

Master circulars issued by the RBI

Master Circular on SHG-Bank Linkage Programme

Self Help Groups have the potential to bring together the formal banking structure and the rural poor for mutual benefit. Studies conducted by NABARD in a few states to assess the impact of the linkage project have brought out encouraging and positive features like increase in loan volume of the SHGs, definite shift in the loaning pattern of the members from non-income generating activities to production activities, nearly 100 per cent recovery performance, significant reduction in the transaction costs for both the banks and the borrowers etc., besides leading to a gradual increase in the income level of the SHG members. Another significant feature observed in the linkage project is that about 85 per cent of the groups linked with banks were formed exclusively by women.

Recognizing the importance of SHG Bank linkage, banks have been advised to meet the entire credit requirements of SHG members, as envisaged in Paragraph 93 of the Union Budget announcement for the year 2008-09, made by the Honorable Finance Minister, wherein it was stated as under: "Banks will be encouraged to embrace the concept of Total Financial Inclusion. Government will request all scheduled commercial banks to follow the example set by some public sector banks and meet the entire credit requirements of SHG members, namely, (a) income generation activities, (b) social needs like housing, education, marriage, etc. and (c) debt swapping". Linking of SHGs with banks has thus been emphasized in the Monetary Policy Statements of Reserve Bank of India and Union Budget announcements from time to time and various guidelines have been issued to banks in this regard.

Opening of Savings Bank A/C: The SHGs, registered or unregistered, which are engaged in promoting savings habits among their members are eligible to open savings bank accounts with banks. These SHGs need not necessarily have already availed of credit facilities from banks before opening savings bank accounts. The instructions of the Department of Banking Regulation in the Master Direction on KYC pertaining to SHG members (Part VI-Paragraph 43) shall be adhered to, while completing Customer Due Diligence (CDD)1 process.

Lending to SHGs: Bank lending to SHGs should be included in branch credit plan, block credit plan, district credit plan and state credit plan of each bank. Utmost priority should be accorded to the sector in preparation of these plans. It should also form an integral part of the bank's corporate credit plan.

Interest rates: The banks would have the discretion to decide on the interest rates applicable to loans given to Self Help Groups/member beneficiaries.

For detailed master circular on SHG-Bank Linkage Programme, please follow the link <https://rbidocs.rbi.org.in/rdocs/notification/PDFs/07MC02072018C997CA4CEDE640B68D605466460B7650.PDF>

Master Circular – Lead Bank Scheme

The Reserve Bank of India has issued a number of guidelines/instructions on Lead Bank Scheme from time to time. This Master Circular consolidates the relevant guidelines/instructions issued by Reserve Bank of India on Lead Bank Scheme up to June 30, 2018. Envisaging greater role for private sector banks, Lead Banks were advised to ensure that private sector banks are more closely involved in the implementation of the Lead Bank Scheme. Private sector banks should involve themselves more actively by leveraging on Information Technology bringing in their expertise in strategic planning.

They should also involve themselves in the preparation as well as implementation of the District Credit Plan. In view of the changes that have taken place in the financial sector over the years, the Reserve Bank of India had constituted a “Committee of Executive Directors” of the Bank to study the efficacy of the Scheme and suggest measures for its improvement. Based on the Committee’s recommendations and feedback received from various stakeholders, certain ‘action points’ were issued to SLBC Convenors/Lead Banks and NABARD on April 6, 2018.

Implementation of Lead Bank Scheme: Preparation of credit plans: Planning plays an important role in the implementation of the Lead Bank Scheme and a bottom-up approach is adopted to map the existing potential for development. Under LBS, planning starts with identifying block wise/activity wise potential estimated for various sectors.

Potential Linked Credit Plans (PLPs): Potential Linked Credit Plans (PLPs) are a step towards decentralized credit planning with the basic objective of mapping the existing potential for development through bank credit. PLPs take into account the long term physical potential, availability of infrastructure support, marketing facilities, and policies/programmes of Government etc. NABARD to take measures to ensure that PLPs should be more focussed and implementable so that banks can utilize them more gainfully while preparing the Branch Credit Plan. PLPs should emphasise on promotion of sustainable agricultural practices suitable to local conditions. While preparing the PLPs, the focus must be on identifying processes and projects that:

- a. reduce the carbon foot-print,
- b. prevent the overuse of fertilizers,
- c. ensure efficient utilisation of water and
- d. address agricultural pollution issues.

For detailed master circular on Lead Bank Scheme, please follow the link https://rbidocs.rbi.org.in/rdocs/content/pdfs/5MC01072018_AN.pdf

Master Circular – Facility for Exchange of Notes and Coins

Facility for exchange of notes and coins at bank branches: (a) All branches of banks in all parts of the country are mandated to provide the following customer services, more actively and vigorously to the members of public so that there is no need for them to approach the RBI Regional Offices for this purpose: (i) Issuing fresh / good quality notes and coins of all denominations on demand, (ii) Exchanging soiled / mutilated / defective notes, and (iii) Accepting coins and notes either for transactions or exchange. It will be preferable to accept coins, particularly, in the denominations of ₹ 1 and 2, by weightment. However, accepting coins packed in polythene sachets of 100 each would perhaps be more convenient for the cashiers as well as the customers. Such polythene sachets may be kept at the counters and made available to the customers.

(b) All branches should provide the above facilities to members of public without any discrimination on all working days. The scheme of providing exchange facility by a few select currency chest branches on one of the Sundays in a month will remain unchanged. The names and addresses of such bank branches should be available with the respective banks.

(c) The availability of the above-mentioned facilities at the bank branches should be given wide publicity for information of the public at large.

(d) None of the bank branches should refuse to accept small denomination notes and / or coins tendered at their counters.

For detailed master circular on Facility for Exchange of Notes and Coins , please follow the

link <https://rbidocs.rbi.org.in/rdocs/notification/PDFs/03MC02072018B69937BA960845DDB9CB7EC163656CD9.PDF>

Master Circular on Conduct of Government Business by Agency Banks - Payment of Agency Commission

Government transactions eligible for agency commission: Transactions relating to the following government business undertaken by agency banks are eligible for agency commission:

- (a) Revenue receipts and payments on behalf of the Central/State Government
- (b) Pension payments in respect of Central / State Governments
- (c) Public Provident Fund (PPF) Scheme, 1968
- (d) Special Deposit Scheme (SDS) 1975
- (e) National Saving Time Deposit Scheme, 1981,
- (f) National Saving Recurring Deposit Scheme, 1981
- (g) National Saving (Monthly Income Account) Scheme, 1987,
- (h) National Saving Certificates (VIII Issue) Scheme, 1989
- (i) Senior Citizen Savings Scheme (SCSS), 2004
- (j) Kisan Vikas Patra, 2014 and
- (k) Sukanya Samriddhi Account
- (l) Any other item of work specifically advised by Reserve Bank as eligible for agency commission (viz. Relief Bonds/ Savings Bonds etc. transactions).

The Agency banks also undertake the work related to Small Savings Schemes the commission for which is borne by Government of India. However, the settlement of such commission continues to be processed by RBI. Agency commission claims on SDS related transactions (where mirror accounts are maintained in RBI) are settled at Central Accounts Section (CAS), Nagpur and not in respective Regional Offices of RBI.

Government transactions not eligible for agency commission: Agency banks paying

their own tax liabilities through their own branches or through authorised branches of State Bank of India or offices of Reserve Bank of India wherever they do not have their own authorised direct tax collection branch should indicate the same separately in the scroll. Such transactions will not be eligible for payment of agency commission. Banks should furnish a certificate to the effect that own tax liabilities (TDS, Corporation Tax, etc.) paid by them have been excluded while claiming agency commission

For detailed master circular on Conduct of Government Business by Agency Banks - Payment of Agency Commission, please follow the link <https://rbidocs.rbi.org.in/rdocs/notification/PDFs/2MC01072018D8136523FF364AECB7D39EE2CECC5C0E.PDF>

Master Circular - Disbursement of Government Pension by Agency Banks

Payment of pension to retired government employees, including payment of basic pension, increased Dearness Relief (DR), and other benefits as and when announced by the governments, is governed by the relevant schemes prepared by concerned Ministries/Departments of the Government of India and State Governments. This Master Circular consolidates important instructions on the subject issued by the Reserve Bank till June 30, 2018. It does not replace or supersede such existing government instructions. In case of any doubt or apparent contradiction, agency banks may be guided by the relevant government instructions. Contents of various circulars issued in this connection by the Reserve Bank of India are summarised hereunder.

In order to obviate the time lag between issue of DR orders and payment of DR to the beneficiary and to render expeditious service to senior citizens, the following action is required to be taken:

- As soon as the sanction of Dearness Relief at revised rates is received from Ministry of Finance, orders for payment of Dearness Relief to pensioners at revised rates are issued and the copies of such orders are immediately sent to Heads of all Agency Banks by e-mail as well as by FAX with instructions to take necessary action for expeditious payment of Dearness Relief.
- The orders are put on website of Ministry of Personnel, Public Grievance and Pensions
- Copies of orders are also sent by post to Heads of all Agency Banks and published in leading newspapers by Indian Banks' Association.
- Pension paying agency banks should act on the copies of the orders supplied by Government to the Head Offices and/or Regional Offices of authorised banks in the State headquarters or hosted on the website of the State Government.
- The Controlling Offices/ Head Offices of agency banks should closely monitor and supervise timely and correct disbursement of Government pension to eligible pensioners.
- All agency banks are advised to scrupulously follow all the guidelines /instructions contained in various notifications of Government (Central as well as States) and take necessary action immediately without waiting for any further instructions from RBI.

For detailed master circular on Master Circular - Disbursement of Government Pension by Agency Banks, please follow the

link <https://rbidocs.rbi.org.in/rdocs/notification/PDFs/1MC02072018EDE6E5ECA68E481EA647C1373499F5A4.PDF>

Master Circular – Detection and Impounding of Counterfeit Notes

Authority to Impound Counterfeit Notes: The Counterfeit Notes can be impounded by- (i) All Banks (ii) All Treasuries and Sub-Treasuries. (iii) Issue Offices of Reserve Bank of India. Detection of Counterfeit Notes: Banknotes tendered over the counter should be examined for authenticity through machines. Similarly, banknotes received directly at the back office / currency chest through bulk tenders should also be examined through machines. No credit to customer's account is to be given for Counterfeit Notes, if any, detected in the tender received over the counter or at the back-office / currency chest. In no case, the Counterfeit Notes should be returned to the tenderer or destroyed by the bank branches / treasuries. Failure of the banks to impound Counterfeit Notes detected at their end will be construed as wilful involvement of the bank concerned in circulating Counterfeit Notes and penalty will be imposed.

For detailed master circular on Detection and Impounding of Counterfeit Notes, please follow the link <https://rbidocs.rbi.org.in/rdocs/notification/PDFs/04MC020720187EF8AABCA2624332923337D611AA4B9A.PDF>

Please contact for any query related to this mail to Ms. Surbhi Sharma, Senior Research Officer at surbhi@phdcci.in with a cc to Dr. S P Sharma, Chief Economist at spsharma@phdcci.in of PHD Chamber.

Warm regards,

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