted to non-institutional lenders.
- Loans under the Kisan Credit Card Scheme.
- Loans to small and marginal farmers for purchase of land for agricultural purposes.
- Loans against pledge / hypothecation of agricultural produce (including warehouse receipt) for a period not exceeding 12 months subject to a limit up to

Rs. 75 lakh against NWRs/ e-NWRs and up to Rs. 50 lakhs against warehouse receipts other than NWRs/e-NWRs.

- Loans to farmers for installation of stand-alone Solar Agriculture Pumps and for solarisation of grid connected Agriculture Pumps.
- Loans to farmers for installation of solar power plants on barren/fallow land.

Farm Credit – Corporate farmers, Farmer Producer Organisations (FPOs)/(FPC) Companies of Individual Farmers, Partnership firms and Co-operatives of farmers engaged in Agriculture and Allied Activities.

Loans for the following activities will be subject to an aggregate limit of Rs. 2 crore per borrowing entity:

- Crop loans to farmers which will include traditional/non-traditional plantations and horticulture and loans for allied activities.
- Medium and long-term loans for agriculture and allied activities (e.g., purchase of agricultural implements and machinery and developmental loans for allied activities).
- Loans for pre and post-harvest activities viz. spraying, harvesting, grading and transporting of their own farm produce.

Loans up to Rs. 75 lakh against pledge/hypothecation of agricultural produce for a period not exceeding 12 months against NWRs/eNWRs and up to **Rs. 50 lakh against warehouse receipts other than NWRs/eNWRs.**

Loans up to Rs 5 crore per borrowing entity to FPOs/FPCs undertaking farming with assured marketing of their produce at a pre-determined price.

UCBs are not permitted to lend to co-operatives of farmers.

Agriculture Infrastructure: Loans for agriculture infrastructure will be subject to an aggregate sanctioned limit of Rs. 100 crore per borrower from the bank.

Ancillary Services:

Following loans under ancillary services will be subject to limits prescribed as under:

- Loans up to Rs. 5 crore to co-operative societies of farmers for purchase of the produce of members.
- Loans up to Rs. 50 crore to Start-ups, that are engaged in agriculture and allied services.
- Loans for Food and Agro-processing up to an aggregate sanctioned limit of ₹100 crore per borrower from the banking system.

Bank credit to registered NBFCs (other than MFIs) towards on-lending for 'Term lending' component under agriculture will be allowed up to ₹ 10 lakh per borrower.

Micro, Small and Medium Enterprises (MSMEs):

- Loans up to ₹50 crore to Start-ups, as per definition of Ministry of Commerce and Industry, Govt. of India.
- All loans to units in the KVI sector will be eligible for classification under the sub-target of 7.5 percent prescribed for Micro Enterprises under priority sector.
- Overdraft to Pradhan Mantri Jan-Dhan Yojana (PMJDY) account holders as per limits and conditions prescribed by Department of Financial Services, Ministry of Finance from time to time, will qualify as achievement of the target for lending to Micro Enterprises.
- Outstanding deposits with **SIDBI and MUDRA Ltd.** on account of priority sector shortfall.

Export Credit (not applicable to RRBs and LABs)

Domestic banks / WoS of Foreign banks/ SFBs/ UCBs	Foreign banks with 20 branches and above	Foreign banks with less than 20 branches
Incremental export credit over corresponding date of the preceding year, up to 2 per cent of ANBC or CEOBE whichever is higher, subject to a sanctioned limit of up to ₹ 40 crore per borrower.	Incremental export credit over corresponding date of the preceding year, up to 2 percent of ANBC or CEOBE whichever is higher.	Export credit up to 32 per cent of ANBC or CEOBE whichever is higher.

Education:

- Loans to individuals for educational purposes, including vocational courses, not exceeding Rs**. 20 lakh will** be considered as eligible for priority sector classification.

Housing:

- Loans to individuals up to Rs. 35 lakh in metropolitan centres (with population of ten lakh and above) and up to Rs. 25 lakh in other centres for purchase/construction of a dwelling unit per family provided the overall cost of the dwelling unit in the metropolitan centre and at other centres does not exceed Rs. 45 lakh and Rs. 30 lakh respectively.
- Housing loans to banks' own employees will not be eligible for classification under the priority sector.
- Since Housing loans which are backed by long term bonds are exempted from ANBC, banks should not classify such loans under priority sector.
- Investments made by UCBs in bonds issued by NHB / HUDCO on or after April 1, 2007 shall not be eligible for classification under priority sector.

Housing (other aspects):

- Loans up to Rs. 10 lakh in metropolitan centres and up to Rs. 6 lakh in other centres for repairs to damaged dwelling
- Bank loans to any governmental agency for construction of dwelling units or for slum clearance and rehabilitation of slum dwellers subject to dwelling units with carpet area of not more than 60 sq.m.

- Bank loans for affordable housing projects using at least 50% of FAR/FSI for dwelling units with carpet area of not more than 60 sq.m.
- Bank loans to HFCs (approved by NHB for their refinance) for on-lending, up to Rs. 20 lakh for individual borrowers, for purchase/construction/ reconstruction of individual dwelling units or for slum clearance and rehabilitation of slum dwellers.
- Outstanding deposits with NHB on account of priority sector shortfall.

Social Infrastructure

- Bank loans up to a limit of Rs. 5 crore per borrower for setting up schools, drinking water facilities and sanitation facilities including construction/ refurbishment of household toilets and water improvements at household level, etc.
- Loans up to a limit of Rs. 10 crore per borrower for building health care facilities including under 'Ayushman Bharat' in Tier II to Tier VI centres.
- In case of UCBs, the above limits are applicable only in centres having a population of less than one lakh.

Renewable Energy:

- Bank loans up to a limit of Rs. 30 crore to borrowers for purposes like solar based power generators, biomass-based power generators, wind mills, micro-hydel plants and for nonconventional energy based public utilities, viz., street lighting systems and remote village electrification, etc., will be eligible for Priority Sector classification.
- For individual households, the loan limit will be Rs. 10 lakh per borrower.

Others:

The following loans as per the prescribed limits are eligible for priority sector classification:

- Loans not exceeding Rs. 1.00 lakh per borrower provided directly by banks to individuals and individual members of SHG/JLG, provided the individual borrower's household annual income in rural areas does not exceed Rs. 1.00 lakh and for non-rural areas it does not exceed Rs. 1.60 lakh, and loans not exceeding Rs. 2.00 lakh provided directly by banks to SHG/JLG for activities other than agriculture or MSME, viz., loans for meeting social needs, construction or repair of house, construction of toilets or any viable common activity started by the SHGs.

- Loans to distressed persons not exceeding Rs. 1.00 lakh per borrower to prepay their debt to non-institutional lenders.

- Loans up to Rs. 50 crore to Start-ups, as per definition of Ministry of Commerce and Industry, Govt. of India that are engaged in activities other than Agriculture or MSME.

Weaker Section:

Priority sector loans to the following borrowers will be considered as lending under Weaker Sections category.

(i)	Small and Marginal Farmers
(ii)	Artisans, village and cottage industries where individual credit limits do not exceed ₹1 lakh
(iii)	Beneficiaries under Government Sponsored Schemes such as National Rural Livelihood Mission (NRLM), National Urban Livelihood Mission (NULM) and Self Employment Scheme for Rehabilitation of Manual Scavengers (SRMS)
(iv)	Scheduled Castes and Scheduled Tribes
(v)	Beneficiaries of Differential Rate of Interest (DRI) scheme
(vi)	Self Help Groups
(vii)	Distressed farmers indebted to non-institutional lenders
(viii)	Distressed persons other than farmers, with loan amount not exceeding ₹1 lakh per borrower to prepay their debt to non-institutional lenders
(ix)	Individual women beneficiaries up to ₹1 lakh per borrower (For UCBs, existing loans to women will continue to be classified under weaker sections till their maturity/repayment.)
(x)	Persons with disabilities
(xi)	Minority communities as may be notified by Government of India from time to time.

Inter-bank Participation Certificate

- IBPCs bought by banks, on a risk sharing basis, are eligible for classification under respective categories of priority sector, provided the underlying assets are eligible to be categorized under the respective categories of priority sector and the banks fulfil the Reserve Bank of India guidelines.

Priority Sector Lending Certificates (PSLCs)

- The outstanding PSLCs bought by banks will be eligible for classification under respective categories of priority sector provided the underlying assets originated by banks are eligible to be classified as priority sector advances and fulfil the Reserve Bank of India guidelines on Priority Sector Lending Certificates issued.

Bank loans to NBFCs for on-lending (not applicable to RRBs, UCBs, SFBs and LABs):

Bank credit to registered NBFCs (other than MFIs) for on-lending will be eligible for classification as priority sector under respective categories subject to the following conditions:

Agriculture: On-lending by NBFCs for 'Term lending' component under Agriculture will be allowed up to Rs.10 lakh per borrower.

Micro & Small enterprises: On-lending by NBFC will be allowed up to Rs. 20 lakh per borrower.

- **Bank loans to HFCs for on-lending (not applicable to RRBs, SFBs and LABs):** Bank credit to Housing Finance Companies (HFCs), approved by NHB for their refinance, for on-lending for the purpose of purchase/construction/ reconstruction of individual dwelling units or for slum clearance and rehabilitation of slum dwellers, subject to an aggregate loan limit of Rs. 20 lakh per borrower.

Non- Achievement Of Priority Sector Targets

- Banks having any shortfall in lending to priority sector shall be allocated amounts for contribution to the Rural Infrastructure Development Fund (RIDF) established with NABARD and other funds with NABARD/NHB/SIDBI/ MUDRA Ltd., as decided by the Reserve Bank from time to time.
- With effect from March 31, 2021, all UCBs (excluding those under all-inclusive directions) will be required to contribute to Rural Infrastructure Development Fund (RIDF) established with NABARD and other funds with NABARD/ NHB/ SIDBI/ MUDRA Ltd., against their priority sector lending (PSL) shortfall vis-à-vis the prescribed target.
- While computing priority sector target achievement, shortfall/ excess lending for each quarter will be monitored separately.
- The interest rates on banks' contribution to RIDF or any other funds, tenure of deposits, etc. shall be fixed by Reserve Bank of India from time to time.
- Non-achievement of priority sector targets and sub-targets will be taken into account while granting regulatory clearances/approvals for various purposes.

Common Guidelines For Priority Sector Loans

- **Rate of interest:** The rates of interest on bank loans will be as per directives issued by Department of Regulation (DoR), RBI from time to time.
- **Service charges**: No loan related and ad hoc service charges/inspection charges should be levied on priority sector loans up to Rs. 25,000.
- **Receipt, Sanction/Rejection/Disbursement Register:** A register/electronic record should be maintained by the bank wherein the date of receipt, sanction/rejection/disbursement with reasons thereof, etc. should be recorded. The register/electronic record should be made available to all inspecting agencies.
- **Issue of acknowledgement of loan applications:** Banks should provide acknowledgement for loan applications received under priority sector loans. Bank Boards should prescribe a time limit within which the bank communicates its decision in writing to the applicants.

CAIIB Rural Banking Module C Unit 2-Poverty Alleviation Programs

Poverty Assessment And Way Forward

- Poverty estimates based on the **Tendulkar Committee methodology**, using household consumption expenditure survey data collected by the NSSO in its 68th round (2011–12), show that the incidence of poverty declined from 37.2 per cent in 2004–5 to 21.9 per cent in 2011–12, for the country as a whole, with a sharper decline in the number of rural poor.

- The high rural poverty can be attributed to lower farm incomes, due to subsistence agriculture, lack of sustainable livelihoods in rural areas, impact of rise in prices of food products on rural incomes, lack of skills, under-employment and unemployment.
- The Economic Survey 2016–17 tabled in Parliament, advocated for the adoption of **Universal Basic Income (UBI) program**, as an alternative, to the various social welfare schemes, in an effort to reduce poverty.
- It suggests that a more efficient way to help the poor will be to provide them resources directly, a basic income in the form of social security, in which, all citizens of a country, regularly receive an unconditional sum of money, either from a government in addition to any income received from elsewhere.

The Path Followed for Poverty Alleviation

- Government had launched many schemes, aimed at creating wage employment and promoting self-employment, etc. **Food for Work Program of 1970s, and NREGA of 2005** were launched under the former category. The Government has launched **Swarna Jayanti Shahari Rozgar Yojana**, in order to provide gainful employment to the urban unemployed and underemployed poor, by encouraging them to set up self-employment ventures or provision of wage employment.
- Government has also launched the **Indira Awas Yojana (now known as Pradhan Mantri Awas Yojana-Grameen),** with a view to providing affordable housing to the rural poor.
- The centrally sponsored scheme called **Valmiki Ambedkar Awas Yojana** strives to uplift the living condition of slum dwellers.
- **Deendayal Antyodaya Yojana – National Rural Livelihood Mission (DAY-NRLM),** launched in November, 2015, is the initiative of the Government to move towards a demand-driven strategy enabling the states to formulate their own livelihoods-based poverty reduction action plans
- **The National Food Security Act, 2013 (also 'Right to Food Act')** aims at provision of subsidized food grains to approximately two thirds of the country's population.
- The Government also launched **Deendayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY).** It is a placement linked skill training program, which was launched in September, 2014. The scheme is expected to promote 'Make in India' campaign by preparing skilled workforce.
- According to FAO estimates in the State of Food Security in the World, 2020 report, 189.2 million people are undernourished in India. The Global Hunger Index 2020 ranks India at 101 out of 116 countries, on the basis of three leading indicators – prevalence of wasting and stunting in children, under five child mortality rates, and the proportion of undernourished in the population.
- A National Sample Survey Exercise pointed towards the fact that about 5 per cent of the total population in the country sleeps without two square meals, a day. In order to make the Targeted Public Distribution System (TPDS) more focused and targeted towards this category of population, the **"Antyodaya Anna Yojana"**

(AAY) was launched in December, 2000, for one crore poorest of the poor families.

Initiatives Of The Government

Deendayal Antyodaya Yojana – National Rural Livelihoods Mission

- The Ministry of Rural Development, Government of India launched a program known as **National Rural Livelihoods Mission (NRLM)** by restructuring and replacing the Swarnjayanti Gram Swarozgar Yojana (SGSY) scheme, with effect from April 01, 2013.
- DAY-NRLM is the flagship program of GOI for promoting poverty reduction through building strong institutions of the poor, particularly women, and enabling these institutions to access a range of financial services and livelihood services.
- DAY- NRLM promotes livelihood institutions of rural poor. The mission provides a continuous hand-holding support to the institutions of poor for a period of 5 – 7 years till they come out of abject poverty.
- 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.
- DAY-NRLM would provide **Revolving Fund (RF)** support to SHGs in existence for a minimum period of 3 to 6 months and which follow all the norms.
- Only such SHGs that have not received any RF earlier will be provided with RF, as corpus, with a minimum of Rs. 10,000 and up to a maximum of Rs. 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.
- **Community Investment Support Fund (CIF)** will be provided to the SHGs in the intensive blocks. The CIF will be used, by the Federations, to advance loans to the SHGs and/or to undertake the common/collective socio-economic activities.
- DAY-NRLM has a provision for extending interest subvention, to cover the difference between the Lending Rate of the banks and 7 per cent, on all credit from the banks/ financial institutions availed by women SHGs, for a maximum of Rs. 3,00,000 per SHG.

Mahatma Gandhi National Rural Employment Guarantee Scheme

The Mahatma Gandhi National Rural Employment Guarantee Scheme was launched on 02 Feb 2006. It **guarantees 100 days of employment in a financial year to any rural household**, whose adult members volunteer to do unskilled manual work.

The core objective of this scheme, as per the revised schedule-I of the MGNREG Act, are

- Providing not less than one hundred days of unskilled manual work as a guaranteed employment in a financial year to every household in rural areas as per demand,
- Strengthening the livelihood resource base of the poor;
- **P**roactively ensuring social inclusion;
- Strengthening of Panchayat Raj institutions.

Technological improvements have been brought about over a period of time in the implementation of the program for increased efficiency in its implementation. They include digitalization of job cards, seeding them with Aadhaar, linking payment through Aadhaar payment bridge, geo tagging of MNREGS assets, payment of wages directly to the accounts of the beneficiaries, etc.

Pradhan Mantri Gram Sadak Yojana (PMGSY)

- It was launched by GOI to provide connectivity to unconnected habitations, as part of a poverty reduction strategy.
- The scheme provides for connectivity by way of single all-weather road to eligible unconnected habitations, as per core network, with a population of 500 persons in plain areas and 250 persons and above in respect of special category states like North East, Sikkim, Himachal Pradesh, Jammu & Kashmir, Uttarakhand, desert areas, tribal and backward districts.

Pradhan Mantri Awas Yojana-Grameen (PMAY-G)

- Indira Awas Yojana has been restructured in to the Pradhan Mantri Awas Yojana-Grameen, with effect from April, 2016, to meet the challenges of ensuring 'Housing for all' by FY- 2022.
- Priority is accorded to female headed households and households with single girl child, during selection of the beneficiaries. The beneficiary of the scheme is entitled to 90/95 person-days of unskilled labour from MGNREGS. The assistance for the construction of the toilet shall be leveraged through convergence with Swachh Bharat Mission – Gramin program. Convergence for piped drinking water, electricity connection, LPG gas connection, etc. under different Government programs is also an inherent thematic component.

Welfare Schemes

Poverty Reduction through Use of Public Distribution System

- The Public Distribution System (PDS) is one of the largest safety- net programs in India, set up to provide subsidized grains to the poor.
- Keeping in view the consensus on increasing the allocation of food grains to BPL families, and to better target the food subsidy, Government of India increased the allocation to BPL families from 10 kg to 20 kg of food grains per family per month at 50% of the economic cost and allocation to APL families at economic cost with effect from 1 April, 2000.
- The Governments have introduced technology- based reforms under TPDS in the recent period, in order to improve efficiency in implementation of the program.

Digitization of ration cards, online entry and verification of beneficiaries' data, computerization of data relating to eligibility of beneficiaries and transactions, computerized allocation to fair price shops, introduction of web- based citizens' portal, etc., are some of the measures introduced.

Pradhan Mantri Garib Kalyan Yojana (PMGKY)

- It is a comprehensive relief package of Rs 1.70 Lakh crore Yojana for the poor to help them fight the battle against Corona Virus. This was announced in March 2020, to reach out to the poorest of the poor, with food and money in hands, so that they do not face difficulties in buying essential supplies and meeting essential needs.

Pradhan Mantri Jan Aushadhi Yojana (PMJAY)

- The program was launched in March 2016, with an objective to provide quality drugs/medicines at an affordable cost across the country. The scheme - a new version of the earlier Jan Aushadhi Yojana - aims at opening of 3000 Jan Aushadhi stores to sell drugs.
- Private hospitals, NGOs, and others social groups are eligible to open the Jan Aushadhi stores, with a one-time assistance of Rs. 2.5 Lakh from the central Government.

Pradhan Mantri Ujjwala Yojana

- In May, 2016, the Ministry of Petroleum and Natural Gas, has introduced the Pradhan Mantri Ujjwala Yojana, as a flagship scheme, with a view to making available clean cooking fuel such as LPG to the rural and deprived households.
- The scheme provides a financial support of Rs. 1600 for each LPG connection to the BPL households to facilitate them to cover the cost of security deposit, pressure regulator, LPG hose, etc. Additionally, all the PMUY beneficiaries will be provided with first LPG refill and Stove (hotplate) both free of cost, along with their deposit free connection by the Oil Marketing Companies (OMCs).

CAIIB Rural Banking Module C Unit 3 -Rural Housing And Education Loans

Pradhan Mantri Awas Yojana (Grameen)

- IAY was restructured w.e.f. 1st April 2016 and it was named as Pradhan Mantri Awas Yojana – Gramin (PMAY-G). PMAY-G aims to provide pucca houses by Y - 2022, to all houseless persons and those living in 'kutcha' and dilapidated houses.
- Under the scheme, minimum size has been increased to 25 Sq. mt. (from 20 Sq. mt.) with hygienic cooking place. The unit assistance has been increased from Rs. 70,000 to Rs. 1,20,000 in plains and from Rs. 75,000 to Rs. 1,30,000 in hilly states.

- The cost of the unit is to be shared between Central and State Governments in the ratio of 60:40 in plain areas and 90:10 for north Eastern and Hilly states.
- Houses sanctioned under PMAY-G are eligible to receive assistance of Rs. 12,000/- for construction of toilet from Swatch Bharat Mission, MGREGS or any other dedicated financing source of the Government.
- The identification and selection of the beneficiaries shall be done by the community through the Gram Sabha, from the SECC 2011 list, based on the housing deficiency and other social deprivation parameters.
- If the beneficiary so chooses, he/she will be facilitated to avail loan from financial institutions for an amount up to Rs. 70,000.
- All payments through DBT to beneficiary's Bank/Post office accounts registered in AwasSoft MIS.

Exclusions:

- The scheme provides for exclusion of those living in pucca houses, those having motorized two/three/four- wheeler/fishing boat, those having mechanized three/four- wheeler agricultural equipment.
- Kisan Credit Card holders with credit limit of Rs. 50,000 or above
- Household with any member as a government employee, households with any member of the family earning more than Rs. 10,000 p.m.
- Households with any member paying income tax/professional tax, those owning a refrigerator/ landline phone, those owning 2.5 acres or more of irrigated land with at least one irrigation equipment, those owning 5 acres or more of irrigated land for two or more crop seasons, and those owning 7.5 acres of land or more with at least one irrigation equipment.

Interest Subsidy to those not covered under the PMAY- Grameen

- A new scheme for promotion of Rural Housing in the country has been approved by the union cabinet in 2017, whereby the Government would provide interest subsidy of 3 per cent. It will enable people in rural areas to construct new houses or make addition to their existing pucca houses in order to improve the dwelling units. The scheme is being implemented by the National Housing Bank (NHB).
- Under the scheme, the beneficiary will be provided interest subsidy for the loan availed up to Rs. 2 lakhs. Government will provide interest subsidy of 3 per cent to NHB upfront which will, in turn, pass it to the Primary Lending Institutions (SCBs), NBFCs, etc.

Affordable Housing

- "Affordable housing" is defined as a housing project that uses, at least 50 per cent of the floor space index (FSI), for dwelling units, with a carpet area of not more than 60 sq m.
- Lending to affordable housing segment as also the housing loans to individuals up to Rs. 50 lakhs, for houses of values up to Rs. 65 lakhs located in the six metropolitan centres viz. Mumbai, New Delhi, Chennai, Kolkata, Bengaluru and Hyderabad and Rs. 40 lakhs for houses of values up to Rs. 50 lakhs, in other

centres, for purchase/ construction of dwelling unit per family, will be deemed as priority sector loans.

Classification of Housing Loan by Banks as Priority Sector

- Loans to individuals up to Rs. 35 lakh in metropolitan centres and up to Rs. 25 lakh in other centres for purchase/construction of a dwelling unit per family provided the overall cost of the dwelling unit in the metropolitan centre and at other centres does not exceed Rs. 45 lakh and Rs. 30 lakh respectively.
- Loans up to Rs. 10 lakh in metropolitan centres and up to Rs. 6 lakh in other centres for repairs to damaged dwelling units.
- Bank loans to any governmental agency for construction of dwelling units or for slum clearance and rehabilitation of slum dwellers subject to dwelling units with carpet area of not more than 60 sq.m.
- Bank loans for affordable housing projects using at least 50% of FAR/FSI for dwelling units \with carpet area of not more than 60 sq.m.
- Bank loans to HFCs (approved by NHB for their refinance) for on-lending, up to Rs. 20 lakh for individual borrowers, for purchase/construction/ reconstruction of individual dwelling units or for slum clearance and rehabilitation of slum dwellers.

Support to Rural Housing and Rural Sanitation by NABARD

- A comprehensive rural housing policy has been adopted by NABARD with the objective of meeting huge unmet needs of rural housing in the country. For various initiatives of Government for rural infrastructure development including PMAY-G, NABARD has been raising resources from the market for on lending to **National Rural Infrastructure Development Agency (NRIDA),** the nodal agency to meet the shortfall in the share of GOI in the project.
- Government of India (Ministry of Jal Shakthi) has launched Swachh Bharat Mission- Gramin (SBM -G), with a view to achieving universal sanitation coverage, in rural areas. Under the SBM-G, NABARD has been extending loans to the National Centre for Drinking Water, Sanitation and Quality, towards part funding of Central share, towards construction of 3 crore household toilets.

Education

The objective of educational Loan Scheme is providing financial support from the banking system to meritorious students for pursuing higher education in India and abroad.

Eligibility	The student should be an Indian national. To be eligible for loan, the student should have secured admission to a higher education course, in recognized institutions in India or abroad, through Entrance Test/Merit Based Selection process, after completion of HSC (10 plus 2 or equivalent). For admission to some of the post graduate courses or research programs, instead of totally relying on marks obtained in the qualifying examinations, the banks may consider other criteria such as employability and reputation of the institution concerned.
Courses eligible for assistance under the loan scheme	**Studies in India (indicative list)** Approved courses leading to graduate/post graduate degree and P G diplomas conducted by colleges / universities recognized by UGC/ Government/ AICTE/ AIBMS/ ICMR, etc. Courses like ICWA, CA, CFA, etc. Courses conducted by IIMs, IITs, IISC, XLRI. NIFT, NID, etc. Regular Degree/Diploma courses like Aeronautical, pilot training, shipping, degree/diploma in nursing or any other discipline approved by Director General of Civil Aviation/Shipping/Indian Nursing Council or any other regulatory body as the case may be, if the course is pursued in India. Approved courses offered in India by reputed foreign universities. **Studies abroad** Graduation: For job oriented professional/technical courses offered by reputed universities. Post-graduation: MCA, MBA, MS, etc. Courses conducted by CIMA- London, CPA in USA, etc. Degree/diploma courses like aeronautical, pilot training, shipping, etc., provided these are recognized by competent regulatory bodies in India/abroad for the purpose of employment in India/abroad.

Expenses considered for loan	Fee payable to college/school/hostel. Examination/Library/Laboratory fee. Travel expenses/passage money for studies abroad. Insurance premium for student borrower, if applicable. Caution deposit, building fund/refundable deposit supported by Institution bills/receipts. Purchase of books/equipment/instruments/uniforms. Purchase of computer at reasonable cost, if required for completion of the course Any other expense required to complete the course – like study tours, project work, thesis, etc. While computing loan required, scholarships, fee waiver, etc., if any available to the student borrower may be taken into account. If the scholarship component is included in the loan assessment, it may be ensured that the scholarship amount gets credited to the loan account as and when received from the Government.
Quantum of finance	Need based finance to meet the expenses worked out, as stated above will be considered, taking in to account margins, subject to the ceilings - Studies pursued in India – Maximum up to ₹10 lakhs and Studies pursued abroad – Maximum up to ₹ 20 lakhs. While these are the limits as per the model education loan scheme brought out by IBA, banks can fix higher limits for students taking up studies at IIMs, ISB or universities/ colleges abroad.
Margin Requirement	Up to ₹ 4 lakhs: Nil; Above ₹ 4 lakhs: Studies in India- 5%; Studies Abroad -15%. However, up to ₹ 7.5 lakhs, margin will be 'Nil', if loan is eligible for the Credit Guarantee coverage. The scholarship/ assistantship to be included in margin. Margin may be brought-in, on year-to-year basis, as and when disbursements are made on a pro-rata basis

Security	loan documents should be executed by the student and the parent/guardian, as joint-borrower. There is no specific restriction with regard to the age of the student to be eligible for education loan. However, if the student is a minor while availing the loan, the security documents are to be executed by the parent. Upon minor attaining the age of majority, banks shall obtain a letter of ratification. In case of a married person, joint borrower can be spouse or the parent(s)/parents-in-law. The security can be in the form of land/building/Government securities/Public Sector Bonds/Units of UTI, NSC, KVP, life policy, gold, and shares/mutual fund units/debentures, bank deposit in the name of student/parent/guardian/any other third party or any other tangible security acceptable to the bank, with suitable margin. Wherever the land/building is already mortgaged, the unencumbered portion can be taken as security on second charge basis, provided, it covers the required loan amounts.
Repayment	Repayment Holiday/Moratorium: Course period + 1 year. In special circumstances, banks may consider moratorium, taking into account, spells of under-employment/unemployment, say two or three times (maximum of 6 months at a time) during the life cycle of the loan. Banks may also encourage student borrowers who want to set up start-up units, by giving moratorium on repayment of principal and interest, during incubation period, which may be considered for a period up to two years. If the student is not able to complete the course within the scheduled time, extension of time for completion of course may be permitted for a maximum period of two years. Repayment of the loan will be in equated monthly installments, for a period of 15 years, for all categories. No prepayment penalty will be levied for prepayment of loan any time during the repayment period. While EMI based repayment is the generally accepted practice, many a times, the salary levels at the start of the career may not facilitate comfortable payment of EMI in certain cases (e.g., professionals like doctors). Telescoping of repayment with stepped up installments with passage of time may be considered by banks, in such cases.
Insurance	Banks shall advise the borrower to arrange for life insurance policy of the student availing education Loan

Skill Development and Entrepreneurship Loan Scheme (Skill Loan Scheme)

- Government of India has launched the National Skill Development Mission and unveiled the new National Policy for Skill Development and Entrepreneurship 2015.
- The objective of the scheme is to provide loan facility to individuals, who intend to take up the skill development courses.
- Any individual, who has secured admission in a course, run by Industrial Training Institutes (ITIs), or in a college affiliated to recognized university, training partners affiliated to National Skill Development Corporation (NSDC), leading to a certificate/ diploma / degree issued by such organization as per National Skill Qualification Framework (NSQF,) shall be eligible for a Skilling Loan.
- Maximum financial assistance shall be Rs. 1,50,000, to cover tuition fees, other reasonable expenditure found necessary for completion of the course,
- Margin for loan shall not exceed 10% of the total course expenditure.
- No collateral security shall be obtained. However, the banks have option to apply to the National Credit Guarantee Trust Company Ltd (NCGTC) for credit guarantee, against defaults and the NCGTC will provide such guarantee, at nominal guarantee fee, which shall not exceed 0.5% of the amount outstanding. Such credit guarantee cover will be for a maximum of 75% of the outstanding loan amount.

- Repayment shall start after a moratorium period up to six months from the date of completion of course, if the course duration is up to one year. If the course duration is more than one year, moratorium period may extend 12 months from the date of completion of the course.
- The loans shall have the tenure ranging between 3 to 7 years i.e., **(a)** for loans up to Rs. 50,000 – up to 3 years **(b)** Loans between Rs. 50,000 and Rs. 1 lakh: Up to 5 years and **(c)** Loans above Rs. 1 lakh: up to 7 years; No prepayment charges are to be recovered.

Other Initiatives of GOI

Pradhan Mantri Vidya Lakshmi Karyakram (PMVLK):

launched by GOI in the year 2015 aims at making the educational loan available to every student with ease, i.e., they should not face the barrier of lack of funds for pursuing education. To make this possible, online portal https://www. vidyalakshmi.co.in/ Students/ was launched.

The benefits of the scheme are as under:

- It is a single window platform for the students seeking educational loan or scholarship.
- Through this website, student can search for various educational loan and scholarship providers, make application and track the status online.
- Loan application can be made for studying within India and abroad.
- Student can apply for any type of course i.e., under-graduation, post-graduation, professional and vocational course.

Tax Benefits: As per Section 80E of the Income Tax Act, 1961, deductions are allowed on interest on Education Loan. Section 80 E covers education loan taken for Higher Studies (maximum period: 8 years).

Priority Sector: Loans to individuals for educational purposes including vocational courses up to Rs. 20 lakhs, irrespective of the sanctioned amount will be considered as eligible for priority sector.

CAIIB Rural Banking Module C Unit 4-Initiatives Of RBI Under Financial Inclusion & Financial Education Programs And Implementation Of Various Poverty Reduction Programs

National Strategy For Financial Inclusion

- The National Strategy for Financial Inclusion (NSFI) 2019-24, seeks to address the inherent barriers of access to a gamut of financial products and services.
- The National Strategy for Financial Inclusion for India 2019-2024 has been prepared by RBI, under the aegis of the Financial Inclusion Advisory Committee and is based on the inputs and suggestions from GOI, other financial sector

regulators viz. Securities Exchange Board of India (SEBI), Insurance Regulatory and Development Authority of India (IRDAI) and Pension Fund Regulatory and Development Authority of India (PFRDA).

Strategic Objectives:

- The NSFI visualizes to make the financial services available, accessible and affordable to all the citizens in a safe and transparent manner, to support inclusive and resilient multi-stakeholder led growth.
- Universal access to financial services, providing basic bouquet of financial services, access to livelihood and skill development, financial literacy and education, customer protection and grievance redressal and effective coordination have been identified as the strategic pillars for holding up the aforesaid vision.

Universal Access to Financial Services

Providing Universal Access to Financial Services by expanding the outreach is the key foundation for a successful financial inclusion strategy. **The NSFI has spelt out the following action plans and milestones for the accomplishing the task:-**

- Increasing outreach of banking outlets of Scheduled Commercial Banks/Payment Banks/Small Finance Banks, to provide banking access to every village, within a 5 km radius/hamlet of 500 households in hilly areas
- Strengthen the eco system for various modes of digital financial services in all the Tier II to Tier VI centres, to create the necessary infrastructure to move towards a less cash society.
- Leverage on the development in fin-tech space, to encourage financial service providers, to adopt innovative approaches for strengthening outreach through virtual modes, including mobile apps so that, every adult has access to a financial service provider, through a mobile device
- Move towards an increasingly digital and consent-based architecture, for customer on-boarding.

Providing Basic Bouquet of Financial Services:

- Every willing and eligible adult who has been enrolled under the PMJDY to be enrolled under an insurance scheme (Pradhan Mantri Jeevan Jyoti Bima Yojana-PMJJBY, Pradhan Mantri Suraksha Bima Yojana- PMSBY, etc.) Pension Scheme.
- Capacity building of all BCs either directly by the parent entity or through accredited institutions.
- Make the Public Credit Registry (PCR) fully operational so that authorized financial entities can leverage on the same for assessing credit proposals from all citizens.

Access to livelihood and skill development:

- While ensuring access to livelihood and skill development to the targeted group, it has been recommended convergence of objectives of various employment generation and skill development programs like National Rural Livelihoods Mission (NRLM), National Urban Livelihoods Mission (NULM), Pradhan Mantri Kaushal Vikas Yojana (PMKVY) and other state level programs, through an integrated approach.

Financial Literacy And Education

The following action plans have been identified for the purpose:-

- Develop financial literacy modules through National Centre for Financial Education (NCFE) that cover financial services in the form of Audio-video content/booklets, etc.
- Focus on process literacy along with concept literacy, which empowers the customers to understand not only what the product is about, but also helps them how to use the product by using technology led digital kiosk, mobile apps, etc.,
- Expand the reach of Centres for Financial Literacy, at every block in the country.

Customer Protection and Grievance Redressal:

The following strategies are proposed:-

- Strengthening the internal grievances redressal mechanism of financial service providers, for effectiveness and timely response.
- Develop a robust customer grievance portal/ mobile app, which acts as a common interface for lodging, tracking and redressal status of the grievances, pertaining to financial, collectively by all the stakeholders.
- Operationalize a Common Toll-free helpline, which offers response to the queries pertaining to customer grievances across banking, securities, insurance and pension sectors.
- Develop a portal to facilitate inter-regulatory coordination for redressal of customer grievance.

Effective Co-ordination

The following action plans are suggested to ensure effective and successful coordination:-

- Strengthen the various fora under Lead Bank Scheme, to ensure the achievement of the vision of the strategy at the ground level.
- Leverage on the emerging developments in technology to promote effective stakeholder coordination by having in place a digital dashboard/MIS monitoring.
- Encourage decentralized approach to planning and development, by creating a forum to actively involve Gram Panchayats/Civil Society/NGs to accelerate financial inclusion using various tools like social audit.

Direct Benefit Transfer

With the aim of reforming Government delivery system by re-engineering the existing process in welfare schemes for simpler and faster flow of information / funds and to ensure accurate targeting of the beneficiaries, de-duplication and reduction of fraud, Direct Benefit Transfer (DBT) was started on 1st January, 2013. With the rapid rollout of Aadhaar in the country, it was felt possible to move to a system of transferring cash benefits directly to the poor.

With a view to facilitating DBT for the delivery of social welfare benefits by direct credit to the bank accounts of beneficiaries, RBI has advised banks to:

- Open accounts for all eligible individuals in camp mode with the support of local government authorities
- Seed the existing accounts or the new accounts opened with Aadhaar numbers
- Put in place an effective mechanism to monitor and review the progress in the implementation of DBT.

SLBC Convenor Banks and the Lead Banks have been advised to institute a monitoring and review mechanism to periodically assess and evaluate the progress made in the implementation of DBT by banks.

Guidelines Issued By RBI Under DAY-NRLM

The guidelines issued by RBI to the banks for successful implementation of the scheme are as follows:-

Opening of Savings bank accounts	**Opening savings bank account in the name of SHGs:** The SHGs engaged in promoting of savings habits among their members would be eligible to open savings bank accounts. KYC verification of only the office bearers shall suffice for opening of savings bank account. 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. As per the current instructions under Simplified norms for Self Help Groups (SHGs), 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 SHGs. 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. **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 KYC norms for the signatories of such accounts, as specified by RBI from time to time, would be applicable **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 KYC norms for the signatories of such accounts, as specified by RBI from time to time, would be applicable.

Lending norms-eligibility criteria	Eligibility criteria for the SHGs to avail loans shall be as under: (i) 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 savings bank account). (ii) SHGs should be practicing 'Panchasutras' i.e., regular meetings; regular savings; regular inter-loaning; timely repayment; and up-to-date maintenance of books of accounts; (iii) SHGs should be 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

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 to 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.
Purpose of loan	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. 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. As already indicated, Micro Credit Plan (MCP) prepared by SHGs would form the basis for determining the purpose and usage of loans
Repayment schedule for term loans	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.
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

Guidelines Issued By RBI Under NULM

Target Group for assistance	The SEP component ensures provision of 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 program 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. 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.
	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.

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.
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: The prospective beneficiary should have attained the age of 18 Years at the time of applying for loan. The Maximum unit Project Cost for an individual micro-enterprise is ₹ 2,00,000 (₹ Two Lakhs). No collateral 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) setup by 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. Repayment schedule would range between 5 to 7 Years after initial moratorium of 6-18 months as per norms of the banks. 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.

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: 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. All members of the group enterprise should have attained an age of 18 years at the time of applying for bank loan. The group will be eligible for a maximum loan of ₹ 2 Lakh per member or ₹ 10 Lakh, whichever is lower. 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. 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. 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. 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 Repayment schedule would range between 5 to 7 Years after initial moratorium of 6-18 months as per the norms of the banks.

Relief Measures By Banks In Areas Affected By Natural Calamity- RBI Guidelines To Banks

- **Meetings of State Level Bankers' Committee/District Consultative Committee:** In the event of the calamity covering entire State/ larger part of a State, the convener of the State Level Bankers' Committee (SLBC), will convene a meeting immediately after the occurrence of natural calamity, to evolve a coordinated action plan for implementation of the relief program, in collaboration with the State Government authorities. However, in case the calamity has affected only a small part of the State/few districts, the conveners of the District Consultative Committees (DCC) of the affected districts should convene a meeting immediately.
- **Declaration of Natural Calamity:** It is recognized that the declaration of natural calamities is in the domain of the Sovereign (Central/State Governments). Common thread to extend relief measures is that the crop loss assessed should be 33% or more.
- **Restructuring/Rescheduling of Existing Loans**
- **Short-term Production Credit (Crop Loans):** All short-term loans, except those which are overdue at the time of occurrence of natural calamity, should be eligible for restructuring. The principal amount of the short-term loan as well as interest due for repayment in the year of occurrence of natural calamity may be converted into term loan. Banks may allow a maximum period of repayment of up to 2 years (including the moratorium period of 1 year) if the loss is between 33% and 50%. If the crop loss is 50% or more, the restructured period for repayment may be extended to a maximum of 5 years (including the moratorium period of one year). In all cases of restructuring, moratorium period of at least one year should be considered. Further, the banks should not insist for additional collateral security for such restructured loans.
- **Agriculture Loans – Long term (Investment) Credit:** The existing term loan installments will have to be rescheduled, keeping in view the repaying capacity of the borrowers and the nature of natural calamity viz., While the total repayment period for the restructured/ fresh term loan will differ on case-to-case basis, generally it should not exceed a period of 5 years.

Asset Classification:

The asset classification status of these loans will be as under:

- The restructured portion of the short term as well as long-term loans may be treated as current dues and need not be classified as NPA. The asset classification of these fresh term loans would thereafter be governed by the revised terms and conditions. Nevertheless, banks are required to make higher provisions for such restructured standard advances as prescribed by Reserve Bank of India from time to time.

- With the objective to ensure that banks are sufficiently proactive in extending the relief to the affected persons, the benefit of asset classification of the restructured accounts as on the date of natural calamity will be available only if the restructuring is completed within a period of three months from the date of natural calamity.
- The accounts that are restructured for the second time or more on account of natural calamities would retain the same asset classification category on restructuring. Accordingly, for once restructured standard asset, the subsequent restructuring necessitated on account of natural calamity would not be treated as second restructuring, i.e., the standard asset classification will be allowed to be maintained.

Utilization of Insurance Proceeds:

- Under the Prime Minister Fasal Bima Yojana (PMFBY), all Seasonal Agricultural Operations (SAO) loans for notified crops in notified areas are to be compulsorily provided insurance cover for all stages of the crop cycle including post-harvest risks in specified instances.
- Farmers' details are required to be entered by banks in the unified portal for crop insurance which is available at **www.agri-insurance.gov.in** in order to facilitate assessment of coverage of crops insured, premiums deducted, etc.

Sanctioning of Fresh Loans:

- The fresh loan may be granted even if the value of security (existing as well as the asset to be acquired from the new loan) is less than the loan amount. For fresh loans, a sympathetic view will have to be taken, to provide relief to farmers availing short term crop loans and affected by a natural calamity**, an interest subvention of 2 percent per annum shall be made available to banks for the first year on the restructured loan amount**. Such restructured loans shall attract normal rate of interest from the second year onwards.

Know Your Customer Norms: Relaxations:

- They can open a small account based on the photograph and signature or thumb impression in front of the bank official. The above instructions will be applicable to cases where the balance in the account does not exceed Rs. 50,000/- or the amount of relief granted (if higher) and the total credit in the account does not exceed Rs. 1,00,000/- or the amount of relief granted, (if higher) in a year.

Providing access to Bank Accounts:

- In areas where the bank branches are affected by natural calamity and are unable to function normally, banks may operate from temporary premises, under advice to RBI. For continuing the temporary premises beyond 30 days, specific approval may be obtained from the concerned regional office (RO) of RBI.

Natural Calamities Portal: Monthly Reporting:

- The Reserve Bank of India has developed a dedicated portal (https://dbie.rbi.org.in/DCP/) for collection and compilation of data on natural calamities on a real time basis through a centralized system.
- The portal provides facility for uploading data files relating to relief measures extended by banks and notification issued by State Government with regard to natural calamities. Banks shall upload the actual data on relief measures every month by the 10th of the following month.

Credit Facilities to SCs / STs

- RBI has been periodically advising the banks to step up their advances to SCs/STs, which are reckoned as advances to weaker section, under the priority sector.
- Banks shall not insist on deposits while considering loan applications under Government sponsored poverty alleviation schemes/self-employment programs from borrowers belonging to SCs/ STs. It shall also be ensured that applicable subsidy is not held back, while releasing the loan component, till the full repayment of bank dues.
- The National Scheduled Tribes Finance & Development Corporation and National Scheduled Castes Finance & Development Corporation have been set up under the administrative control of Ministry of Tribal Affairs and Ministry of Social Justice & Empowerment, respectively. The banks shall advise their branches/ controlling offices to render all the necessary institutional support to enable the institution to achieve the desired objectives.
  - **Deendayal Antyodaya Yojana – National Rural Livelihoods Mission:** The Ministry of Rural Development, Government of India has launched Deendayal Antyodaya Yojana-National Rural Livelihoods Mission (DAY-NRLM), DAY-NRLM would ensure adequate coverage of vulnerable sections of the society such that 50% of these beneficiaries are SC/STs.
  - **Deendayal Antyodaya Yojana – National Urban Livelihoods Mission:** The Ministry of Housing and Urban Affairs (MoHUA), Government of India, has launched the Deendayal Antyodaya Yojana - National Urban Livelihoods Mission (DAY-NULM). Under DAY-NULM, advances should be extended to SCs/STs to the extent of their strength in the local population.
  - **Differential Rate of Interest Scheme:** Under the DRI Scheme, banks provide finance up to Rs. 15,000/- at a concessional rate of interest of 4 percent per annum, to the weaker sections of the community, for engaging in productive and gainful activities.
  - The eligibility criteria under DRI that size of land holding should not exceed 1 acre of irrigated land and 2.5 acres of unirrigated land are not applicable to SCs/STs. Members of SCs/STs satisfying the income criteria of the scheme can also avail of housing loan up to Rs. 20,000/- per beneficiary over and above the individual loan of Rs. 15,000/- available under the scheme.
  - **Credit Enhancement Guarantee Scheme for Scheduled Castes (CEGSSC):** The CEGSSC was launched by Ministry of Social Justice & Empowerment on 6th May, 2015, with the objective to promote entrepreneurship amongst the

Scheduled Castes (SCs), by providing Credit Enhancement Guarantee to Member Lending Institutions (MLIs), who shall be providing financial assistance to these entrepreneurs.

- IFCI Ltd. has been designated as the Nodal Agency under the scheme, to issue the guarantee cover in favour of MLIs, who shall be encouraged to finance SCs entrepreneurs. Amount of Guarantee cover under CEGSSC (Minimum Rs. 0.15 crore and maximum Rs. 5.00 crore; Tenure of Guarantee – Maximum 7 years or repayment period whichever is earlier).

Credit Facilities To Minority Communities

- As notified by the Ministry of Minority Affairs, GOI, the persons bellowing to the following communities shall be deemed to be belonging to the minority communities (a) Sikhs (b) Muslims (c) Christians (d) Zoroastrians (e) Buddhists and (f) Jains.
- The banks shall set up a special cell, to ensure smooth flow of credit to minority communities and it shall be headed by an officer holding the rank of Deputy General Manager/Assistant General Manager or any other similar rank, who shall function as a 'Nodal Officer'.
- The Lead Bank in each of the minority concentration districts shall have an officer who shall exclusively look after the problems regarding the credit flow to minority communities.
- 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, shall be furnished by banks to the National Commission for Minorities located at New Delhi.
- **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 channelizes its funds to the beneficiaries, through the State Minority Finance Corporation of the respective State/Union Territory Governments.
- The NMDFC is operating, the Margin Money Scheme. Bank finance under the scheme will be up to 60 percent of the project cost. The remaining amount of the project cost is shared by NMDFC, the State channelizing agency and the beneficiary in the proportion of 25%, 10%, and 5%, respectively. Banks may implement the Margin Money scheme evolved by the NMDFC.

Prime Minister's 15 Point Program for the Welfare of Minorities:

- GOI has revised the **"Prime Minister's New 15-Point Program for the Welfare of Minorities".** An important objective of the Program 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.

- 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.