

**GOVERNMENT OF ANDHRA PRADESH
ABSTRACT**

Vaddi Leni Runalu - Interest subvention scheme for the SHG Bank linkage programme - Guidelines implementation - Orders - Issued

PANCHAYAT RAJ AND RURAL DEVELOPMENT (RD.II) DEPARTMENT

G.O.Ms.No. 389

Dated:31.12.2012
Read

G.O Ms.No.403 PR & RD (RD.II) Dept., Dated:26.12.2011

ORDER :

With a view to encouraging better repayment and to reduce the interest burden on the rural poor for the loans taken by Self Help Groups (SHGs) from banks and to improve profitability of SHG enterprises, Government vide their Orders read above have announced full interest subvention on the SHG - Bank Linkage loans repaid promptly with effect from 1.1.2012.

2. The following shall be the modalities for implementation of the Vaddi Leni Runalu (VLR) Scheme which will be operationalized for all SHG bank loans covering both urban and rural areas; and outstanding as well as new loans:

a) Eligibility: All SHGs both in rural and urban areas which have an outstanding Bank/Sthree Nidhi Credit Cooperative loan as on 1.1.2012 or raise a Bank/Sthree Nidhi loan after 1.1.2012 are eligible for the interest subvention subject to the following:

- i. The loan amount shall not exceed Rs.5 lakhs in case of a term loan.
- ii. In case of cash credit system, the SHG shall repay at least 3% of the outstanding Principal amount each month.
- iii. Only the monthly repayments made within 7 days from the due date shall qualify for interest subvention for that month.
- iv. Eligibility will be verified on month-to-month basis.
- v. In case of overdue accounts, such SHGs have to clear the amount in excess of the scheduled outstanding as on 1.7.2012.

b) Implementation process:

- i. The outstanding Principal amount of each of the loan as on 1.7.2012 will be divided into equal amounts for the balance repayment period. This revised monthly installment (Part - A) will be intimated to the SHG. In case of fresh loans, SERP/MEPMA will arrange to inform the SHG the Principal amount payable by them each month on a due date.
- ii. On 1st working day of each month, SERP/MEPMA will arrange to get, from all Banks electronically, the data regarding repayments made by SHGs in the previous month. From this data, all cases of prompt repayment (payment made within 7 days from the due date) shall be identified before 7th day of each month.
- iii. For all eligible cases so identified, an amount equal to 'EMI minus Part A' named Part - B shall be calculated automatically using the software. The Part - B amount will be transferred electronically directly into the loan accounts of the SHGs before 10th of each month.

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- iv. For the purpose of these transfers, an escrow account will be opened in a principal branch of each participating bank for servicing all the SHG accounts in that Bank anywhere in the State. For Sthree Nidhi loans, the funds will be adjusted to the Sthree Nidhi account.
- v. Any SHG which fails to repay within 7 days of the due date in any particular month, will forgo the interest subvention for that month. In such case, banks will collect the full EMI (Part A + Part B) from such SHG.

c) Cash credit scheme: In respect of loans sanctioned and disbursed under Cash Credit scheme, interest subvention will be available to only such SHGs which repay every month at least 3 % of the principal amount.

d) Financial implications

- i). the actual financial implications of the scheme would depend on:
 - a) The Government of India policy: Government of India proposes to make available all bank loans to SHGs at 7%. Apart from this, Ministry of Rural Development is proposing to provide 2% additional incentive for prompt payment from NRLM funds.
 - b) The loans sanctioned by the Banks/Sthree Nidhi to SHGs and
 - c) The promptness in repayment.
- ii). The funds sanctioned under Vaddi Leni Runalu (VLR) will be released under the following Head of Accounts.
 - 2235 - Social Security & Welfare
 - 02 - Social Welfare
 - MH - 103 - Women's Welfare/MG-789-SCP/MH-796-TASP
 - GH (11) - Normal State Plan
 - SH (41) - Interest free loans to DWCRA Womens (VLR)

e). Special provisions for Urban areas:-

Procedure for releasing the eligible VLR to the urban SHGs for the loans availed and outstanding for the period from 01-01-2012 to 30-06-2012

- i) The urban SHGs operating through MEPMA and repaying the EMIs regularly within 15n days from the due date or before the last day of the calendar month, whichever is later, shall only be eligible for the incentive.
- ii) The incentive will be released in one installment.
- iii) The incentive for the period from 1.1.2012 to 30.6.2012 shall be released directly into the loan accounts of the SHGs by way of reimbursement of interest already paid by them.

Procedure for releasing the eligible VLR to the SHGs for the loans availed and outstanding for the period commencing from 01-07-2012.

- i. From 01-07-2012 the interest portion will directly be credited to the loan accounts of SHGs, every month.
- ii. All SHG accounts where the monthly repayments made within **15 days** from the due date for the loans availed during the period from 01-07-2012 to 30-11-2012 and 7days from the due date for the loans availed on or after 01-12-2012 shall only qualify for interest subvention for that particular month.

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iii. eligibility will be verified and released on a month to month basis.

iv. Till an online mechanism is developed by MEPMA, they will continue to release the interest subvention directly to the credit of SHG loan accounts by way of reimbursement of interest already paid by them.

3. The additional amount for Urban SHGs will be released under the following Head of Account.

2217 - 80 - 191 - GH 11 - SH(82) - 310-312

2217 - 80 - 789 - GH 11 - SH(82) - 310-312

2217 - 80 - 796 - GH 11 - SH(82) - 310-312

4. This order issues with the concurrence of Finance Department vide their U.O Note number 7905/27/WAI-RD/12, dt.09.11.2012 a copy of this order is available on the Internet and can be accessed at the address : <http://www.rd.ap.gov.in>.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

R.SUBRAHMANYAM
PRINCIPAL SECRETARY TO GOVERNMENT (RD)

To
The Chief Executive Officer, SERP, Hyderabad.
All the District Collectors in the State
All the Project Directors of DRDA in the State.

Copy to:

The Special Secretary to Chief Minister
The PS to Chief Secretary
The PS to Minister (IKP & Pensions)
The PS to Principal Secretary to Government (RD)
The PR & RD (General) Department
SF/SC

//FORWARDED :: BY ORDER//

SECTION OFFICER