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GOVERNMENT OF ODISHA

PANCHAYATI RAJ DEPARTMENT

RESOLUTION

The 4th March 2014

SUBJECT—Guidelines for “Interest Subvention Scheme for Women Self-Help Groups (W.S.H.Gs.)”

Since 2001, the Women Self-Help Group movement in Odisha has a remarkable endeavour for women empowerment as well as economic development. The S.H.G.-Bank Linkage Programme is the major scheme for ensuring access to institutional finance by W.S.H.Gs.

National Rural Livelihoods Mission (N.R.L.M.) has a provision for interest subvention to cover the difference between the lending rate of the banks over and above 7%, on all credits from Banks availed by eligible Women S.H.Gs., for a maximum of Rs. 3.00 lakh per S.H.G. In Odisha, in the sectors like agriculture and allied activities, farmers are borrowing from Banks at an affordable effective rate of interest of 2% per annum, whereas women members organised into S.H.Gs. in the State are burdened with more rate of interest. Therefore, in tune with the effective lending interest rate prevailing in the State for households with agriculture as major source of income, it is proposed to reduce the interest burden on W.S.H.Gs. in order to encourage them to invest more capital in livelihood activities resulting in improved quality of life.

The Interest Subvention Scheme has been envisaged to enhance the access to credit by W.S.H.Gs. at an affordable cost to meet the credit requirement and creating an enabling environment for enhancing productivity and reducing vulnerability in the rural households.

2. Objectives :

- (a) To support adequate and timely institutional credit to the poor and vulnerable members through W.S.H.Gs. for enhancing productivity and reducing vulnerability.
- (b) To reduce the interest burden on all W.S.H.Gs. and enhance the economic viability of their livelihoods activities.
- (c) To demonstrate credit and investment worthiness of poor and vulnerable members organised into W.S.H.Gs. for socio-economic development.
- (d) The Interest Subvention shall be applicable only on regular and prompt repayment of loan.

3. Target :

The Interest Subvention Scheme is targeting all W.S.H.Gs. who have availed bank linkage from any Bank in the State. During the scheme period, it is proposed to cover more than 5,90,000 W.S.H.Gs. in the State.

4. Implementation :

In view of the high poverty ratio in Odisha as compared to the National level, Interest Subvention Scheme initiated by the State Government will equalise the interest burden of all the W.S.H.Gs. across the State to 2%. The introduction of the Interest Subvention Scheme shall encourage the Women S.H.Gs. to repay the loans taken by them adhering to the repayment schedule. This will improve the repayment rate in respect of loans taken from the Banks by the Women S.H.Gs. and in turn leverage more flow of credit from the Banks.

To reduce the interest burden on all Women S.H.Gs. and enhance the economic viability of their livelihoods activities, the Interest Subvention will be provided in the following manner :—

- (a) For IAP districts, all W.S.H.Gs. will get an interest subvention of 2% combined with the interest subvention already allowed under N.R.L.M. reducing the effective rate of interest to 2%.
- (b) For non-IAP districts, the subvention for N.R.L.M. compliant W.S.H.Gs. will be the difference between the lending rate of Banks and 7% on regular repayment. Here the interest subvention combined with already available under N.R.L.M. and a further subsidy @ 5% in case of timely repayment reducing the effective rate of interest to 2% for N.R.L.M. compliant W.S.H.Gs.
- (c) For non-IAP districts, the interest subvention for non-N.R.L.M. compliant W.S.H.Gs. will be to the extent of difference between the lending rates and 2% in case of timely repayment, thus reducing the effective rate of interest to 2% :
 - (i) No collateral is required from S.H.Gs. for loan amount up to Rs. 10 lakh.
 - (ii) The Interest Subvention Scheme shall be effective on all loans outstanding and extended to W.S.H.Gs. by Banks on or after Dt. 01-04-2013 except loans under SGSY.
 - (iii) W.S.H.Gs. which are 6 months old and are effectively practising “Panchasutra” (Regular meetings, regular savings, regular internal lending, regular repayment and book keeping) are eligible for W.S.H.G.-Bank Linkage. W.S.H.G. is eligible for a loan of 4 to 8 times of its proposed corpus or Rs. 50,000 whichever is higher as Fresh Linkage.
 - (iv) Canara Bank has been identified as Nodal Bank by MoRD to support in administering Interest Subvention Programme in IAP districts. UCO Bank shall be the Nodal Bank for the State Scheme.
 - (v) Wilful defaulters should not be financed under N.R.L.M. In case wilful defaulters are members of a group, they might be allowed to benefit from the thrift and credit activities of the group including the corpus built up with the assistance of Revolving Fund. But at the stage of assistance for economic activities, the wilful defaulters should not have the benefit of further assistance until the outstanding loans are repaid. Wilful defaulters of the group should not get benefits under the N.R.L.M. Scheme and the

group may be financed excluding such defaulters while documenting the loan. Further, non-wilful defaulters should not be debarred from receiving the loan. In case of defaulters due to genuine reasons, Banks may follow the norms suggested for restructuring the account with revised repayment schedule of R.B.I.

5. Prompt/Regular Repayment :

Cash credit loans :

- (i) The outstanding balance shall not have remained in excess of the limit/drawing power continuously for more than 30 days.
- (ii) There should be regular credit and debit in the account. In any case, there shall be at least one customer induced credit during a month.

Term loans :

A term loan account where all of the interest payments and/or instalments of principal were paid within 30 days of due date during the tenure of loan, would be considered as an account having prompt payment (Ref. : R.B.I. Master Circular on S.H.G.-Bank Linkage).

6. Interest Rate :

The effective rate of interest for all W.S.H.G. will be at 2% per annum only on prompt and regular repayment.

7. Nodal Officer :

State Mission Director-*cum*-Chief Executive Officer, Odisha Livelihoods Mission will be the Nodal Officer to implement the Scheme. The existing human resources engaged under Odisha Livelihoods Mission shall be responsible to roll out this Scheme in the State.

8. Source of Funding :

The project cost of interest will be met from the State Plan.

9. Monitoring :

- (a) O.L.M. will conduct sensitisation programme for bankers and W.S.H.Gs. for successful implementation of programme at each level. O.L.M. will organise SLBC small committee meeting at regular intervals. O.L.M. is organising regular S.H.G.-Bank interface meet for effective implementation of S.H.G.-Bank Linkage programme at Bank branch level. O.L.M. will also facilitate joint recovery camps with support of Banks and P.R.Is.
- (b) Data sharing will be through Core Banking Solutions platform by PSU Banks and NABARD will be responsible for data sharing from R.R.Bs. and Co-operative Banks.
- (c) O.L.M. shall facilitate in preparing Statewise consolidate progress report by Banks and it shall be shared with R.B.I. on monthly basis.
- (d) Monitoring of interest subvention claims would be conducted every quarter on the basis of Nodal Bank report which shall be Bankwise, Districtwise and S.H.G.wise for better monitoring of Scheme.
- (e) The Sub-committee of SLBC for N.R.L.M. shall monitor the programme at the State level. The monitoring and evaluation meeting of this Scheme at State, District and Block level would be on quarterly basis. O.L.M. will conduct monthly review and planning meeting for staff for effective implementation of Scheme.

10. Flow of Fund :

Panchayati Raj Department—State Mission Management Unit, O.L.M.—District Mission Management Unit, O.L.M.—Nodal Bank—Bank Account of Women S.H.G.

11. Audit and Evaluation :

Audit will be conducted along with the statutory audit of D.R.D.A. as well as Banks. Midterm evaluation to be conducted through third party agency.

12. Project Period :

2013-2014 to 2016-2017.

ORDER—It is ordered that this Resolution be published in the extraordinary issue of the *Odisha Gazette* for the general information and copy be communicated to all the Departments of Government/Heads of Departments and other concerned.

By order of the Governor
DEORANJAN KUMAR SINGH
Commissioner-*cum*- Secretary to Government