

## GOVERNMENT OF KERALA

### Abstract

Local Self Government - Rural Development - 'Swarna Jayanthi Grama Swarozgar Yojana (SGSY) - Revolving Fund for Self Help Groups (SHGS) - Guidelines for Release - Orders Issued.

### LOCAL SELF GOVERNMENT (RD-PA) DEPARTMENT

GO.(MS) No. 82/2000/LSGD

Dated, Thiruvananthapuram, 14.03.2000

- Read:-**
1. G.O. (MS) No. 187/99/LSGD, Dated 01.10.1999 of the Local Self Government (PA) Department.
  2. Circular No. RPCD SP.BC. 23.09.01/99/2000 Dated, 01.09.1999 of the Reserve Bank of India.
  3. Circular No. RPCD SP.BC. No. 59/09-01/99/2000 Dated 02.02.2000 of the Reserve Bank of India.
  4. D.O. Letter No. I/12011/9/99/IRD-Credit Dated, 22.02.2000 of Dr. J.S. Sarma, Joint Secretary, Ministry of Rural Development, Govt. of India, Krishi Bhavan, New Delhi.

### ORDER

As per SGSY guidelines, every self help group (SHG) that is in existence at least for a period of six months and has demonstrated the potential of a viable group can receive the revolving fund and also embark on further capacity building of the entire team. It has also been stipulated that District Rural Development Agencies (DRDAs) will arrange to provide the revolving fund to such groups, meeting their share out of 10% (Ten) of the SGSY Fund.

2. On the basis of the instructions and clarifications issued by the Reserve Bank of India as per the Circulars read as 2<sup>nd</sup> and 3<sup>rd</sup> papers above, the following instructions are issued in regard to the revolving fund facility to self help groups and release of subsidy grant to banks:-
  - (i) The revolving fund would be given to those group which have passed the first round of grading as prescribed in para 4-2.10 of the G.O. I cited.
  - (ii) The revolving fund would be Rs. 25,000/- (Rupees Twenty Five thousand only) for all groups and this would be given as cash credit facility from Bank. Of this, an amount of Rs. 10,000/- (Rupees Ten thousand only) will be given to the bank from SGSY Fund.
  - (iii) The amount of Rs. 10,000/- (Rupees Ten thousand only) given from the SGSY Fund will be treated as subsidy grant in so far as the bank is concerned. Banks will be charging interest only on the sum exceeding Rs. 10,000/- (Rupees ten thousand only).
  - (iv) As far as the group is concerned, the Rs. 10,000/- (Rupees ten thousand only) given from SGSY Fund is a cash credit and has, therefore, to be repaid. The liability of the group is for the entire amount of cash credit outstanding.
  - (v) All members of the group should belong to the families below poverty line to be eligible for SGSY revolving fund. Those groups that have received revolving fund under DWCRA or any other programme should not be eligible to receive revolving fund under SGSY.
  - (vi) All self help groups (SHGs) which have passed the first round of grading shall open a revolving fund account with the banks in the name of the group. The operation of the account may be decided by a resolution of the group. It is preferable to have an account jointly operated by two members of the group.
  - (vii) The account will be in the form of cash credit. The operative limit of account will remain at Rs. 25,000/- (Rupees twenty five thousand only). Banks will be taking documents of Rs. 25,000/- (Rupees Twenty Five thousand only).



- (viii) The group by a resolution shall apply to the block panchayat to release the subsidy grant of Rs. 10,000/- (Rupees ten thousand only) to the Bank. On receipt of the said resolution and on getting intimation from the bank having sanctioned the cash credit to the group, the block panchayat may release the subsidy grant of Rs. 10,000/- (Rupees ten thousand only) to the bank. The subsidy grant of Rs. 10,000/- should not be released to the groups bank account or to the group directly.
- (ix) The bank on receipt of the subsidy grant will keep the fund in the subsidy reserve fund account in the name of the self help groups (SHGs).
- (x) No interest would be charged on the Rs. 10,000/- (Rupees ten thousand only) credited to the subsidy reserve fund i.e., the self help group (SHG) would be required to pay interest on bank credit portion only.
- (xi) The bank may decide the quantum of cash credit limit within the overall limit of Rs. 25,000/- (Rupees Twenty five thousand only) (Rs. 10,000/- + Rs. 15,000/-).
- (xii) For revolving fund, simple letter of undertaking from the group members would be sufficient in addition to inter-se agreement and usual documentation.
- (xiii) The interest rate applicable to the priority sector lending would be charged on the credit portion of the revolving fund.
- (xiv) The revolving fund is not linked to the savings of the group or numbers of members of the group. The loan/amount would depend on the project undertaken by the Group.
- (xv) The revolving fund becomes the part and parcel of the group corpus, the group should follow some norms for utilisation as in the case of their own savings fund. The revolving fund can be used by a group for the purchase of raw-materials, marketing or infrastructure support for income generating activities etc.
- (xvi) The cash credit would be liquidated like any other cash credit. The liability of the group is for the entire amount of cash credit outstanding.
- (xvii) If under any circumstances, the cash credit account of the group becomes inoperative of very long period, the subsidy grant of Rs. 10,000/- (Rupees Ten thousand only) should be refunded to the block panchayat.
- (xviii) The Secretary, block panchayat shall maintain a register showing the details of the funds received from district panchayat towards revolving fund, names of self help groups (SHGs) for which revolving fund released, date of payment, cheque number etc.

By the Order of the Governor

S.M. VIJAYANAND  
Secretary to Government