

MINISTRY OF FINANCE
GOVT. OF INDIA

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Subject: Recommendation No.131- NHRC Report on prevention of atrocities against SCs/STs.

Reserve Bank of India (RBI) issues instructions/directives to banks from time to time with regard to providing credit facilities to Scheduled Castes (SCs)/ Scheduled Tribes (STs) with an objective to raise their socio economic level of these communities. A copy of the latest Master Circular issued by RBI on July 01, 2011 in this regard is at **Annexure-I**.

According to RBI under the major centrally sponsored schemes there is significant reservation/ relaxation for the members of the SC/ST communities. Under Swarnjayanti Gram Swarozgar Yojana (SGSY) not less than 50 percent of the families assisted should belong to SCs/STs. Under Swarna Jayanti Shahari Rozgar Yojana (SJSRY), advances should be extended to SCs/STs to the extent of their strength in the local population. Under the DRI scheme, banks provide finance to weaker sections of the community for engaging in productive and gainful activities, upto Rs.15,000, at a concessional rate of interest of 4 % per annum. 40% of total DRI advances are to be given to SCs/ STs borrowers. They may also avail Housing Loan upto Rs.20,000 over and above the individual loan of Rs.15,000. The SRMS Scheme covers all scavengers belonging to the Scheduled Caste communities.

RBI has reported that it had advised banks to take steps to provide soft and easy loans to persons belonging to SCs/STs beneficiaries. Beginning with the planning process at the block level, a certain weightage is to be given to scheduled castes/ scheduled tribes. Banks are to analyse the credit needs of these communities and incorporate them in the credit plan. Credit planning is to be weighted in favour of scheduled castes/scheduled tribes and special schemes suited to these communities are to be drawn up. Utmost sympathy and understanding is to be extended while considering loan proposals of these communities. Banks are to create greater awareness amongst SCs/ STs in order to encourage them to access credit facilities. Field staff to contact such borrowers to explain schemes and their advantages. Banks should not insist on deposits while considering loan applications under Government sponsored poverty alleviation schemes/ self-employment programmes from borrowers of these communities. In case of rejection of applications of SCs/ STs, it should be done at the next higher level instead of at the branch level indicating proper reasons for rejection. A special cell at the Head Office monitors the flow of credit to SC/ST beneficiaries and a periodical review is done. The Board of Director should also review on a quarterly basis.

RBI has further reported that banks are required to submit data on advances to SCs/STs separately on quarterly, half-yearly and yearly basis.

Flow of credit to Weaker Sections under Priority Sector Lending by Public

Sector Banks during the period from March, 2007 to March, 2011 as well as its percentage to Net Bank Credit/ Adjusted Net Bank Credit is as under:

(Amt. in Rs. crore)

As on last reporting Friday of March	Amount Outstanding	% age to Net Bank Credit/ Adjusted Net Bank Credit
2007	98,285	7.20*
2008	1,26,935	9.30
2009	1,65,829	9.79
2010	2,11,376	10.17
2011	2,40,322	9.64

Source: RBI, * Percentage to Net Bank Credit



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Annexure - I

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RBI/2011-12/86

RPCD.GSS Div.BC.No.3/09.09.01/2011-12

July 1, 2011

The Chairman / Managing Director
All Indian Scheduled Commercial Banks

Dear Sir,

Master Circular
Priority Sector Lending-Credit facilities to Scheduled Castes (SCs) & Scheduled Tribes (STs)

Reserve Bank of India has, periodically, issued instructions / directives to banks with regard to providing credit facilities to Scheduled Castes (SCs) and Scheduled Tribes (STs). To enable banks to have current instructions at one place, a Master Circular incorporating all the existing guidelines/ instructions/ directives has been prepared and is appended. We advise that this Master Circular has been updated and consolidates previous instructions issued by Reserve Bank from time to time, which are listed in Annexure -III.

Please acknowledge receipt.

Yours faithfully,

Sd/-

(Dr. Deepali Pant Joshi)

Chief General Manager-in-Charge

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**Master Circular - Priority Sector Lending -
Credit Facilities to Scheduled Castes (SCs) & Scheduled Tribes (STs)**

1. Flow of Credit to SCs / STs

1.1 Special emphasis has been given to the welfare of the scheduled castes and scheduled tribes. Banks should take the following measures to step up their advances to SCs / STs :

Planning Process

(a) At the block level, a certain weightage is to be given to scheduled castes / scheduled tribes in the planning process. Accordingly, the credit planning should be weighted in favour of scheduled castes / scheduled tribes and special bankable schemes suited to members of these communities should be drawn up to ensure their participation in such schemes and larger flow of credit to them for self-employment. It will be necessary for the banks to consider loan proposals of these communities with utmost sympathy and understanding.

(b) The District Level Consultative Committees formed under the Lead Bank Scheme should continue to be the principal mechanism of co-ordination between banks and development agencies.

(c) The district credit plans formulated by the lead banks should be elaborated to indicate clearly the linkage of credit with employment and development schemes.

(d) Banks will have to establish closer liaison with the District Industries Centres, which have been set up in different districts for promoting self-employment.

(e) Banks should periodically review their lending procedures and policies to see that loans are sanctioned in time, are adequate and production-oriented and that they generate incremental income to make them self-liquidating.

(f) Credit planning should be weighted in favour of Scheduled Castes / Scheduled Tribes. Loan proposals of these communities should be considered sympathetically and expeditiously.

(g) While 'adopting' villages for intensive lending, villages with sizeable population of these communities may be specially chosen; the alternative of adopting specific localities (bastis) in the concerned villages which have a concentration of these communities could also be considered.

(h) Special efforts should be made to evolve suitable bankable schemes for weaker sections including members of these communities.

Role of Banks

(i) Bank staff may help the poor borrowers in filling up the forms and completing other formalities so that they are able to get credit facility within a stipulated period from the date of receipt of applications.

(j) In order to encourage SC / ST borrowers to take advantage of credit facilities, greater awareness among them about various schemes formulated by banks will have to be created. As a majority of the eligible borrowers would be illiterate persons, publicity through brochures, other literature, etc. will be of limited utility. The more desirable method would be for the field staff of banks to contact such borrowers and explain to them the salient features of the schemes as also the advantages that will accrue. Banks should advise their branches to organize meetings more frequently exclusively for SC / ST beneficiaries to understand their credit needs and to incorporate the same in the credit plan.

(k) Bank should keep Application Register / Deposit Register, Complaint Register in desired order and maintain relevant documents and pass book in local language too, besides in Hindi and English.

(l) Circulars issued by RBI / NABARD should be circulated among the staff for compliance.

(m) Banks should not insist on deposits while considering loan applications under Government sponsored poverty alleviation schemes / self-employment programmes from borrowers belonging to SCs / STs. It should also be ensured that applicable subsidy is not held back while releasing the loan component till the full repayment of bank dues. Non release of subsidy upfront amounts to under-financing and hampers asset creation / income generation.

(n) The National SC / ST Finance and Development Corporation has been set up under the administrative control of Ministry of Welfare. Banks should advise their branches / controlling offices to render all the necessary institutional support to enable the institution to achieve the desired objectives.

(o) Advances sanctioned to State sponsored organizations of SC / ST, for the specific purpose of purchase and supply of inputs to and / or the marketing of outputs of the beneficiaries viz. artisans, village and cottage industries of these organizations, should be treated as Priority Sector Advances, subject to the condition that the relative advances are exclusively for the purpose of purchase and supply of inputs to and / or marketing of the outputs of beneficiaries of these organizations.

Role of SC / ST Development Corporations

(p) The Ministry of Welfare, Government of India has advised all State Governments that the Scheduled Caste Development Corporations can consider bankable schemes / proposals for bank finance. As regards Collateral Security and / or third party guarantee for loans, guidelines issued to banks on priority sector lending will apply.

Rejection of Applications

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(q) If applications in respect of SCs / STs are to be rejected, it should be done at the next higher level instead of at the branch level. Further, reasons for rejection of applications should be clearly indicated.

Centrally Sponsored Schemes

There are several major centrally sponsored schemes under which credit is provided by banks and subsidy is received through Government Agencies. Credit flow under these schemes is monitored by RBI. Under each of these, there is a significant reservation / relaxation for the members of the SC / ST communities.

Reservations for SC / ST Beneficiaries under Major Centrally Sponsored Schemes

Swarnjayanti Gram Swarozgar Yojana (SGSY)

(r) Under Swarnjayanti Gram Swarozgar Yojana (SGSY) Scheme, which is a major poverty alleviation scheme in rural / semi urban areas, not less than 50 percent of the families assisted should belong to SCs / STs.

Swarna Jayanti Shahari Rozgar Yojana

(s) Under Swarna Jayanti Shahari Rozgar Yojana (SJSRY), which is a poverty alleviation scheme in urban areas, advances should be extended to SCs / STs to the extent of their strength in the local population.

Differential Rate of Interest Scheme

(t) Under the DRI scheme, banks provide finance upto Rs.15,000/- at a concessional rate of interest of 4 percent per annum to the weaker sections of the community for engaging in productive and gainful activities. In order to ensure that persons belonging to SCs / STs also derive adequate benefit under the Differential Rate of Interest (DRI) scheme, banks have been advised to grant to eligible borrowers belonging to SCs / STs such advances to the extent of not less than 2/5th (40 percent) of total DRI advances.

Scheme for Liberation and Rehabilitation of Scavengers

(u) The National Scheme for Liberation and Rehabilitation of Scavengers is for liberating the scavengers and their dependents from the existing hereditary and obnoxious occupation of manually removing night soil and filth and to provide them with alternate dignified occupation. The scheme covers primarily all scavengers belonging to the scheduled caste community. Scavengers belonging to other communities are also eligible for assistance. The Scheme has now been renamed as Scheme for Rehabilitation of Manual Scavengers (SRMS)

Reservations for SC / ST beneficiaries under major centrally sponsored schemes

(v) Under SGSY scheme, beneficiaries belonging to SC / ST are entitled to subsidy of 50% of the project cost with a maximum ceiling of Rs.10,000/- as against the

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subsidy of 30% of project cost with a maximum ceiling of Rs.7,500/- in case of beneficiaries under general category.

(w) Under the DRI scheme, the eligibility criteria that size of land holding should not exceed 1 acre of irrigated land and 2.5 acres of unirrigated land is not applicable to SCs / STs. Moreover, members of SCs / STs satisfying the income criteria of the scheme can also avail of housing loan upto Rs.20,000/- per beneficiary over and above the individual loan of Rs.15,000/- available under the scheme (as announced in the Union Budget 2007-2008).

2. Monitoring and Review

2.1 A special cell should be set up at the Head Office for monitoring the flow of credit to SC / ST beneficiaries. Apart from ensuring the implementation of the RBI guidelines, the cell would also be responsible for collection of relevant information / data from the branches, consolidation thereof and submission of the requisite returns to RBI and Government.

2.2 Convenor bank (of SLBC) should invite the representative of National Commission for SCs / STs to attend SLBC meetings. Besides, the Convener bank may also invite representatives from National Scheduled Castes and Scheduled Tribes Financial Development Corporation (NSFDC) and State Scheduled Castes and Scheduled Tribes Financial and Development Corporation (SCDC) to attend SLBC meetings

2.3 A periodical review should be made by the Head Office of banks of the credit extended to SCs / STs on the basis of returns and other data received from the branches.

2.4 The Board of Directors should review on quarterly basis, the measures taken to enhance the flow of credit to SC / ST borrowers. The Review Notes, besides indicating the actual performance of the bank during the relevant quarter, should also contain information about how the bank proposes to expand the coverage of this sector in the context of potential for business and its network of branches with particular reference to such schemes as DRI, SGSY, etc. The review should also consider the progress made in lending to these communities directly or through the State-level Scheduled Caste / Scheduled Tribe Corporations for various purposes based, amongst others, on field visits of the senior officers from the Head Office / Controlling Offices. A copy each of such review notes should be sent to Reserve Bank.

3. Reporting Requirements

It has been considered necessary to have data of banks' advances for SCs and STs under priority sectors and Differential Rates of Interest (DRI) Scheme separately. Accordingly banks may submit to RBI on half-yearly basis as on the last reporting Friday of March and September a statement showing the credit extended to SCs and STs under priority sectors (Annexure I). Further, banks may submit to Reserve Bank on yearly basis as on the last reporting Friday of March a statement showing the credit extended to SCs and STs under DRI Scheme (Annexure II). The statements should reach RBI within two months from the end of the relevant half-year / year.

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ANNEXURE I
(Paragraph 3)**Statement showing Advances granted to Scheduled Castes/
Scheduled Tribes as on the last reporting Friday of March/September***(Amount in thousands of rupees)**(numbers in actual)*

		Scheduled Castes		Scheduled Tribes		Total	
		No. of Accounts	Balance Outstand- ing	No. of Accounts	Balance Outstand- ing	No. of Accounts	Balance Outstand- ing
		1	2	3	4	5	6
Priority Sector Advances							
1.	Agriculture (a) Direct (b) Indirect						
	Of which advances to small/ marginal farmers with land holdings of 5 acres or less and landless labourers						
2.	Small Enterprises(Including manufacturing and service enterprises) (a) Direct (b) Indirect						
	Of which advances to (i)Manufacturing (ii)Service Enterprises (iii)Advances to units in khadi and village industries sector						
3.	Retail Trade						
4.	Education						
5.	Housing Loans						

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		Scheduled Castes		Scheduled Tribes		Total	
		No. of Accounts	Balance Outstanding	No. of Accounts	Balance Outstanding	No. of Accounts	Balance Outstanding
		1	2	3	4	5	6
6.	Micro Credit(other than loans granted to SHGs/JLGs for agriculture& allied activities)						
7.	State.Sponsored organization for SC/ST for purchase oand supply of inputs to and/or marketing of outputs of the beneficiaries (may be shown under columns 5 and 6)						
8.	Loans granted to members of SC/ST for purposes other than the above organized as partnership firms, SHGs/JLGs, etc but consisting exclusively of SC/ST members only.						
	Total						

ANNEXURE I (a)

Statement to be submitted by the public sector banks as on the last reporting Friday of March/September

	(Amount in thousands of rupees)	
	Scheduled Tribes	
Applicable only for Public Sector Banks	No. of accounts	Balance Outstanding
Loans disbursed to SHGs belonging to STs under the NSTFDC* Micro-credit Scheme		

*NSTFDC – National Scheduled Tribes Finance Development Corporation

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Annexure II

Advances under Differential Rate of Interest Scheme as on the last reporting Friday of March							
		<i>Scheduled Castes</i>		<i>Scheduled Tribes</i>		<i>Total</i>	
		No. of Accounts	Balance Outstanding	No of Accounts	Balance Outstanding	No of Accounts	Balance Outstanding
		1	2	3	4	5	6
1.	Advances directly granted						
2.	Routed through						
	(a) Regional Rural Banks						
	(b) State sponsored Corporations of Scheduled Castes/ Scheduled Tribes						
	(c) Co-operatives/LAMPS identified in specific tribal areas by Government						
	Total						

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Annexure - III

Credit Facilities to Scheduled Castes / Scheduled Tribes

List of Circulars Consolidated in the Master Circular

No.	Circular No.	Date	Subject
1.	DBOD.No.BP.BC.172/C.464(R)-78	12.12.78	Role of Banks in Promoting Employment
2.	DBOD.No.BP.BC.8/C.453(K)-Gen	09.01.79	Agricultural Credit to Small and Marginal Farmers
3.	DBOD.No.BP.BC.45/C.469(86)-81	14.04.81	Credit Facilities to SC / ST
4.	DBOD.No.BP.BC.132/C.594-81	22.10.81	Recommendations of the Working Group on the Development of Scheduled Castes
5.	RPCD.No.PS.BC.2/C.594-82	10.09.82	Credit Facilities to SC / ST
6.	RPCD.No.PS.BC.9/C.594-82	05.11.82	Concessional Bank Finance to SC / ST Development Corporations
7.	RPCD.No.PS.BC.4/C.594-83	22.08.83	Credit Facilities to SC / ST
8.	RPCD.No.PS.1777/C.594-83	21.11.83	Credit Facilities to SC / ST
9.	RPCD.No.PS.1814/C.594-83	23.11.83	Credit Facilities to SC / ST
10.	RPCD.No.PS.BC.20/C.568(A)-84	24.01.84	Credit Facilities to SC / ST - Rejection of Loan Applications
11.	RPCD.No.CONFS/274/PB-1-84/85	15.04.85	Role of Private Sector Banks in Lending to SCs / STs
12.	RPCD.No.CONFS.62/PB-1-85/86	24.07.85	Role of Private Sector Banks in Lending to SCs / STs
13.	RPCD.No.SP.BC.22/C.453(U)-85	09.10.85	Credit Facilities to Scheduled Tribes under DRI Scheme
14.	RPCD.No.SP.376/C-594-87/88	31.07.87	Credit Facilities to SC / ST
15.	RPCD.No.SP.BC.129/C.594(Spl)/88-89	28.06.89	National SC / ST Finance and Development Corporation
16.	RPCD.No.SP.BC.50/C.594-89/90	25.10.89	Scheduled Caste Development Corporation - Instructions on Unit Cost
17.	RPCD.No.SP.BC.107/C.594-89/90	16-05-90	Credit Facilities to SCs / STs
18.	RPCD.No.SP.1005/C.594/90-91	04-12-90	Credit facilities to Scheduled Castes and Scheduled Tribes - Evaluation Study
19.	RPCD.No.SP.BC.93/C.594.MMS-90/91	13.03.91	Scheduled Caste Development Corporation (SCDCs) - Instructions on Unit Cost
20.	RPCD.No.SP.BC.122/C.453(U)-90-91	14.05.91	Housing Finance to SCs / STs - Inclusion under the DRI Scheme
21.	RPCD.No.SP.BC.118/C.453(U)-92/93	27-05-93	Priority Sector Advances - Housing Finance
22.	RPCD.No.LBS.BC.86/02.01.01/96-97	16.12.96	Inclusion of National Commission for SCs

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			/ STs in State Level Bankers Committees (SLBCs)
23.	RPCD.No.SP.BC.124/09.09.01/96-97	15.04.97	Parliamentary Committee on the Welfare of SCs / STs - Insisting on Deposits from SCs / STs by Banks
24.	RPCD.No.SAA.BC.67/08.01.00/98-99	11.02.99	Credit Facilities to SCs / STs
25.	RPCD.No.SP.BC.51/09.09.01/2002-03	04-12-02	Proceedings of the work shop on the role of financial institutions in the development of SCs and STs
26.	RPCD.No.SP.BC.84/09.09.01/2002-03	09.04.03	Amendment to the Master Circular
27.	RPCD.No.SP.BC.100/09.09.01/2002-03	04.06.03	Changes in the reporting system
28.	RPCD.No.SP.BC.102/09.09.01/2002-03	23.06.03	Sample study for review of credit flow to SCs and STs - Major Findings
29.	RPCD.SP.BC.No.49/09.09.01/2007-08	19.02.08	Credit facilities to SC / STs - Revised Annexure