



# KNOW ABOUT

## *Interest Subvention for SHGs*



2013-14

**National Rural Livelihoods Mission (NRLM)**

Ministry of Rural Development  
Government of India, New Delhi



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# Eligibility & Benefits under the scheme

## Interest Subvention in Category-I districts

### 1. What are the key features of this scheme ?

- All women SHGs will be eligible for interest subvention to avail the credit upto Rs 3 lakhs at 7% per annum. Banks( PSBs, RRBS and Cooperative Banks) will lend to all the women SHGs upfront at 7% interest per annum.
- Women SHGs who will repay in time will get an additional subvention of 3%, reducing the effective rate of interest to 4%.
- The scheme is available in 150 most backward districts, including the IAP districts. These districts are referred to as Category-I districts.

### 2. Are all SHGs eligible for interest subvention ?

Only Women SHGs are eligible to benefit under this interest subvention scheme.

### 3. Are only BPL-SHGs eligible for the scheme ?

All Women SHGs in the Category – I districts,irrespective of the socio-economic status are eligible to benefit under this interest subvention scheme.

### 4. Are SHGs that availed loan under SGSY eligible under the scheme ?

SHGs that availed capital subsidy under SGSY having outstanding credit will not be eligible for benefit under this scheme. However, fresh loan taken by such SHGs after successfully repaying their subsidy linked loan will be eligible for benefit under the scheme.

### 5. Can SHGs who have availed Revolving Fund under SGSY benefit

## **under the scheme ?**

SHGs availing only Revolving Fund and not capital subsidy under SGSY will be eligible for benefit under this scheme.

### **6. Can SHG with less than 10 members be eligible for interest subvention ?**

Yes, Women SHGs with less than 10 members are also eligible to benefit under this interest subvention scheme.

### **7. Can a SHG from urban areas benefit under the scheme ?**

No. SHGs from designated urban areas are not eligible to benefit under this interest subvention scheme. The scheme is available only for rural SHGs.

### **8. Are only government agency promoted SHG eligible for interest subvention ?**

All Women SHGs irrespective of the promoter/promoting SHGs are eligible to benefit if they are in rural area.

### **9. Does the SHG need to be member of a registered SHG–Federation to be eligible for interest subvention ?**

No. All credit linked Women SHGs are eligible for benefit under the Scheme. Membership with SHG federation is not necessary for availing benefit under the scheme.

### **10. Are SHGs promoted for specific activities like women farmers' association; irrigation tank management association; women action group sect eligible for interest subvention?**

Yes, all Women SHGs irrespective of the purpose are eligible to benefit under this interest subvention scheme.

**11. Can SHGs who have taken loan from private banks benefit under the scheme ?**

Yes, provided the interest rate charged by the private bank is 7% for the women SHGs. Private banks will get subvention upto 5.5% from Gol.

**12. From which date will the SHG get loan at 7% ?**

The scheme is effective from 01 April 2013. All outstanding loans to SHGs on or after 01 April 2013 will be converted and charged at 7%.

**13. Is credit at 7% per annum available to SHGs only on prompt repayment ?**

All banks will sanction loans up front at 7%. It is not linked to repayment.

**14. Is interest subvention available only for fresh loans issued during the year 2013-14 ?**

All outstanding loans to women SHGs on or after 01 April 2013 will also be eligible for interest subvention.

**15. If an SHG borrow more than Rs 3 lakh as loan, will the SHG be eligible for interest subvention ?**

If an SHG borrows more than Rs 3 lakhs, interest subvention will be applicable upto Rs 3 lakhs. Loan amount over and above Rs 3 lakhs will be charged at respective banks' lending rate.

Additional 3% subvention on prompt repayment will also be applicable for upto outstanding of Rs 3 lakhs only.

**16. When can SHGs get the benefit of additional benefit of 3% ?**

SHGs will be eligible for additional 3% subvention upto Rs 3 lakhs

outstanding loan provided the repayment is prompt.

## 17. How is prompt repayment calculated ?

An account will be considered prompt payee if it satisfies the following criteria :

### For Cash Credit Limit ( CCL)

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

☐ Explanation: 'Customer induced credit' - For CCL SHGs should repay at least the interest charged by bank at 7% every month to be considered prompt payee.\*

### For Term Loans ( TL)

- Interest and principal paid within 30 days of the due date

☐ Explanation: SHGs should pay their Equated Monthly Installment (EMI) as per the repayment schedule. The EMI should be paid within 30 days of the due date to be considered prompt payee for the period.

## 18. If an SHG is not maintaining prompt repayment during the current month but subsequently clears all over dues and becomes a promptpayee, will be SHG be eligible for interest subvention ?

Subvention amount will only be paid for the period for which the SHG is promptin repayment.

**19. If an SHG loan is closed during FY 2013-14 but have not availed the benefit of the scheme, can the SHG claim any benefit ? If so, how ?**

For all loans during the period 01 April - 30 November 2013, banks will reimburse the excess interest charged over and above 7% and additional 3% subvention benefit on prompt repayment as applicable to the SBA/C of respective SHGs.

**20. Which are the 150 districts selected for implementation of the scheme ?**

The list of districts is given as annexure.



## Interest Subvention in Category-II districts

**1. What are the key features under the scheme ?**

Banks will lend to SHGs at usual lending rates. SHG maintaining prompt repayment will be subvented to the extent of difference between the lending rate of bank and 7%.

**2. Are all SHGs eligible for interest subvention under the scheme?**

'NRLM compliant' Women SHGs are eligible for benefit under this scheme.

**3. What is 'NRLM Compliant SHG'?**

Women SHGs having 70% or more members from BPL households or poor households identified through a participatory process and ratified by the gram sabha are regarded as NRLM compliant SHGs.

All SHGs promoted under SGSY are NRLM compliant SHGs.

**4. Are only SHGs promoted by SRLM or government agency eligible for interest subvention?**

All NRLM Complaint Women SHGs irrespective of the promoter/promoting agency are eligible for benefit under this interest subvention scheme.

**5. Can SHG with less than 10 members be eligible for interest subvention ?**

All NRLM Complaint Women SHGs with less than 10 members are also eligible for benefit under this interest subvention scheme.

**6. Can SHGs in these districts avail credit at upfront 7% from banks ?**

No. Banks will lend to SHGs at usual lending rates. Interest

subvention benefit will be extended to only such SHGs that are prompt in repayment.

**7. Is there an additional benefit of 3% on prompt repayment for SHGs in these districts?**

No.

**8. How is prompt repayment calculated?**

An account will be considered prompt payee if it satisfies the following criteria :

**For Cash Credit Limit ( CCL )**

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

☰ Explanation: 'Customer induced credit' - For CCL SHGs should repay at least the interest charged by bank at 7% every month to be considered prompt payee.

**For Term Loans ( TL )**

- Interest and principal paid within 30 days of the due date

☰ Explanation: SHGs should pay their Equated Monthly Installment (EMI) as per the repayment schedule. The EMI should be paid within 30 days of the due to be considered prompt payee for the period.\*\*

**9. Is interest subvention available only for fresh loans issued during the year 2013-14 ?**

All outstanding loans to SHGs (including loans sanctioned during the previous years) on or after 01 April 2013 will be eligible for interest subvention. Interest subvention will be applicable for an outstanding amount of Rs 3 lakhs only.

**10. If an SHG borrow more than Rs 3 lakh as loan, will the SHG be eligible for interest subvention?**

If an SHG borrows more than Rs 3 lakhs, interest subvention will be applicable for an outstanding of Rs 3 lakhs. Outstanding amount over and above Rs 3 lakhs will not be eligible for interest subvention.

**11. Are SHGs promoted under SGSY benefit under the scheme ?**

SHGs that availed capital subsidy under SGSY who have outstanding credit will not be eligible for benefit under this scheme.

However, fresh loan taken by such SHGs after successfully repaying their subsidy linked loan will be eligible for benefit under the scheme.

**12. Can SHGs who have availed Revolving Fund under SGSY benefit under the scheme ?**

Yes.

**13. Can a SHG availing bank loan subsequent to availing Community Investment Fund (CIF) under NRLM be eligible for interest subvention ?**

Yes. However, interest subvention will be applicable for outstanding bank credit upto Rs 3 lakhs and on prompt repayment only.

CIF amount is not covered under interest subvention.

# Processing, Claims & Settlement of interest subvention for SHGs

## Interest Subvention in Category–I districts

### 1. How can Public Sector Banks submit claims for interest subvention?

The interest subventions scheme will be implemented through a Nodal Bank identified by Ministry of Rural Development (MoRD). For the Financial Year 13-14, Canara Bank has been selected as the Nodal Bank. All Public Sector Banks may submit the claims electronically to Canara Bank which in turn will submit it to MORD for reimbursement of claims. MoRD will reimburse eligible claims to Canara Bank for onward disbursement to respective banks.

### 2. How can Regional Rural Banks (RRBs) submit claims for interest subvention ?

All RRBs should submit their claims to NABARD. NABARD in turn will submit the claims to MORD for reimbursement. MoRD will reimburse eligible claims to NABARD for onward disbursement to respective banks.

### 3. When should banks lend to SHGs at 7% ?

As has been agreed upon by DFS, all fresh loans issued to women SHGs on or after 01 February 2014 should be charged at 7%.

### 4. What will be the interest charged on loans sanctioned before the issue of circular ?

- All loans between 01 April 2013 – 31 January 2014, banks should convert the rate of interest to 7% with effect from 01 April 2013.



Explanation : Loan amount outstanding upto Rs 3 lakhs should be converted to 7% interest per annum. Amount outstanding above Rs 3 lakhs will be charged at respective bank's lending rate

- For all outstanding loans during 01 April 2013 – 31 January 2014, banks should reimburse the excess interest charged over and above 7% to the loan accounts of SHGs. For the above period, banks should also pay the additional 3% subvention to the eligible SHGs.
- Subsequent to this, banks may submit their claims to Canara Bank identified as Nodal Bank for implementation of interest subvention, for the amount of subvention calculated as the difference between 7 % and Weighted Average Interest Cost (WAIC).

**5. How to deal with loans closed after 01 April 2013 ?**

For all loans closed during 01 April 2013 – 31 January 2014, the interest subvention amount along with the additional 3% subvention to eligible SHGs should be reimbursed to the SB A/C of respective SHGs.

**6. How frequently should claims be submitted to Nodal bank ?**

- Banks are expected to submit their claims on a half yearly basis to the Nodal Bank to avail interest subvention on the credit extended at 7%.
- In respect to the additional 3% subvention Banks may submit one-time consolidated claim for the entire year.

**7. Will SRLM receive any funds from MoRD for interest subvention pertaining to Category-I districts ?**

No.

## Interest Subvention in Category–II districts

### 1. How will the interest subvention amount be disbursed to SHGs?

The following steps should be followed for disbursement of interest subvention amount to SHGs.

- Society for Elimination of Rural Poverty ( SERP), Govt. of Andhra Pradesh has been identified as National Resource Organisation ( NRO) for facilitating implementation of interest subvention.
- NRO will receive data from banks directly from their CBS platform.
- Based on the data received from banks, NRO will calculate eligible interest subvention amount for all SHG in each state. This report will be shared with respective SRLMs online on the web portal.
- SRLMs through their respective logins, will mark the “NRLM compliant SHGs” based on field validation. This, in turn, will give eligibility reports to SRLMs for the marked SHGs along with the amount of interest subvention to be disbursed to respective SHGs.
- SRLM will also identify a Public Sector Bank as Nodal Bank at the state level for transfer of interest subvention amount directly to SHG loan a/c through NEFT.
- SRLM will send the list of eligible SHGs along with amount of interest subvention to be disbursed with the bank along with an instruction for transfer of funds to respective loan a/c of SHGs through NEFT. In case of closed loan a/c, the money will be credited to SB A/C of SHGs.
- Nodal bank will furnish a report to SRLM with a list of SHGs with successful transfer of interest subvention amount.

### 2. What is the role of SRLM in category II districts for interest subvention?

- Appoint Nodal Banks for the disbursement of interest subvention amount in loan a/c of SHGs
- Access Interest Subvention report on NRLM SHG-Bank Linkage portal
- Verify/Certify the SHGs as 'NRLM Compliant SHGs' based on the SHG profiles collected by respective SRLMs
- Issue instructions to the nodal Bank for disbursement of the interest subvention amount to the loan account of SHGs and monitor progress of disbursal
- Appoint Nodal Banks for the disbursement of interest subvention amount in loan a/c of SHGs
- Access Interest Subvention report on NRLM SHG-Bank Linkage portal
- Verify/ Certify the SHGs as 'NRLM Compliant SHGs' based on the SHG profiles collected by respective SRLMs
- Issue instructions to the nodal Bank for disbursement of the interest subvention amount to the loan account of SHGs and monitor progress of disbursal

# Annexures



## List of the 150 districts (Category I) eligible for the Interest subvention Scheme

Sl. No.	Name of the state	IAP districts	No. of districts
1.	<b>Andhra Pradesh</b>	Adilabad	8
		Srikakulam	
		East Godavari	
		Warangal	
		Vijaynagaram	
		Visakhapatnam	
		Khammam	
		Karimnagar	
2.	<b>Bihar</b>	Arwal	11
		Aurangabad	
		Gaya	
		Jamui	
		Jehanabad	
		Kaimur	
		Munger	
		Nawada	
		Rohtas	
		PaschimChampanan	
		Sitamarhi	
3.	<b>Chhattisgarh</b>	Bastar	10
		Bijapur	
		Dantewada	
		Jashpur	
		Kanker	
		Kawardha	
		Koriya	

Sl. No.	Name of the state	IAP districts	No. of districts
		Narayanpur	
		Rajnandgaon	
		Sarguja	
4.	<b>Goa</b>	North Goa	1
5.	<b>Gujarat</b>	Vadodara	3
		Banaskantha	
		Panchmahal	
6.	<b>Haryana</b>	Mewat	3
		Bhiwani	
		Jhajjar	
7.	<b>Himachal Pradesh</b>	Shimla	2
		Mandi	
8.	<b>Jammu and Kashmir</b>	Ganderbal	3
		Budgam	
		Udhampur	
9.	<b>Jharkhand</b>	Bokarao	17
		Chatra	
		Garhwa	
		Giridh	
		Gumla	
		Hazaribagh	
		Khunti	
		Kodarma	
		Latehar(N)	
		Lohardaga	
		Paschim Singhbhum	
		Palamu	
		PurbiSinghbhum	

Sl. No.	Name of the state	IAP districts	No. of districts
		Ramgarh	
		Ranchi(RURAL)	
		Saraikela(N)	
		Simdega(N)	
10.	<b>Karnataka</b>	Mysore	4
		Tumkur	
		Gadag	
		Koppal	
11.	<b>Kerala</b>	Pallakkad	2
		Mallapuram	
12.	<b>Madhya Pradesh</b>	Annupur	13
		Balaghat	
		Dindori	
		Mandala	
		Seoni	
		Shahdol	
		Sidhi	
		Umaria	
		Chhindwara	
		Singrauli	
		Badwani	
		Sheopur	
		Alirajpur	
13.	<b>Maharashtra</b>	Gadchiroli	6
		Gondia	
		Jalna	
		Osmanabad	
		Nandurbar	

Sl. No.	Name of the state	IAP districts	No. of districts
		Yavatmal	
14.	<b>Odisha</b>	Balangir	18
		Debagarh	
		Gajapati	
		Ganjam	
		Jajpur	
		Kalahandi	
		Kandhamal	
		Kendujhar	
		Koraput	
		Malkangiri	
		Mayurbhanj	
		Nabarangpur	
		Nayagarh	
		Nuapada	
		Rayagada	
		Sambalpur	
		Sonapur	
		Sundargarh	
15	<b>Punjab</b>	Tarn Taran	3
		Gurdaspur	
		Ferozepur	
16.	<b>Rajasthan</b>	Ajmer	4
		Alwar	
		Dausa	
		Udaipur	
17.	<b>Tamil Nadu</b>	Vilupuram	4
		Vellore	

Sl. No.	Name of the state	IAP districts	No. of districts
		Thiruvannamalai	
		Dharmapuri	
18.	<b>Uttar Pradesh</b>	Chandauli	14
		Mirzapur	
		Sonbhadra	
		Badaun	
		Hardoi	
		Etawah	
		Azamgarh	
		Allahabad	
		Ambedkarnagar	
		Bahraich	
		Deoria	
		Jalaun	
		Hamirpur	
		Banda	
19.	<b>Uttarakhand</b>	Chamoli	2
		Bageshwar	
20.	<b>West Bengal</b>	Bankura	5
		Medinipur West	
		Puruliya	
		Coochbehar	
		Birbhum	
	<b>North Eastern States</b>		
21.	<b>Arunachal Pradesh</b>	Papumpare	2
		Lohit	
22.	<b>Assam</b>	Hailakandi	4
		Dhemeji	

Sl. No.	Name of the state	IAP districts	No. of districts
		Jorhat	
		Nagaon	
23.	<b>Manipur</b>	Imphal Eash	1
24.	<b>Meghalaya</b>	West Khasi Hill	1
25.	<b>Mizoram</b>	Aizwal	2
		Lunglei	
26.	<b>Nagaland</b>	Peren	3
		Tuensang	
		Mon	
27.	<b>Sikkim</b>	South Sikkim	2
		East Sikkim	
28.	<b>Tripura</b>	West Tripura	2
		North Tripura	
			<b>150</b>

**Weighted Average Interest charged (WAIC) as specified  
by Dept of  
Financial Services, Ministry of Finance**

Sl. No.	Name of the Bank	Base Rate	Weighted Average Interest Charged ( WAIC)	Interest to be subvented above 7% based on WAIC, subject to cap of 5.5 percent
1	2	3	4	5
1.	Allahabad Bank	10.2	10.43	3.43
2.	Andhra Bank	10.25	13.62	5.5
3.	Bank of Baroda	10.25	11.25	4.25
4.	Bank of India	10.25	12.96	5.5
5.	Bank of Maharashtra	10.25	11.75	4.75
6.	Canara Bank	10.25	12.61	5.5
7.	Central Bank of India	10.25	11.2	4.2
8.	Corporation Bank	10.25	12.25	5.25
9.	Dena Bank	10.25	10.25	3.25
10.	Indian Bank	10.2	12.11	5.11
11.	Indian Overseas Bank	10.25	11.9	4.9
12.	Oriental Bank Commerce	10.25	11.75	4.75
13.	Punjab National Bank	10.25	12.99	5.5
14.	Punjab & Sind Bank	10.25	12.24	5.24
15.	State Bank of Bikaner & Jaipur	10.15	12.87	5.5
16.	State Bank Hyderabad	10.2	12.9	5.5
17.	State Bank of India	9.7	11.7	4.7
18.	State Bank of Mysore	10.15	12.05	5.05
19.	State Bank of Patiala	10.25	11.35	4.35
20.	State Bank Travancore	10.25	11.97	4.97

Sl. No.	Name of the Bank	Base Rate	Weighted Average Interest Charged ( WAIC)	Interest to be subvented above 7% based on WAIC, subject to cap of 5.5 percent
1	2	3	4	5
21.	Syndicate Bank	10.25	11.75	4.75
22.	UCO Bank	10.2	10.2	3.2
23.	Union Bank	10.25	10.25	3.25
24.	United Bank of India	10.25	11.67	4.67
25.	Vijaya Bank	10.2	10.95	3.95
26.	IDBI	10.25	10.25	3.25







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