APPENDIX I

INTEGRATED RURAL DEVELOPMENT PROGRAMME (IRDP)
(RESTRUCTURED AS 'SWARANJAYANTI GRAM SWAROZGAR YOJANA')

IMPORTANT MODIFICATIONS: The Finance Minister had, in his Budget Speech for the year 1999-2000, outlined the restructuring of a number of programmes concerning rural employment. The self-employment programmes have been accordingly restructured and a comprehensive programme known as 'SWARANJAYANTI GRAM SWAROZGAR YOJANA' has been launched w.e.f 01.04.1999. This is a holistic programme covering all aspects of self-employment such as organisation of the poor into self-help groups, training, credit, technology, infrastructure and marketing.

Like its predecessor programme-IRDP, SGSY is also a credit-linked programme. However, a significant departure is the prominent role that is assigned to the bankers. The scheme provided for a pivotal role to the banks in selection of activities, beneficiaries besides providing for post-credit monitoring and effective measures for loan recovery. In addition, the emphasis on activity clusters as well as Group approach would enable better utilisation of loans as well as ensure better recovery.

Introduction: The IRDP came into being in 1978-79 and was to cover 2,000 selected blocks, initially. With effect from 2\textsuperscript{nd} October, 1980, the programme was extended to all the 5,011 development blocks in the country. It is the largest poverty-alleviation programme.

Objective: The IRDP was designed as an anti-poverty strategy of the Sixth Five-Year Plan.
The main aim of IRDP is to improve the economic condition of the families (in rural areas) living below the poverty line through the creation of new assets or the generation of new employment.

**Target Families:** In specific terms, the target families are selected from small/marginal farmers, rural artisans and craftsmen, handloom weavers and those involved in handicrafts, coir, sericulture, Khadi and Village Industries, with special reference to Scheduled Castes and Scheduled Tribes.

Families from these sections must be below the poverty line.

The beneficiary sponsored for bank loan should have willingness and ability to initiate and manage on economically viable lines the enterprises selected for him.

**Poverty Line:** The Government of India had decided to assist the poor whose total annual household (family) income did not exceed Rs. 11850/- (raised from earlier level of Rs. 4800).

The income of the wife and minor children should be taken into account in computing the income of the family.

**Enhanced Poverty Line:** The below poverty-line income was later on enhanced from the earlier Rs. 6400/- to Rs. 11850/- p.a (at 1991-92 prices): SIB/CL/28/1992-93

Till the finalisation of BPL (below poverty line) census for 1996-97, the lists prepared on the basis of 1991-92 survey to be utilised : CPP/AGL/CL/149/1997-98

**IRDP: Abolition of Cut-off Line:** The beneficiaries should be selected from the families having prescribed annual income. Provided they have the right aptitude for self-employment ventures, skills and the right mind-set as also necessary motivation
and enterprise for taking up and manning income generating projects, etc.: LB/CL/2/1995-96.

The selection should be made only after proper assessment of the potential capability and employment need of the family.
(The above relaxation helps the branches in selecting the right type of beneficiary, depending on their skill & potential for financing under IRDP, amongst the target group. This ensures quality lending & improve recovery percentage.)

**State-wise Poverty Line:** The government of India have since adopted a new methodology for poverty assessment in terms of which state-wise poverty lines have been drawn for identification of Below Poverty Line population (BPL population). The statement showing the state-wise poverty lines at 1996-97 prices, determined by the Ministry of Rural Development is furnished in Annexure to CIRCO/CPPC/MISC/CL/85/1998-99.

The revised guidelines are to be followed for the purposes of identification of beneficiaries under IRDP sponsored by the government agencies or directly by the Bank, wherever applicable.

**Beneficiaries:**

a) **Small Farmers:** A cultivator with a land holding up to 2.5 acres of wet land or 5 acres of dry land. The farmers who do not possess land (owned or rented) but are engaged in non-land-based activities allied to agriculture (like dairy, poultry, etc.) and derive an annual income not exceeding Rs. 6400/- should also be classified as 'Small farmers'. For this purpose, the income of his family members (i.e. his/her souse and minor children) from all know activities like agricultural labour, other labour, trade, industry and other occupations should also be taken into account: AGR/17/1989

b) **Marginal Farmers:** A cultivator with a land holding up to 1.25 acres of wet land or 2.5 acres of dry land [AGR/5/1979 enclosing Govt. guidelines].
c) **Agricultural Labourers:** A person with a holding of up to 0.5 acre of land and/or having a home-stead and deriving more than 50% of his income from agriculture wages.

d) **Non-Agricultural Labourers:** A person whose total income from sources other than sericulture, does not exceed Rs. 200/- per month.

Persons who derive their income partly from agriculture and partly from other source can also be brought under this category, provided at least 50% of the income is from non-agricultural sources. They need not have home-steads, but must be resident of village in which they are identified.

**Selection of the Beneficiaries:** For the purpose of identification, the family is taken as a unit.

Persons connected by blood and marriage and normally living together constitutes a household.

Where the members of same family are living separately as independent units, they are identified as separate units.

The families are first screened on the basis of land holding and later on the basis of income.

Families falling in the lowest income groups are selected first for providing assistance under the programme.

The IRDP scheme should be financed in the villages in service area allotted to the branch (with a view to ensuring that functional linkage are taken care of and other operational difficulties are minimized).

**Linkages:** In regard to provision of finance for infrastructure under IRDP, viable activities proposed by IRDP beneficiaries like provision of veterinary facilities,
purchase of IRDP products, supply of animal fodder, etc. which could be in the nature of backward and forward linkage may now be financed by banks: LB/CL/12/1995-96.

**Cluster Approach:** The clusters are not merely a conglomeration of villages put together because of their geographical location or their contiguity.

The cluster should be functional cluster of villages contiguous, if possible for specific activities/schemes together with infrastructure linkages and back-up support needed for the success of the activity/scheme.

**Purpose of Advance:** Three major kinds of activities capable of income generation on continuing basis have been contemplated for the target families.

**PRIMARY SECTOR:** the activities are agriculture, animal husbandry, fishery, farm forestry etc.

**SECONDARY SECTOR:** Activities like Khadi and Village industries, handlooms, coir, sericulture, blacksmithy, pottery, carpentry, cobblers and tiny industries [detailed in 'priority Sector Advances'] are included.

**TERTIARY SECTOR:** Activities like transport, small business and other service activities (like tailoring, workshops, repair shops etc.) are visualised.

It should be ensured that the beneficiary identified has the adequate skills, training and motivation for deriving the full benefit from the scheme(s). Overcrowding of units should be avoided LB/9/1989.

The schemes that are taken up under the programme fall in the following three broad categories:

i) Scheme benefiting individuals/group of individuals.
ii) Scheme for infrastructural development e.g. milk collection/chilling centres, transport facilities.

iii) Scheme supporting institutions e.g. interest-free share capital loans to cooperatives for enrolling small and marginal farmers as members, managerial subsidy to FSS (Farmers Service Societies) and LAMPS (Large-sized adivasi Multi-purpose Societies)

Funding: IRDP is funded by the Central and State government in ratio of 50:50.

**Capital Subsidy per Beneficiary Family**
Circular Letter No. GEN/58/1985, CCO/CPP/IRDP/CL/19/1995-96 (as amended up-to-date)

<table>
<thead>
<tr>
<th>Category of Beneficiaries</th>
<th>% of Project Cost</th>
<th>Maximum Subsidy w.e.f 1993-94</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Small farmers</td>
<td>25%</td>
<td>Rs. 4000/-</td>
</tr>
<tr>
<td>2 Marginal farmers</td>
<td>33.1/3%</td>
<td>Rs. 4000/-</td>
</tr>
<tr>
<td>3 Agri. Labourers</td>
<td>33.1/3%</td>
<td>Rs. 4000/-</td>
</tr>
<tr>
<td>4 Non-agri. Labourers</td>
<td>33.1/3%</td>
<td>Rs. 4000/-</td>
</tr>
<tr>
<td>5 Rural artisans/Rural industries</td>
<td>33.1/3%</td>
<td>Rs. 4000/-</td>
</tr>
<tr>
<td>6 Scheduled Tribes, Sch. Castes</td>
<td>50%</td>
<td>Rs. 6000/-</td>
</tr>
<tr>
<td>beneficiaries from any of the above-named categories</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 Physically handicapped beneficiaries</td>
<td>50% (w.e.f 1.4.91)</td>
<td>Rs. 6000/-</td>
</tr>
<tr>
<td>8 Educated unemployed rural youth (below the poverty line)- VIIIth class passed or failed</td>
<td>50%</td>
<td>Rs. 7500/-</td>
</tr>
</tbody>
</table>
The capital subsidy should be treated as margin money. Further margin from borrowers must not be insisted upon: LB/13/1989. The earlier Modified Procedure for administration of subsidy on IRDP loans was implemented in M.P. w.e.f 1.1.1988: LB/CL/2, 4/1988 Prior to 01.01.1996, the subsidy was required to be released simultaneously with the loan amount by debit to link Branch (IRDA’s Account) and crediting borrower’s account: LB/10’1989.

Back-end System of Subsidy: detailed separately in this chapter.

Precautions reg. Subsidy: Subsidy is not a source of repayment in regard to subsidy-based programmes. Any act of omission/ commission on the part of B.M/F.O. which has the effect of misappropriation of subsidy by the beneficiary makes the bank staff equally culpable.

It renders them liable to disciplinary action by the Bank, and criminal proceedings by the Govt. (u/s 405, 409 of the I.P.C: dealing with criminal breach of trust- detailed in ‘Legal Supplement’): LB/CL/26/1988

Implementation: Under IRDP, a Community Development Bloc is adopted as the unit for planning and implementation.
The IRDP Block Plan is fixed in two stages:
 a) A Five-year development profile- perspective plan
 b) An Annual action plan

Block Plan: Families with an annual income of less than Rs. 11850 (raised from the earlier Rs. 4800/-) are selected from each block every year.

IRDP : Targets: The government of India have stopped the practice of allocating physical targets under the IRDP w.e.f the year 1995-96: LB/CL/7/1995-96.
However, reservation of 40% for women, 50% for SCs/STs and 3% for physically handicapped continues to be observed. LB/CL/7/1995-96.

Cluster approach and group activities should be particularly encouraged (to ensure viability of investment). It should be ensured that bunching of loan applications is avoided (to help improve quality of loans under the programme). The average level of investment per family and additional income generated should be monitored closely. Banks have now been authorised to finalise IRDP targets under service area plans on the basis of 10% more than the previous year's allocation plus the probable opening balance with the DRDAs (LB/CL/15/1995-96).

**Coverage** (both Physical and Financial): While formulating district/block level plan, the DRDA is required to ensure that:

i) **AGL**: Only 50% of the coverage under agricultural and allied activities should be for milch cattle.

ii) **ISB Sector**: It should cover 50% in the ratio 60:30:10 for industries, Services and Business respectively.

iii) **Women Beneficiaries**: These should cover 40% (raised from the earlier 30%) of total beneficiaries (LB/6/1990). It is proposed to raise the Bank's coverage of women beneficiaries (from 18% at present) to 40% of total IRDP beneficiaries: LB/CL/24/1989, 3/1994-95, DM/AGR/39/1991-92, LB/CL/7/1995-96.

iv) **SC/ST Beneficiaries**: These should cover 50% (raised from the earlier 40%) of total beneficiaries: LB/5/1990, LB/CL/3/1994-95, LB/CL/7/1995-96.

v) **Physical handicapped Persons**: These should cover 3%.

vi) **TRYSEM**: Under TRYSEM, 40 persons should be assisted per block.

**Schedule of Disbursement of Loans under IRDP**: 15% in the first quarter, 25% in second quarter, 35% in the third quarter and 25% in fourth quarter: LB/CL/3/1994-95.
**Investment Per Family:** (for new beneficiaries) under IRDP should be at least Rs. 6000/- (Rs. 2000/- by way of subsidy and Rs. 4000/- as bank loan) to enable sufficient return on the investment/assets and rise above the poverty line, Scheme-wise scales of finance given in the Annual Action Plan should be adhered to: GEN/CL/224/1986.

**Supplementary Assistance:** It is in order to provide a second dose of assistance to IRDP beneficiaries, who could not cross the poverty line in the first dose (for reasons beyond their control), and had not indulged in wilful default: SIB/SSI/CL/8/1995-96, LB/CL/4/1995-96. This may be done only after case-by-case scrutiny (by the screening committee) of borrower's performance. In such cases, the subsidy assistance is limited to the extent of difference between the subsidy received/availed and ceiling of subsidy. The bank credit may be made available to the extent not exceeding twice the amount of subsidy available.

[No further loans (2\textsuperscript{nd} dose) should be sanctioned to IRDP beneficiaries whose earlier loans had turned bad and DICGC claims therefor had been settled: LB/CL/15/1988]

**Implementation Agencies:** At the national level IRDP is administered by the Ministry of Rural Areas & Employment (earlier known as the Ministry of Rural Development): CCO/CPP/AGL/41/1995-96.

The States and the Union Territories have set up bodies known as DRDAs (District Rural Development Agencies: reconstituted SFDAs, MFALs & DPAPs), which are societies registered under the Societies Registration Acts to implement the Programme.

The Chairman of the DRDA is, generally Collector or Dy. Commissioner of the District and the Chief Executive of the Project Office/Director. He is assisted by a team of specialists in the relevant discipline, including a planning officer.
In M.P, the president of the Zila Panchayat has now become the Chairperson of the DRDA.
In M.P, all beneficiaries of the programmes for weaker sections (including IRDP) are now selected by the Gram Sabha.

*Work of DRDA:* It is the DRDA which identifies the beneficiaries, draws up income generating projects for them and bring them into contact with banks.
DRDA provide capital subsidy to the identified families and supply the list of such families, along with the suggested economic activities to the financing institutions for extending loan assistance.
DRDA also ensures backward linkage (inputs, technical advices etc.) and forward linkage (processing facility, marketing arrangements etc.) in respect of the proposed economic activities.
In the case of specific activities such as dairy, the availability of specific infrastructure and linkages should be examined before launching any programme to finance such units (arrangements for supply of feed fodder, veterinary services, milk route and marketing arrangements): LB/CL/20/1988.


The loan applications received by banks under IRDP are now required to be disposed of within a period of a fortnight if the credit limit is up to Rs. 25,000/- and within 8 to 9 weeks if the credit limit exceeds Rs. 25,000/-: CPP/AGL/SBF/CL/5/1996-97.

The loan **disbursement and grounding** of assets should be completed within 2 months from the date of sanction.
In cases of rejection of the request of the credit, the reasons there of should be clearly recorded on the application form itself, the relevant application should be
returned to the sponsoring authorities immediately for their information and further action.

Guidelines for Rejection: detailed in 'S.S.I.Us.'

**Security Norms:** For all IRDP loans (including allied activities) up to Rs. 25,000/- (raised from the earlier Rs. 15,000/-), the only security is the hypothecation of movable assets acquired with the loan and Govt. subsidy: LB/CL/9/1994-95, CCO/CPP/IRDP/CL/169/1996-97.

For higher amounts, please refer to 'Mehta Committee Recommendations' (detailed in this Chapter)

**Current Security norms:** CCO/CPP/IRDP/CL/169/1996-97:

- **a)** Up to Rs. 25,000/-: No margin money, mortgage of land, collateral

- **b)** Above Rs. 25,000/- but up to Rs. 50,000: No collateral security in the form of insurance policy, marketable security, deeds of other property (prescribed margin only to be recovered) collateral security at the discretion of the Bank (in addition to suitable margin money).

- **c)** Above Rs. 50,000/-: Margin and Collateral Security/third party guarantee should, therefore, not to be accepted even if the same is offered by the borrower for IRDP loans up to Rs. 25,000/-: GEN/CL/166, 203/1997; LB/CL/5/1988; AGR/10/1990, LB/CL/9/1994-95.

**Interest Rates:** Linked with amount of advance w.e.f 22.9.1990 (instead of earlier uniform rate of 10% p.a): SIB/CL/1, 19, 43/1991: details furnished in 'interest Rates on Advances'.
[DIR @4% p.a plus interest tax @ prescribed rate is not applicable for loans under IRDP: SIB/CL/1/1988, DM/AGR/14/1991].

No other charges (e.g inspection charges) should be levied (SB/CL/113/1986, AGR/15/1986).

Periodicity of interest application detailed in 'Interest Rates on Advances'.

**Repayment Period** (of IRDP Loans): The repayment schedule( and start-up/gestation period/holiday period) should be fixed in a realistic manner having regard to all relevant factors such as the line of activity, quantum of advance, income generating capacity of the assets, life of assets, cash flow/incremental income and repaying capacity of borrowers, and also taking into account the repayment norms recommended by NABARD in respect of loans for various schemes: LB/20/1988, LB/CL/18/1991, AGM/AGR/CL/40/1993-94.

The repayment schedules should be worked out for the net amount (and not for the gross amount): LB/CL/16/1991.

Sufficient incentive should be left with the borrower to meet his sustenance expenses (LB/9,13/1989).

Further, in no case should the repayment period be less than 5 years (raised from the earlier 3 years): LB/CL/9, 10, 28/1988, LB/19/1989, LB/CL/9/1994-95.

The existing repayment schedule should be re-scheduled where necessary: LB/19/1989.

**Lock-in Period**: NABARD has recently developed a 'model' for fixing a lock-in period for different activities under IRDP, categorised broadly into 3 types, according to loan repayment period of 5, 7 and 10 years respectively: CCO/CPP/CL/IRDP/95/1996-97.

The minimum lock-in period for the three categories of repayment periods is 3, 4 and 5 years respectively.

IRDP implementing branches are required to evolve activitywise lock-in-period in respect of IRDP loans, depending on their loan repayment period, as indicated in the NABARD letter and pass on the subsidy benefit to the IRDP beneficiaries at
appropriate time, in accordance with the calculations given by the NABARD in the annexure to their letter.

**Adjustment of Subsidy:** Before 01.01.1996, the subsidy was required to be released simultaneously with the loan amount (LB/CL/4, 16/1988, 10/1989)

No interest was to be charged from the beneficiaries on the subsidy portion for the period of non-adjustment of subsidy if the periods was attributable to delay on the part of the bank.

Revised Procedure for administration of subsidy: detailed separately in this Chapter.

**Application Form:** The revised loan application-cum-appraisal form (Format enclosed to GEN/CL/58/1987) for IRDP loans, approved by the High-Level Committee, should be used. Only the prescribed application forms, serially numbered and in local languages, should be used. All applications received at branches should be entered in appropriate section of Application Received/Disposal Register: LB/CL/21/1988.

**Composite Loan Agreement:** W.e.f 01.01.1996, composite loan agreement for ISB(SSI/SBF) loans (on the format enclosed to SIB/CL/116/1996 as amended vide SIB/CL/58/1989) should be obtained for the full amount (i.e not for net).

For AGL advances. Please refer to ‘Documentation’.

The existing instructions on documentation continue: LB/CL/21/1988, OP/CL/1/1996-97

**Revival Letter:** Format enclosed to SIB/CL/116/1986

**Ceiling on Amount of Bank Loan:** there is no upper ceiling on the amount of Bank loan which can be sanctioned to a beneficiary under the Scheme, though the maximum amount of capital subsidy available is limited.
The working capital requirements should also be taken care of at the time of grant of loan: GEN/CL/103/1987, LB/CL/28/1988
Adequate working capital should be provided: LB/CL/28/1988.

**Unit Cost**: The minimum number of animals or birds[e.g. milch cattle: 3(earlier:2); poultry: 50-100 layers: piggery:3 sows; sheep-rearing: 20-30 ewes, etc], or other units to be supplied to each beneficiary family and the cost of investment should be in accordance with the current unit cost (detailed in AGM/AGR/GL/40/1993-94), fixed by the Rates Committee constituted by NABARD. Variation up to 10% may be made on the merits of individual cases.

If the unit costs have become out of date, the Lead Bank Officer/Controlling Authority should take up the matter with NABARD for revision of those unit costs; LB/9/1989

**Insurance**: In respect of advances under IRDP, insurance may be waived for advances up to Rs.10,000/- (SIB/CL/116/1986) as per the details furnished in 'Insurance of Securities'.

**Livestock insurance**: All livestock financed under IRDP should be insured under master policy (detailed instructions: GEN/CL/26/1984, 16/1985), subject to inter alia following conditions (LB/CL/5/1995-96):

a) Health Certificate: for the animals-issued by the veterinary doctor- should be submitted by the beneficiaries.

b) Cover, Premium: The insurance of the animal commences from the date of the health certificate. Premium should be paid to the general insurance company after the purchase of the livestock.

(In view of the difficulties involved in ascertaining premium in advance, a decision has been taken by the Govt. of India that) Insurance companies should now accept bank guarantees for cattle insurance scheme under IRDP: CCO/CPP/AGL/41/1995-96.
This facility is available to those beneficiaries who are assisted under IRDP. The fact of financing under IRDP should be clearly indicated in the insurance proposals submitted to the insurance companies, so that the benefit of concessionary premium rates can be passed on to the IRDP beneficiaries (Cir Letter No. 131/1985).

Insurance of livestock is necessary even if the loan is less than Rs. 5000/- (AGR/15/1986).

A copy of each insurance claim preferred with the general insurance company should be endorsed to the DRDA concerned, for quicker settlement (GEN/CL/71/1987).

Instead of a separate certificate by a Veterinary Doctor, the minutes of the Purchase Committee (which includes a Veterinary Doctor) now embody a clause to certify the health of the animals (purchased under IRDP): LB/CL/14/1989.

The RBI has since removed the restriction imposed on conducting business with specified 'flag company' only: LB/CL/1/1993-94.

The RBI has permitted the banks to approach any of the subsidiary companies of the General Insurance Corporation of their choice.

**Supply of another Cattle:** The Branch Managers should immediately examine the feasibility of providing another cattle (milch) animal loan to the borrower, and continue the loan account [so that he may continue to get benefit of the scheme of cattle finance and come up above the poverty line (GEN/CL/229/1987)].

Second animal should be provided within 6 months.

The financing of 3 milch animal units under IRDP may now be considered throughout the country, subject to observance of safeguards detailed below.

Local breed animals [having little milk yield] should not be supplied: LB/20/1988

Non-observance of the laid down procedure in this regard is viewed by the Bank seriously and may even lead to disciplinary action against the erring official: LB/CL/2, 16/1988.
**Milch Animals:** Branches should provide to all eligible IRDP borrowers, in case of all milch animal schemes, a minimum of 2 milch animals invariably: CPP/AGL/CL/33/1997-98.

AGM(ROs), during visit to branches implementing IRDP, must ensure compliance of these instructions.

(in order that the incremental income arising out of the project would be sufficient to enable the beneficiary family to cross the poverty line).

**Financing of Dairy Animals:** As per the recommendations of the Task Force on IRDP, NABARD has decided that the financing of three milch animal units under IRDP may be considered throughout the country, subject to observance of normal safeguards indicated below (LB/CL/5/1994-95):

- **a)** The beneficiary has necessary arrangements for adequate and uninterrupted supply of fodder
- **b)** The beneficiary is in a position to provide adequate security, as per the RBI norms.
- **c)** The beneficiary has necessary skill/training to manage the unit.
- **d)** The financing is to be done in 3 stages for purchase of animals at 4 months intervals over a year's period (so as to ensure that at least 2 animals are in milk at any point of time).
- **e)** Financing for indigenous cows (Sahiwal, Tharparkar, Sindhi, Gir etc) may also be considered, wherever good quality Buffaloes are not available.
- **f)** The concerned department of the State government (DRDA/Animal Husbandry) has to ensure availability of other backward and forward linkages (detailed in the beginning of the Chapter)

The refinance support from NABARD is available on usual terms and conditions.

**DICGC Cover:** Available under 1971 Scheme (till 31.03.1997).

For details, please refer to 'Credit Guarantee Schemes of DICGC'.
**NABARD Refinance:** All IRDP loans (schematic lendings: AGR/21/1984) granted in SSI, SBF and AGL market segments/sub-segments are eligible for refinance from NABARD under Automatic Refinance Scheme (SIB/CL/16/1987).

The procedure for preparation of scheme and their submission to NABARD for prior sanction has been dispensed with under A.R.S (Format: AGM/AGR/24/1993-94)

The Bank’s Central office had decided not to avail of refinance from NABARD for the assistance to non-farm sector (SIB/CL/67/1987, 30/1989). Current instructions detailed in 'SIDBI/IDBI Refinance'.

**Sprinklers:** IRDP: Eligibility criteria: for NABARD refinance: clarification: AGM/ABR/27/1993-94

**Fin. For Threshers & Lift Irrig:** IRDP Loans: Eligibility criteria for NABARD refinance: clarifications: AGM/AGR/25/1993-94.

**IRDP Pass-Books:** All beneficiaries under IRDP should be provided with specially designed IRDP loan pass-books in their respective regional languages (on the format prescribed by RBI).

The cost of the photographs of the borrowers is borne by the Bank [Irrespective of the quantum of advance].

The pass-books should be kept up to date (LB/CL/21/1988)

Non-compliance of these instructions is viewed by the Bank seriously, and the officials concerned held responsible for the lapse: LB/13/1989.

**Selection of Assets and Suppliers:** Branch Officials should not involve themselves directly in the selection of assets or their suppliers. Further, they should not compel a borrower to purchase an asset from a particular dealer: GEN/CL/70/1987, DM/AGR/20/1989.
Any wilful violation of these instructions attracts strict disciplinary action: DM/AGR/20/1989

Disbursement of Loans by Rural Branches: GEN/CL/70/139/1987, LB/CL/16/1988:

i) Semi-urban Branches: These may disburse the loans to farmers and other priority sector beneficiaries on every working day.

ii) Rural Branches: These should fix one day in a week [other than the non-public business working day] for disbursement of loans. The process of entertaining, scrutiny and sanction of loan applications should throughout the month.

iii) Disbursement: of crop loans or cash credits/overdrafts [running accounts] may be made on all working days.

Modified Disbursement Procedure: CCO/CPP/IRDP/CL/46/1996-97

The Government of India have now decided that disbursement of loans under IRDP should be done in an open manner in the presence of a committee of non-officials which should consist of atleast 3 non-officials at the local levels invited to be present at the time of disbursement. The committee may include the panchayat samiti chairman as a member, if the Bank's branch is located in the block head-quarters. Besides, if could also include in panchayat samiti members and village pradhans and atleast one elected woman member, one S.C and another S.T. member. A representative from a prominent N.G.O operating in the locality could also be opted. Disbursement of loans at rural branches under IRDP would continue to be done on one day to be fixed in advance. However, if the non-officials do not come to the bank on that day, inspite of advance intimation, disbursement of loans may be made, as scheduled.

IRDP: Cash Disbursal: The Govt. of India has extended the scheme of cash disbursal under IRDP to such other blocks as approved by the District Consultative
Committee(D.C.C), subject to certain safeguards. The relaxations detailed in LB/8/1991 have been made by the Govt. of India.

The implementation of the system of disbursement of IRDP loans in cash in atleast 50% of the blocks is subject to the prevalence of the enabling conditions therefor: LB/CL/17/1991.

The cash disbursement scheme was later on extended to cover at least 50% blocks in all the districts of the country: LB/CL/1/1993-94. Earlier, in the case of IRDP beneficiaries in the ISB sectors (industries, services, business) where number of sundry items were to be bought disbursements up to Rs. 5000/- could be made in cash and the usual precautions taken for verification of the assets acquired: LB/8/1991, LB/CL/17/1991.

(Taking into account the overall increase in the prices of various articles) the RBI has now raised the limit of cash disbursement for purchase of sundry items in case of I.S.B beneficiaries (from Rs. 5000/-) to Rs. 10000/- subject to usual conditions like verification of assets etc. CCO/CPP/LB/CL/18/1995-96

Supply of Inputs/Assets: The guidelines for cash disbursement under IRDP provide, inter alia, that when the asset is of a standard type make or brand name, marketed by reputed suppliers, the beneficiary should have the freedom to select the product which he/she wished to buy, as detailed above.

The RBI has further clarified that they have no objection to cash disbursement being made for locally manufactured bullock/camel carts without any brand name: LB/CL/2/1993-94.

It should, however, be ensured as a safeguard against misutilisation, that the cart is manufactured by a professional in the line who usually manufactures carts in the local area.

IRDP: Group Insurance: Introduced in MP w.e.f. 01.04.1987(GEN/CL/170/1987)
The Life Insurance Corporation launched an insurance cover to benefit IRDP beneficiaries between the age of 18 and 60. The life cover is for Rs. 5000 (raised from the earlier Rs. 3000/-) for natural death, and Rs. 10000 (raised from the earlier Rs. 6000 for death by accident (LB/CL/1/1995-96).

The insurance premium is borne by the Central and concerned State Govt in equal proportion.

Branches sanctioning IRDP loans should ensure that the necessary nominations clause is contained in the loan application form, or a separate nomination form is obtained and attached to the application form by the sponsoring agency (block office): LB/CL/8/1994-95.

**Appropriation on Ins. Claim Amount:** (IRDP beneficiary is basically a poor man/woman whose family is at great risk in the event of his/her death and needs every kind of support as a welfare).

The amount received out of insurance claim of the deceased IRDP beneficiary cannot be appropriated towards adjustment of bank loan even if the beneficiary was a wilful defaulter or had misutilised the money: LB/CL/1994-95.

**Scrutiny, Sanction & Disbursement:** All IRDP proposals should be dealt with by the ABD(Agriculture Banking Division) only at branches where such a division is established: GEN/CL/3/1987.

**Fin. Powers:** Consequent upon the implementation of revised procedure for keeping the subsidy amounts in the current a/c, the branch managers are now required to sanction the loans for the full amount (instead of loan less subsidy).

Revised powers for sanction of loans IRDP under all segments (except C&I and PER): detailed vide OP/CL/1/1996/97.

**Purchase of Land:** Financing: Details as per CCO/CPP/IRDP/LB/CL/17/1995-96
Balancing: Only cash credit ledgers containing exclusively IRDP cash credit accounts should now be balanced at quarterly intervals (instead of weekly intervals: to reduce the workload and avoid delay in balancing of cash credit ledgers at the branches): O&B/13/1989.


Revised format of IRDP-1: CC/CPPC/MISC/CL/31/1998-99

IRDP: Observation of High-Power Committee: detailed in LB/8/1990

Flow of Credit: Through rural and semi-urban branches: deficiencies observed by the RBI in the compliance of their instructions/guidelines: detailed vide LB/CL/16/1991.

IRDP: Steps to be taken for effective implementation of IRDP: detailed in LB/1/1991

IRDP: CAPART: The applications sponsored by voluntary organisations under CAPART(Council for Advancement of Peoples Action and Rural Technology, N. Delhi) Scheme, pertaining only to the Service Area of the branches, can be entertained by them: LB/09, 11/1991.

Evaluation Studies: Various evaluation studies on IRDP conducted by different agencies have indicated that there are delays in disbursement of loans, amount sanctioned and grounding of assets. Further, the recovery performance has been far from satisfactory. LB/CL/3/1994-95. This is owing to the fact that the lendings under the scheme have been made to beneficiaries scattered in various villages, and that there is absence of well conceived, integrated projects where all forward and backward linkages are taken care of (For example, in case of loans for milch cattle, it should be explored whether dairy projects if, prepared for particular area, sufficient number of beneficiaries of the eligible categories would be identified and whether full
infrastructure by way of supply of feed, veterinary services, marketing services etc would be available).

Both bankers and government agencies are expected to ensure, not merely for the achievement of targets of disbursements of finance but more importantly, proper utilisation (end-use) of the loans granted, for productive investment, which would enable the beneficiaries to generate adequate income and which would result in an effective recycling of funds.

**Concurrent Evaluation:** Names of the institutions who have been entrusted with the field work of concurrent evaluation of IRDP (5th round): LB/CL/10/1995-96

**Background Paper:** containing updated instruction on various aspects of IRDP financing: LB/CL/11/1995-96

**Sample Study:** One more background paper containing various aspects of IRDP financing: LB/CL/13/1995-96

**Non-officials’ Committee:** Ministry of Rural Areas & Employment, Got of India, has recently advised the state governments to constitute the small committee of non-officials through the DRDAs. Therefore, the banks are not required to constitute such committee of non-officials: CCO/CPP/IRDA/CL/138/1996-97.
IRDP: BACK-END SYSTEM OF SUBSIDY

Introduction: W.e.f the year 1996: CCO/CPP/IRDP/LB/18/1995-96:

Project Cost: Now the full project cost, including the subsidy, is disbursed to the borrowers as loan by the banks. Security documents should also be obtained for full loan amount.

Subsidy TDR: During 1996, the amount of subsidy was being kept in the form of term deposit in the name of beneficiary for a period coinciding with currency of the loan, subject to the bank’s lien.

Now held in a special current a/c (detailed below)

Repayment of Loan: The repayment schedule of the loan should be drawn in such a way that the amount would be sufficient for adjustment towards the last few installments.

NABARD Norms: The borrowers are not entitled for any benefit of subsidy, if the loan is fully repaid before a certain fixed period specified by the NABARD, depending upon the activity.

Pre-conditions: The availability of the benefit of subsidy to borrowers is contingent on their proper utilisation of loan as also its prompt repayment and maintaining the asset in good condition.

Working Capital: The benefit of subsidy is also available to borrowers who prefer to avail themselves of required working capital in the form of cash credit. The amount of subsidy which the borrower is entitled to in such cases may also be kept in the special current account.

Forfeiture of Subsidy: Despite all possible measures i.e. personal contacts, organisation of joint recovery camps with district administration, RRCs etc, if the
entire dues are not recovered, the process of forfeiture of subsidy for adjustment against the dues should be taken up: notice to borrower for forfeiture; complete report on actions taken/proposed before DCC/DLCC; getting approval of DCC/DLCC for forfeiture and adjustment of subsidy.

**IRDP SUBSIDY RESERVE FUND A/C:**

**Office A/c:** IRDP subsidy should now be held in a current account titled “IRDP Subsidy Reserve Fund A/c”: CCO/CCP/IRDP/APSS/663/1996-97

**Register:** A subsidiary register named " IRDP Subsidy Reserve Fund A/c Register" is required to be maintained on the lines of Sundry Deposits A/c Register. Amended format of register is annexed to CCO/CPP/IRDP/CL/118/1996-97. Borrower-wise folios should be allotted in the Register.

**Balancing:** Half-yearly

**Vouchers:** Passing of debit vouchers: by B.M/Manager(Agri)

**Interest: Subsidy Portion:** of loan: No interest should be charged on subsidy portion in IRDP loan amount.

**Interest: Reserve Fund A/c:** No interest should be applied on the IRDP Subsidy Reserve Fund A/c in (C.A).

**D.T.L.: Weekly Abstract:** Balances lying in IRDP Subsidy Reserve Fund A/c do not form part of DTL(demand & time liabilities) for the purpose of SLR/CRR stipulations (Reporting in Weekly Abstract under supplementary information)

Code No.: S-57 has been allotted for the “IRDP Subsidy Reserve Fund A/c” under Supplementary Information to the Circle Statement of Affairs (Weekly Abstract): CCO/CPP/IRDP/APSS/CL/1749/1996-97.
More than ordinary care should be taken while reporting figures under this head (in supplementary data in the weekly abstract): The balances shown under this head do not form part of demand and time liabilities for calculating CRR/SLR; any misreporting has serious implications at the whole-Bank level.

IRDP-1: Information to be given as foot-note in IRDA-1 Return.
IRDP: RECOMMENDATIONS OF HIGH-LEVEL CONSULTATIVE COMMITTEE MEETING

LB/CL/4/1994-95

a) **Co-ordination**: Better co-ordination between development department (DRDA etc.) and credit institutions (banks)

b) **Plans**: Need for evolving well thought out micro-level plans, at the district and block level, covering viable schemes for improving the implementation of IRDP, DWCRA and similar self-employment programmes.

c) **Identification**: Better identification of beneficiaries through active involvement of gaon sabhas, and further screening by bank officials/block officials from the view point of their suitability.

d) **Loan, Repayment**: Under-financing & impracticable short repayment schedules should be scrupulously avoided.

e) **Investment Cost**: The loan and subsidy should cover the total investment cost, and the loan amount should not be limited to a fixed ratio to available subsidy.

f) **Family Credit Plan Schemes**: These may be extended and implemented in all the districts in the country.

g) **Infrastructure**: Enhancement of funds for provision of infrastructure for IRDP activities.

h) **Recovery Efforts**: The recovery cells should be strengthened in all DRDAs. Up to date lists of defaulters and overdue amounts should be supplied to the DRDAs by the relevant banks (after ensuring that the loans that were to be
written off or waived, have been properly dealt with, and only wilful and chronic defaulters' lists are supplied.
IRDP: MEHTA COMMITTEE RECOMMENDATIONS

Mehta Committee Recommendations: For review of IRDP and recommending suitable measures for its improvement. Most of the recommendations of the committee have since been accepted by the RBI:LB/CL/9/1994-95.

Identification of Beneficiaries: The below poverty line lists (BPL) drawn by Block authorities should be approved by the Panchayats in the meetings convened for this purpose (attended by the Bank officials also).

Investment, Project Profiles: District-level technical groups consisting of lead district officers of RBI, dist. Development officers of NABARD( wherever posted), lead bank manager, technical officials of state government and non-govt consultants are being set up for preparation of project profiles.

Animal Husbandry: Before disbursing loans to beneficiaries for animal husbandry, controlling regions and branches should ensure that adequate number of good quality animals and also the required linkages (infrastructure arrangement for supply of feed, and for marketing) are available.

Investment: Branches should ensure that the loan components are enhanced suitably to cover project cost (so that the projects undertaken are of adequate size to generate sufficient income to enable the beneficiaries to go above the poverty line in one go).

Security Norms: For loans up to Rs. 25000/- under IRDP for all activities, branches should not obtain mortgage of land. However, for loans above Rs. 25000/- but up to Rs. 50000/-, branches may obtain mortgage/margin etc as per the existing instructions without asking for any collateral security.
ISB Sector: (Industries, Services, Business): Branches should give more weightage to the non-farm, tiny/small enterprises and services sector under IRDP (with a view to create more employment opportunities).

Infrastructure: The controllers and lead district managers attending the DCC meetings and the Branch Managers attending the BLBC meetings should list the instructions which is required in the service area villages for pursuing a number of activities. These requirements should be not included in the perspective plans prepared by the DRDA.

Training Facilities: The lead district managers may organise orientation training programmes for IRDP beneficiaries, as per the extant guidelines.

Institutions/Organizational Support: The minimum repayment period for IRDP loans has been increased (from the earlier 3 years) to 5 years. However, the repayment programme/schedule should be fixed in realistic manner after taking into account the level of income generation from the activity and economic life of the assets. Moratorium may also be allowed, wherever necessary.

Role of LDM (Lead Dist Manager): He should supervise the constitution and working of the technical group besides maintaining liaison with the controlling officers of other banks, state govt officials, Panchayat Raj institutions, voluntary organisations and self-help groups (SHGs).

Role of SHGs: The possibility of routing the assistance to below poverty line families through SHGs (Self Help Groups) on a large scale should be explored.

Improving Recoveries: detailed below.

- **Group Loans**: These may be considered, where necessary.
- **Rescheduling of Loans**: These may be considered, where necessary.
- **Appraisal**: More attention should be devoted to appraisal of loans.
- **Gestation Period:** Wherever required, adequate gestation period or moratorium should be allowed in such a way that the commencement of recovery coincides with accrual of incremental income from the activity.

- In case of projects where accrual of income is low in the beginning but goes up over a period of time, size of loan instalments in the initial period should be suitably reduced.

- (with a view to enabling the borrower to utilise a higher percentage of incremental income for his own consumption) wherever possible, longer repayment period may be allowed, subject to the economic-life of the asset.
IRDP: RECOVERIES

Result-oriented Strategies/Measures: LB/CL/6/1995-96:

a) **Quality of Lending**: Special emphasis should be laid on it (it improves recovery % and recycling of funds, apart from achieving the objectives for which loaning is made).

b) **Correct Selection of beneficiaries**: who are capable of implementing the activities for which loans are granted to them.

c) **Activities/ Linkages**: Branches should exert themselves in the selection of the activities which have forward and backward linkages. They must also ensure that the beneficiaries are exposed to requisite training under TRYSEM if activities being undertaken by them require specific training.

d) **Family Credit Plan**: where FCP is applicable, branches should finance all eligible adult members of the family, depending upon their skills for viable activities. They should ensure that the per capita investment increases to the prescribed investment level of Rs. 12000/-.

e) **Receipt Efforts**: Branches should make their own efforts for recovering the Bank’s dues through constant follow-up/inspection, and by holding recovery camps with the assistance of Block/Revenue authorities. They should also continue to take steps for creating awareness amongst the villagers for repayment of Bank’s dues at every cost (so that recycling of the funds by the Bank is not adversely affected).

f) **Recovery Targets**: The B.Ms should allocate suitable recovery targets to their field staff. The BMs should monitor the recovery performance regularly, under monthly advice to the controllers. They must discuss personally or by way of letter with the respective AGM( Region) the ways and measures for improving the recovery percentage.
g) **Other Measures:**

Detailed under "Mehta Committee Recommendations".
GROUP LOANING UNDER IRDP
[IRDP RESTRUCTURED AS SWARNA JAYANTI GRAM SWAROJkar
YOJANA W.E.F 01.04.1999]

Target Group:
Below Poverty Line (BPL) families: CCO/IRDP/CL/92/1996-97

Coverage:
All the States/UTs.

Financial Ceiling:
A maximum limit of 25% of the total allocation of funds to each District Rural
Development Agency (DRDA) is permitted to be utilised as subsidy under group
ventures, with no such ceiling on the quantum of credit.

No. of Persons:
In a group may vary from 5 to 15.

Nature of Group:
The group selected may form a Society under the Registration of Societies Act or a
Cooperative Society, or a Registered Company or a Partnership.
However, it is preferable to have partnership formed by the borrowers to simplify the
procedure. The Articles of Association of the Society/Company/Partnership should
specifically indicate that each and every member thereof belongs to a B.P.L family.

Beneficiaries: Identification:
The group is formed voluntarily by the borrowers. However, a Screening Committee
consisting of Bank officials, Block Development Officer (Convenor), or his
representative, Village Pradhan and Ward members (including women
representatives and members of SC/ST), after due publicity, visits villages.
After interaction with the prospective group members about their aptitude and skill, the screening committee formally approves the constitution of groups and the activities to be undertaken. It should be ensured that one or two members of the group are literate or educated, so that one or two members of the group are literate or educated, so that one of them can function as group organiser or group leader. The Gram Sabha and BDO's office then publicises the list of groups so formed for purposes of record and transparency. NGO (non-govt. organisations) may also be allowed to help in the formation of groups.

**Project Reports/Profiles:**
The preparation of Project reports/profiles is done by the District-Level Technical Committee constituted as per the recommendations of the Expert Committee on IRDP, headed by the DDMs of NABARD/LBO.
The initiative for constitution of District Level Technical Committee is taken by the DRDA which also meet, all the expenses in connection with the preparation of project reports under this scheme. (since the main objective of promoting group ventures is to ensure higher returns through higher investments,) the cost of a project financed under the scheme should not normally be less than Rs. 1 lakh.
The project reports should be prepared after taking into account all the relevant factors, such as aptitude and skills of the beneficiaries, training infrastructure, availability of raw materials and market for the product etc. with proper backward and forward linkages.

**Training:**
Training is provided to members of selected groups by reputed institutions or the block-level Mini-ITIs. Services of reputed NGOs can also be obtained for this purpose.
Funds under TRYSEM may be utilised for this purpose. It should be ensured that the group members are given adequate training in the activity chosen before disbursement of subsidy/credit.
Pre-sanction formalities should be completed by the banks by the time training is over. The objective is that the duration between the initial selection of groups and final disbursement of loan, including training period should not be more than 6 months.

**Disbursement:**

Working capital loan should be disbursed in cash, in the presence of a Small Committee of non-officials.

Wherever the cost of capital asset is above Rs. 10000/-, the same may be paid by the Bank directly to the supplier of the beneficiary’s choice by cheque. It should, however, be ensured that the supplier is a reputed one and the asset is of ISI mark. Due caution should be exercised by the Branch Manager whenever large amount is sought to be withdrawn by the group.

There should be no delay in disbursement of group loans.

**Rate of Interest and Collateral Security:**

The rate of interest and security requirements are related to per capita quantum of loan so as to mitigate the burden on the beneficiary. The assets created are also hypothecated to the lending bank.

**Disbursement of Subsidy:**

Subsidy should be disbursed through the back-ending mechanism, procedural details of which have been furnished under IRDP.

Subsidy should not exceed more that **Rs. 1.25 lakh** per project and per group, or 50% of the project cost whichever is less (CPP/AGL/SIB/181/1997-98). Therefore, in order to disburse subsidy amount for group loan, the groups are required to be formed voluntarily by the borrowers, who are jointly and severally responsible for the payment of loan, on execution of suitable documents: CPP/AGL/SIB/181/1997-98.
Powers:
For sanctioning of loan to a group of borrowers, the total loan component for the entire group and not the individual members is to be taken into account as per the discretionary powers vested in the sanctioning authority: CPP/AGL/SIB/181/1997-98.

Documentation:
The partners or the members of a group are jointly and severally responsible for the repayment of loan. For this purpose, the Bank has prescribed suitable documents: model individual loan agreement, letters of consent-cum-guarantee and hypothecation and a partnership letter: CCO/CPP/IRDP/CL/127/1996-97.
In case, the group members form a partnership concern, a partnership letter as per the format enclosed to CCO/CPP/IRDP/CL/127/1996-97 should be taken. Inter-se agreement need not be got executed by the members. In such cases, all the documents attract stamp duty.

Working Capital:
Suitable case credit limits should be sanctioned by the branch for this purpose.

Monitoring:
The entire system of group loaning under IRDP is monitored by the IRDA.
The matter should also be regularly discussed in the BLBC/DCC and SLBC meetings.
The progress should also be reported to the Government of India in the Ministry of Rural Areas & Employment in the prescribed format, through the respective controllers.
GANGA KALYAN YOJANA
(A SUB-SCHEME UNDER IRDP)
(IRDP RESTRUCTURED AS SWARAJYYA JAYANTI GRAM SWAROJGAR YOJANA
W.E.F 01.04.1999)

1. **Introduction:** A new Centrally-sponsored Scheme, namely, Ganga Kalyan Yojana (GKY) has been launched with effect from 1.2.1997: DB/AGL/2/1997-98.

2. **Objective:** The objective of the scheme is to provide irrigation through exploitation of groundwater (borewells and tubewells) to individuals and groups of beneficiaries belonging to the target group (i.e small and marginal farmers belonging to below poverty line).

3. **Programme Strategy:** The individuals /groups are assisted through subsidy by Government and term credit by financial institutions (commercial banks, co-operative and regional rural banks or specialised financial institutions).

4. **Target Group:** The beneficiaries under the Scheme are small and marginal farmers living below the poverty line, other than those who have already been assisted under any minor irrigation programme of the State or Central Government.

   Individual beneficiaries as well as groups consisting of 5 to 15 beneficiaries having contiguous land-holdings are assisted under the Yojna. The SC/ST groups normally consist only of members of these communities.

5. **Safeguards for SCs and STs:** Under the scheme, atleast 50% of the funds are earmarked for SCs and STs.

6. **Selection of Beneficiaries:** The selection of beneficiaries is confirmed to the below poverty line list and is duly approved by the Gram Sabha in an open
General Body meeting, in the presence of officers/staff of the block, revenue staff, bank officials and representatives of NGOs where such NGOs are involved in the formation of groups. This list is then forwarded to the Block Panchayat and through it to the DRDAs/Zilla Parishads, for scrutiny.

7. **Funding Pattern:** The funding pattern is 80:20, i.e. 80% by the Central Government and 20% by the State Government.

8. **Allocation of Funds:** Funds are allocated to the States according to poverty ratios. The State make district-wise allocations.

9. **Area of Operation:** Entire country except as given below;
   i) In the blocks/areas where the level of ground water development for irrigation has already exceeded 65%, as per the Central Ground Water Board (CGWB), i.e. blocks/areas declared as over-exploited (level of exploitation exceeds 100%), dark (between 85% and 100%) or grey (between 65% and 85%).
   ii) In the coastal strip, 15-20 kms, from the sea-shore.
   iii) The State Governments identify and exclude pockets where significant localised fluctuation in ground water table is observed during the dry season.

10. **Implementing Agency:** DRDAs/ Zilla Parishads.

11. **Project Cost:** It consists of cost of drilling, construction of pumpshead, storage tanks, distributory system of feeder channels or pipes to distribute water to the lands of individuals in group projects, as well as well as land-levelling and provision of lifting device. Drip and sprinkler irrigation systems are not funded as part of the project.

   Except for the drilling works, no contractor should be employed in the installation of the project.

12. **Subsidy:**

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i) Group Schemes: @75% for the SC/ST and physically disabled groups and 50% for others. Monetary ceiling on subsidy per group: Rs. 40,000/-. Where in the non-SC/ST groups, the SC/ST/physically disabled beneficiaries are members, they are eligible for 75% subsidy, subject to overall subsidy for the group.

ii) Individual beneficiaries: Subsidy @ Rs. 5000/- per acre of land under the scheme, subject to a ceiling of Rs. 12500/- per beneficiary.

iii) Land held jointly by two or more persons but operated as single holding qualifies as single beneficiary for subsidy.

13. **Cost of Operation and Maintenance:**

i) For the SC/ST physically disabled groups, part of the operation and maintenance cost, subject to a ceiling of 5% of the project cost per annum is admissible as additional subsidy for 3 years.

ii) For other groups and for individual schemes, no subsidy on operation and maintenance is admissible.

14. **Cost/Area Norms for Works:** Region-specific: Detailed guidelines are issued by the State Governments (taking into account NABARD norms).

15. **Approval of Projects:** same as for IRDP. DRDAs/ZPs prepare an Annual Action Plan equivalent to 125% percent of funds allocated under the scheme in the preceding financial year.

16. **Users' Association and Facilitator:**

Group schemes are available to beneficiaries who form themselves into users' associations. The assets provided under the scheme vest in the users' association.
The groups select one from among their members as facilitator on part-time basis. The facilitator is the incharge of the day-do-day operations of the irrigation project and serves as a link between the implementing agency and the users' association. The facilitator is given adequate training in the operation, repairs and maintenance of pumpsets, rudiments of crop husbandry and water management etc. The responsibility of providing training to the facilitators vests with the implementing agency. Non-governmental organisations (NGOs) may be involved wherever possible for motivation, group formation identification and training of facilitators, maintenance etc.

17. Release Procedure for Central Share of GKY Funds:
   (i) Release of First Instalment: The release of first instalment in a year is made without any formal requests from the DRDAs/ZPs.
   (ii) Release of Second Instalment (Central Funds): Released on the request of the DRDAs/ZPs on the fulfilment of the stipulated conditions (detailed in the Circular)

18. Monitoring and Supervision: The District Collector/CEO of ZP along with Project Director, DRDA is the incharge of the monitoring and supervision of the scheme in the district and ensuring speedy implementation thereof. It should be ensured that only bonafide groups of beneficiaries are formed under the scheme in respect of SC/ST groups.

19. Miscellaneous Provisions: Other miscellaneous provisions under IRDP such as security norms, margins, lock-in-period, gestation period, back-ending of subsidy and documentation procedure for group loaning scheme, repayment and recovery of loan, etc are applicable to GKY also.
20. **Concessional Electricity Connections:** The State Governments may grant electricity connections on priority basis and at concessional rates to the groups as per their existing policies. The lifting devices provided under the scheme should be energy efficient electric or petroleum fuel based pumpsets with BIS certification.

21. **Linkages:** Linkages are established with related programmes and schemes of other Ministers/Govt. departments.

22. **IRDP and MWS:** With the introduction of GKY, Borewell/Tubewell schemes under IRDP and Million Wells Scheme (MWS) have been subscribed under the GKY, and all assistance for borewells/tubewells is given under GKY only.
SELF-HELP GROUPS: FINANCING RURAL CREDIT DELIVERY SYSTEM

Rural Credit Delivery System: Linkage of S.H.G.s with banks:
CCO/CPP/NB/SHG/CL/50/1996-97:
Earlier ref: ABD/11/1993-94

Objectives:
i) To evolve supplementary credit strategies for meeting the credit needs of the rural poor bycombining the flexibility, sensitivity and responsiveness of the informal credit system with the strength of technical & administrative capabilities and financial resources of the formal credit institutions.

ii) To encourage banking activity, both on the thrift as well as credit sides, in a segment of the population that the formal financial institutions usually find difficult to cover.

NABARD Study: The pilot project conducted by NABARD has revealed encouraging and positive features like increase in loan volume of the self-help groups, nearly 100% recovery performance significant reduction in the transaction cost for both the banks and borrowers etc. besides leading to gradual increase in the income and thrift of the SHG members.

Mainstream Credit operation: The RBI has now advised the banks to consider lending to SHGs as thrust area i.e as part of the Bank's mainstream credit operation, both at policy and implementation level) to improve the coverage of the rural poor by the banking system).

Salient Features: Of the scheme as spelt out in RBI letter dated 2.4.1996 are furnished in CCO/CPP/NB/SHG/CL/50/1996-97.

Potential: Bank should identify branches having potential keeping in view the extent of poverty in the area, presence & availability of NGOs and above all upon the need and desire among the poor to form groups for their mutual benefit. Such branches
should fix their own programme for lending to SHGs and include under Service Area Credit Plans. However, it has to be borne in mind that SHG linkage is a credit innovation and not targeted credit programme.

**Background Papers:** The background papers circulated by the Lead Bank Officers to include the block-wise details of NGOs enabling the Service Area Branches to have constant dialogue with them.

**NGO/SHG:** The NGO/SHG feeling more confident to deal with a particular branch other than the service area branch, may do so at its discretion, provided the particular branch is willing to finance.

**Size of SHG:** The size of the SHG should preferably be between 10 to 20 members to enable effective individual participation in the group’s deliberations. However, the group should not consist more than 20 members (association or partnership of more than 20 persons for the purpose of carrying on any business require registration under Companies act.)

**Period of Existence:** The group should have been in active existence for at least a period of 6 months. The group may be informal or formal (registered). The group should have successfully undertaken savings and credit operations from its own resources, maintain proper accounts/records.

**Savings-linked loans:** SHGs are sanctioned savings-linked loans by the banks varying from a Savings to Loan ration of 1:2 to 1:4.

**Purpose:** The purpose for which the group should lend to its members is left to the common wisdom of the group.
Security/Margin: Experiences have shown that the group dynamics & per pressure have brought excellent recovery from members of SHGs. Accordingly the security & margin norms have been relaxed by RBI.

Collateral Securities: (As the group savings are not be treated as collateral) branches should not insist upon any collateral even by way of group savings while making loans to SHGs: CPP/AGL/SBF/CL/10/1997-98. (If the group savings of SHGs in SB/TD are held as collateral, the SHG is deprived of their savings which are otherwise meant for loaning to the members to meet their management needs.) The bank credit to the SHG should be linked to the total savings mobilised by the group. The branches should not insist on depositing their savings with the Bank: CCO/CPP/AGL/CL/130/1997-98.

Appraisal, Doc: Keeping in view the spirit and objectives of the project, the appraisal/documentation needs have also been simplified: as per CCO/50/1996-97.

Rate of interest: NABARD to Bank: 6.5%; Bank of SHG: 12.00% (plus interest tax); Bank to NGO/VA: 11.00% (plus interest tax) NGO/VA/ to SHG: 12.00% (plus interest tax). SHG to Members: as decided by the SGH, provided the interest charge is not excessive.

NABARD refinance: NABARD provides 100% refinance on loans disbursed to SHGs/NGOs (@6.5% p.a). Branches should invariably avail of this facility. The branches are exempted from the eligibility criteria for availing the refinance under this project. Drawal application format for NABARD refinance (100%) under the above project: modified formats: CCO/CPP/SHG/CL/125/1996-97.

Processing Charges: (As the benefits of financing self-help groups go mainly to the weaker sections of the society.) the processing charges on the advances granted to SHGs have been waived: GEN/CL/93/1996-97.
Repayment: Loans to SHGs/SHGs to members must be repaid in regular instalments as decided at the time of each sanction based on the local conditions, activities undertaken by the members.

Reporting: Advances to SHGs should be separately reported irrespective of the purposes for which the members have been disbursed loans, under Priority Sector-Weaker Sections, and were eligible for DICGC cover (under SLGS-1971). Branches were required to bear the guarantee fee.

SHGs: ‘P’ Report: (As the SHG members are only small and marginal farmers, landless labourers and rural poor engaged in allied agricultural activities, small business in rural areas,) the loans to Self-help Groups should be classified under Agriculture Segment for the purpose of reporting in the Performance Report:CIRCO/CPPC/AGR/CL/27/1998-99.

Financing through NGO: In cases where the local branch does not have adequate confidence in financing SHGs directly, the Bank may finance such SHGs through NGO, that has promoted the SHGs.

In such cases, bulk financing of NGO could be considered.


HOW TO PROCEED:
Business Opportunity: Considering the inherent advantages of the SHG/NGO as an effective purveyor of credit to the weaker sections, the RBI has advised that the Banks should treat the linkage programme as business opportunity and adopt it as their corporate strategy. Therefore, it has been decided to proceed as under:

i) Opportunities: Our branches should evaluate the opportunities available in their service areas, particularly, the presence of SGHs/NGOs eligible for being linked to the Bank for credit & provide the linkage support.
Generally, the branches should confined to their service area; financing outside the service area may be considered with the prior approval of the Controlling Authority.

ii) **Thrift**: An attempt should be made to inculcate thrift among the borrowers, particularly, those under Govt-sponsored programmes like IRDP, in our service area villages. This apart from inducing group discipline, may have impact on the utilisation/recovery. Every field officer should, therefore, be asked to put in extra efforts in one of his villages to start with, to initiate the SHG formation process among the existing borrowers.

iii) **Financial Powers**: The branches are permitted to exercise their financial powers as per the Scheme of Delegation of Financial Powers 1995, under unsecured loans.

iv) **Review**: The progress in financing to SHGs/NGOs should be reviewed by the Circle Management Committee at quarterly intervals. A copy of the progress report on the prescribed format should also be sent to LHO at quarterly intervals.

v) **Selection of SHGs**: The branches should exercise great care in selection of Self-Help Groups for financing- the detailed instructions for selection of SHGs have been given in CCO/CPP/NB/SHG/CL/50/1996-97, which should be strictly followed. **Identified Branches**: List enclosed to CCO/CPP/AGL/CL/130/1997-98.

vi) **Training**: The linkage programme is an innovative method of reaching out to the poor, it calls for proper orientation and sensitisation of the operating functionaries so that they adopt a positive & constructive approach in financing NGOs/SHGs.
SBIRD conducts exclusive programmes on SHG for middle & senior level officers apart from Trainers. SBIRD also evolved a training module for facilitating conduct of suitable training programmes at Staff Training Centres for the grassroots functionaries.
'STREE SHAKTI PACKAGE FINANCING OF WOMEN ENTREPRENEURS'

General: SIB/CL/94/1988:

a) **Purpose**: With a view to reinforce the Bank's efforts in the area of developing entrepreneurship among women, the Bank launched on 19th November 1988 (Women's day-National Integration Day) a scheme called "Stree-Skati" for financing enterprises set up by women entrepreneurs. This is being done by providing a number of concessions in margins and interest rates and special facilities to train women entrepreneurs.

b) **Modified Definition**: The following definition has been prescribed by the Dev. Commissioner SSI for the purpose of identifying the Women Entrepreneurs Enterprise:

"A small-scale industrial unit/industry-related service or business enterprise, managed by one or more women entrepreneurs in proprietary concerns, or in which she/they individually or jointly have a share capital of not less than 51% as partners/share-holders/directors of private limited companies/members of co-operative society".

The earlier stipulation regarding employment of majority of women workers has been dispensed with. The definition has been approved by the Ministry of Industry: SIB/CL/100/1988, SIB/SSI/CL/41/1994-95, SIB/SSI/5/1995-96/

c) **Highlights**: the important highlights of the package are: arranging Entrepreneurial Development Programmes (EDPs) exclusively designed for women which are held all over the country with the help of our Staff training Centres and local Branch Managers.

EEPSA (Entrepreneurial Education Programme for Small activities) and APSA (Awareness Programme for Self-employment Activities) are being conducted under the SSP; SIB/CL/17/1991.
All eligible cases/applications must be entertained or the basis of technoeconomic viability of the relative project, and loans should be sanctioned, whether or not the applicants have participated in the Bank's training programmes: SIB/CL/49/1989

d) Inputs, etc: The branch staff should provide the necessary inputs and the assistance to those women who do not plant to set up full-fledged industrial ventures but would like to do something at home.


Margin: Concession in margin by 5% where feasible continues for the loan amount exceeding Rs. 25,000/- except in the case of Entrepreneur scheme where this concession can be granted for projects over Rs. 5 lac and up to Rs. 10 lac.

Interest:

(a) No interest concession should be allowed in respect of small-scale industrial units enjoying credits limits over Rs. 25000/- but up to Rs. 2 lac.

(b) For SSI unit enjoying credit limits above Rs. 2 lac and up to Rs. 50 lac, interest rate lower by 0.5% than the applicable rate may be charged.

(c) Interest rate lower by 0.5% than the applicable rate may be charged in respect of credit limits exceeding Rs. 2 lac granted to small business enterprises under stree shakti package.

(d) In case of credit limits exceeding Rs. 2 lac to professional and self-employed persons under stree shakti packages, interest rate lower by 0.5% than the applicable rate may be charged.

(e) No interest concession should be allowed to advances granted to private retail traders under stree shakti package.

EDP: It should be made obligatory on the part of the entrepreneurs to undergo any EDP conducted by state-level agencies or programmes co-sponsored by the Bank.
Illustrative List of Scheme for Women Entrepreneurs:

1. **Professionals and Self-Employed:** Chartered Accountants, Lawyers, Doctors, Architects, Interior Decorators, Painters and Photographers, Commercial Artists, Coaching classes, Type-writing/Educational Institutions. Any person trained in any other art or craft holding any degree or diploma from a recognised institutions.

2. **Business Enterprises engaged in providing Services:** Beauty Palours, Laundries, Eating houses, Tea stalls, Designer Boutiques, Circulating libraries, Tailoring, Sewing machine for job-work, Rope making, house delivery service, Baby creche or sishugriha, Mat making, Bakery, Pop corn machine.

3. **Retail Traders:** General provision store, Retail shop for cutluries, handicrafts, shops selling masalas, papads, spices and pickles, Paan, cold drinks & cigarettes, Barter trade of utensil against old garments, Distribution/dealer of any product, Fruit Vendor, vegetable vendor, Flower shop, Fish vendor.

4. **Village or Cottage Industries & SSI:** Handloom weaving, Handicrafts, Food processing [papads, pickles], Manufacture of fancy articles [bangles/dolls etc.], Pottery, Papad making, Pickle Manufacturing, Garment Making, any other Small-Scale Industry.

5. **Allied Agriculture Activities:** Poultry Farm, House dairy, Rabbit rearing, Floriculture nursery, Banana Plantation.

**Schemes Meant for Women [in General]:**

1. Scheme for deposit-linked loans for housing [Own Your Home Scheme]
2. Money-back deposit Scheme
3. Deposit-linked consumer credit for durables [Small Savings Big Purchase Scheme] [Please also see No. 7]
4. State Bank Card Scheme
5. Scheme for loans against public sector bonds.
6. Scheme for loans for installation of solar heating devices.

7. Scheme for loans for purchase of personal/home computers [Computer Loan Scheme],
   Employed/Self-employed women are also eligible for the above schemes.

**Schemes Meant for Children:**

1. Education Loans Schemes.

2. Education Plan [Deposit Scheme]

3. Gyanjyoti

**Schemes Meant for Employed/Self-Employed Women:**

1. Scheme for loans for purchase of consumer durables [Big Buy], including computers and cars.

2. Scheme for loans to pensioners to meet medical expenses [Medical].

3. Scheme for loans to parents/guardians for education of children/wards [Educaid], Gyanjyoti.
APPENDIX II

प्रश्नावली

आफ़्का नाम: ............................................................. उम: ...................................................

परिवार की जानकारी:

पति का व्यक्तित्व: ................................................................ मात्रक आय

बच्चे और उनकी उम्र

1. .................................................................

2. .................................................................

3. .................................................................

4. .................................................................

स्वयं सेवा समूह की जानकारी:

नाम ................................................................................................................

स्थापना की विधि: एन. जी. ओ./बी. ए./बी./स्वयं/अन्य

सदस्यों की संख्या ................................................................................................

सदस्यों से बताएँ

स क स की कार्य प्रणाली (मिटिंग, नियम अंश अन्तर्मित्वारण आदि के बारे में बताएँ)

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यदि कोई एन. जी. ओ. हो तो उसकी जानकारी:

नाम: .......................................................................................... कार्य का क्षेत्र .................................................................

सहायता का प्रकार

1. केवल स्थापना

2. प्रक्रियागत

3. सीढ़ियाँ बनानी

4. अन्य

अन्य सहायता का विवरण:

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बैंक की जानकारी :

नाम व निधि : ........................................................................................................................................
सा सा बैंक से क्र१ जुड़ा ...........................................................................................................

बैंक से जुड़ने के लिए कथा विधि अपनाई

बैंक से अन्य सहयोग का विवरण

अन्य जानकारी

आपका सा सा से कथा आई है?

अपने क्र१ किन कारणों के लिए प्रयोग किया है?

सा सा के सदस्यों में क्र१ कैसे बाद जाता है?

ग्रामीण बैंक से जुड़ने से सा सा को कथा लाभ प्राप्त हुए?

आमतौर पर सा सा के सदस्य व उनके परिवार को कथा लाभ मिले?

आपकी सा सा का सदस्य बनने से कथा लाभ प्राप्त हुए?

आपका सा सा किन प्रकार के सामुदायिक कार्य करता है और इन कारणों में एन. जी. ओ. अक्षर बैंक से कथा बढ़ाया दिया जाता है?

कथा आपकी निम्न कारणों में कथा आई है? यदि हैं, तो विवरण दें
1. सा सा बनाने में
2. बैंक से जुड़ने में
3. समूह कार्य की प्रगति में
4. पारिवारिक सहयोग में

यहीं जानकारी देने के लिए आपका धन्यवाद!
APPENDIX III

After Tasting Success in South, FMCG Major Plans To Focus On Northern States

HLL GETS DISTRIBUTION SHAKTI FROM SHGs

Hindustan Lever Ltd (HLL) is launching a blitzkrieg on the interland. In order to widen rural coverage, the company is taking Project Shakti to the North for the first time. The project, which is a partnership between HLL and self-help groups (SHG) of rural women, will be rolled out in Madhya Pradesh by the end of the month. Thereafter, another large state, Uttar Pradesh, too would be targeted by Project Shakti.

According to the business model, rural women in SHGs would buy HLL products through micro-credit SHGs. These SHGs sell the products directly to consumers at either retail or less-than-retail prices.

Says Project Shakti manager (marketing operations) Sharat Dhall, “The aim of Project Shakti is to take HLL’s projects to those remote corners of the country which are out of reach of the company’s wide distribution network”.

HLL launched Project Shakti as a pilot in Nalgonda (Andhra Pradesh) two years ago as a marketing initiative to improve brand reach in rural India.

HLL’s partnership with SHGs of rural women, which was seeded in Andhra Pradesh, has since been extended to Karnataka and Gujarat as well. It now covers 6,000 SHGs in 4,700 villages of 42 districts in the three states.

The SHGs have chosen to adopt distribution of HLL products as a business venture, armed with training from the company and support from government agencies and NGOs. Dhall said that after their partnership with HLL, the average monthly income of an SHG household has shown an increase from about Rs. 700 to Rs.1,400. For HLL, the project is bringing new villages under direct distribution coverage. Plans are being drawn up to cover more states, and provide products/services in agriculture, health, insurance and education. This will both catalyse holistic rural development and also help the SHGs generate even more income, Dhall added.
APPENDIX IV

Features of Credit Programmes that Enhance Women’s Participation

• Project Feature and Recommended Approach:
  
  *Baseline Data:* Use sex-disaggregated data

• Rationale for Recommendation:
  Enables programmes to reach a greater number of women and to track the differential performance of women clients in credit programmes.

• Project Feature and Recommended Approach:
  
  *Implementing Agency:* Provide technical assistance to the implementing agency in the area of increasing women’s participation.

• Rationale for Recommendation:
  Many technically competent implementing agencies have little or no experience in increasing women’s level of participation.

• Project Feature and Recommended Approach:
  
  *Advertising:* Promote the project through women’s organizations and maternal/child health clinics, and by word of mouth through informal channels.

• Rationale for Recommendation:
  Many community organizations which disseminate information about sources of credit and application procedures are male organizations.

• Project Feature and Recommended Approach:
  
  *Guarantee/Collateral:* Use the business’s track record and potential for increased production; use a low minimum savings requirement; establish an internal guarantee fund, funded by borrowers’ commissions and the lending institutions; use a solidarity group credit component; use the incentive of future access to credit as a Guarantee/Collateral: Use the business’s track record and potential for increased production; use a low minimum savings requirement; establish an internal guarantee fund, funded by borrowers’ commissions and the lending institutions; use a solidarity group credit component; use the incentive of future access to credit as a guarantee; use the borrower’s reputation in the community.

• Rationale for Recommendation:
  Women often lack title to houses, land, businesses, or other property.
• Project Feature and Recommended Approach:
  *Training*: If training is required before loans, schedule sessions at times and locations convenient to women; establish referral services to vocational education programmes in the community.

• Rationale for Recommendation:
  Women are more often deficient in accounting and managerial skills and they have limited time available for training.

• Project Feature and Recommended Approach:
  *Technical Assistance*: Offer technical assistance in the loan application process; assist borrowers to form their own associations to increase their leverage to institutions and resources such as raw materials.

• Rationale for Recommendation:
  Women more often require assistance in filling out applications, due to high illiteracy rates, they predominate in low-paying activities.

• Project Feature and Recommended Approach:
  *Transaction Costs for Borrowers*: Make application forms shorter; administer loan programme in a decentralized setting, near women's businesses or homes, possibly through mobile vans or neighbourhood offices.

• Rationale for Recommendation:
  Transaction time is too cumbersome for women borrowers, who must take time away from their businesses and household activities to carry out transactions.

• Project Feature and Recommended Approach:
  *Loan Approval and Disbursement Process*: Allow programme staff to approve loans as well as make recommendations; make the local bank responsible for loan disbursement, releasing staff time.

• Rationale for Recommendation:
  The nature of women's businesses demands working capital on a frequent basis with rapid disbursement.

• Project Feature and Recommended Approach:
  *Type of Loans*: Make loans available for working capital as well as fixed capital; through incentives in loan terms, encourage women to move into new, more productive activities.

• Rationale for Recommendation:
  Women predominate in commerce and services, rather than manufacturing, and therefore need working capital.

• Project Feature and Recommended Approach:
Interest Rates: Set at or above market rates to avoid decapitalizing loan fund.

- **Rationale for Recommendation:**
  Often, women’s only option is much higher interest rates to money lenders.

- **Project Feature and Recommended Approach:**
  Repayment Terms: Keep loan terms short and flexible.

- **Rationale for Recommendation:**
  Default rates are often lower if small borrowers are given the option of repaying the loan in frequent small payments or in fewer large payments.

- **Source:**