Master circulars issued by the RBI

Master circular on Investment by Foreign Portfolio Investors (FPI) in Government Securities Medium Term Framework: In order to recalibrate the Framework to meet the objective of a preference for long-term investors and also with a view to manage the macro-prudential implications of evolving capital flows, the Medium Term Framework (MTF) has been reviewed. Based on the review, the following modifications are made to the Framework.

- The overall cap of 5% for Central Government securities (G-Secs) and 2% for State Development Loans (SDLs) remain unchanged.
- Future increases in the limit for FPI investment in Central Government securities will be allocated in the following ratio - 75% for 'Long-Term' category of FPIs and 25% for 'General' category.
- The practice of transferring unutilized limits of 'Long-Term' category to 'General' category of FPIs is done away with.
- To harmonize the approach to FPI investments in SDLs with that for Central Government securities, future increases in SDLs would be in the ratio of 75% for 'Long Term' category and 25% for 'General' category of FPIs.

RBI may, in future, continue to calibrate some features of the MTF depending on the evolving macro-economic conditions. Revision of Limits for the Jul-Sep 2017 Quarter -- The limits for investment by FPIs in Central Government Securities and State Development Loans (SDLs) for the quarter July-September 2017 are increased by INR 110 billion and INR 61 billion, respectively, and allocated as under. The revised limits will be effective from July 4, 2017.

Limits for FPI investment in Government Securities

(INR Billion)

	Central Government securities			State Development Loans			Aggregate
	General	Long Term	Total	General	Long Term	Total	
Existing Limits	1,849	461	2,310	270	--	270	2,580
Revised limits	1,877	543	2,420	285	46	331	2,751

Master Circular on SHG-Bank Linkage Programme : Despite the vast expansion of the formal credit system in the country, dependence of the rural poor on moneylenders somehow continued in many areas, especially for meeting unforeseen requirements. Such dependence was pronounced in the case of marginal farmers, landless labourers, petty traders and rural artisans belonging to socially and economically backward classes and tribes whose propensity to save is limited or too small to be mopped up by the banks. With a view to studying the functioning of SHGs and NGOs for expanding their activities and deepening their role in the rural sector, in November 1994, RBI constituted a Working Group comprising eminent NGO functionaries, academicians, consultants and bankers, under the Chairmanship of Shri S K Kalia, the then Managing Director, NABARD. The Working Group was of the view that linking of SHGs with banks is a cost effective, transparent and flexible approach to improve the accessibility of credit from the formal banking system to the unreached rural poor, which is expected to offer the much needed solution to the twin problems being faced by the banks, viz. recovery of loans in the rural areas and the high transaction costs in dealing with small borrowers at frequent intervals.

The Group, therefore, felt that the thrust of the policy should be to encourage the formation of SHGs and linking them with banks, and in this regard, banks have a major role to play. The Working Group also recommended that banks should treat the linkage programme as a business opportunity and they may design area and group specific loan packages, taking into account *inter alia* the potential, local needs, available talent/skills etc.Separate Segment under priority sector: In order to enable the banks to report their SHG lending without difficulty, it was decided that the banks should report their lending to SHGs for on-lending to members of SHGs under the respective categories, viz. 'Advances to SHGs' irrespective of the purposes for which the members of SHGs have been disbursed loans. Lending to SHGs should be included by the banks as part of their lending to the weaker sections.

Opening of Savings Bank A/c: The SHGs, registered or unregistered, which are engaged in promoting savings habits among their members would be 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. KYC verification of all the members of SHG shall not be required while opening the savings bank account of the SHG as KYC verification of all the office bearers shall suffice. No separate KYC verification of the members or office bearers shall be necessary at the time of credit linking of SHGs.

SHG lending to be a part of planning process: Bank lending to SHGs should be included in branch credit plan, block credit plan, district credit plan and state credit plan of each bank. While no target is being prescribed under SHG bank linkage programme, 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.

Presence of defaulters in SHGs: Defaults by a few members of SHGs and/or their family members to the financing bank should not ordinarily come in the way of financing SHGs per se by banks, provided the SHG is not in default. However, the bank loan may not be utilized by the SHG for financing a defaulter member to the bank

Capacity Building and Training: Banks may initiate suitable steps to internalize the SHGs linkage project and organize exclusive short duration programmes for the field level functionaries. In addition, suitable awareness/sensitization programmes may be conducted for their middle level controlling officers as well as senior officers.

For detailed master circular on SHG-Bank Linkage Programme by following https://rbidocs.rbi.org.in/rdocs/notification/PDFs/MC11A65C9EE05F6340C39CB8958311C69610.PDF

Master circular on Facility for Exchange of Notes and Coins

(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. In terms of section 6 (1) of The Coinage Act, 2011, the coins issued under the authority of section 4 shall be a legal tender in payment or on account, in case of :-
a coin of any denomination not lower than one rupee, for any sum not exceeding one thousand rupees;
a half-rupee coin, for any sum not exceeding ten rupees:
Provided that the coin has not been defaced and has not lost weight so as to be less than such weight as may be prescribed in its case.
(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.

Reserve Bank of India (Note Refund) Rules, 2009 - Delegation of powers: In terms of Section 28 read with Section 58 (2) of Reserve Bank of India Act, 1934, no person is entitled as a right to recover from the Government of India or RBI the value of any lost, stolen, mutilated or imperfect currency note of the GOI or banknote. However, with a view to mitigating the hardship to the public in genuine cases, it has been provided that the RBI may, with the previous sanction of the Central Government, prescribe the circumstances in, and the conditions and limitations subject to which, the value of such currency notes or banknotes may be refunded as a matter of grace.

With a view to extending the facility for the benefit and convenience of public, all branches of banks have been delegated powers under Rule 2(j) of Reserve Bank of India (Note Refund) Rules, 2009 for exchange of mutilated / defective notes free of cost.

Liberalized definition of a Soiled Note: In order to facilitate quicker exchange facilities, the definition of soiled note has been expanded. A 'soiled note' means a note which has become dirty due to normal wear and tear and also includes a two piece note pasted together wherein both the pieces presented belong to the same note and form the entire note with no essential feature missing. These notes should be accepted over bank counters in payment of Government dues and for credit to accounts of the public maintained with banks. However, in no case, these notes should be issued to the public as re-issuable notes and shall be deposited in currency chests for onward transmission to RBI offices as soiled note remittances for further processing.

Mutilated Notes – Presentation and Passing: A mutilated note is a note of which a portion is missing or which is composed of more than two pieces. Mutilated notes may be presented at any of the bank branches. The notes so presented shall be accepted, exchanged and adjudicated in accordance with Reserve Bank of India (Note Refund) Rules 2009.

For detailed master circular on Facility for Exchange of Notes and Coins please follow the link-https://rbidocs.rbi.org.in/rdocs/notification/PDFs/03MCE030720179575C9A332234E91BAFBF9B09EA2F72F.PDF

Master circular on Kisan Credit Card (KCC) Scheme

The Kisan Credit Card (KCC) scheme was introduced in 1998 for issue of Kisan Credit Cards to farmers on the basis of their holdings for uniform adoption by the banks so that farmers may use them to readily purchase agriculture inputs such as seeds, fertilizers, pesticides etc. and draw cash for their production needs. The scheme was further extended for the investment credit requirement of farmers viz. allied and non-farm activities in the year 2004. The scheme was further revisited in 2012 by a working Group under the Chairmanship of Shri T. M. Bhasin, CMD, Indian Bank with a view to simplify the scheme and facilitate issue of Electronic Kisan Credit Cards. The scheme provides broad guidelines to banks for operationalizing the KCC scheme. Implementing banks will have the discretion to adopt the same to suit institution/location specific requirements.

Applicability of the Scheme: Kisan Credit Card Scheme detailed in the ensuing paragraphs is to be implemented by Commercial Banks, RRBs, Small Finance Banks and Cooperatives.

Objective / Purpose: The Kisan Credit Card scheme aims at providing adequate and timely credit support from the banking system under a single window with flexible and simplified procedure to the farmers for their cultivation and other needs as indicated below:
To meet the short term credit requirements for cultivation of crops;
Post-harvest expenses;
Produce marketing loan;
Consumption requirements of farmer household;
Working capital for maintenance of farm assets and activities allied to agriculture;
Investment credit requirement for agriculture and allied activities.

Eligibility
i. Farmers - individual/joint borrowers who are owner cultivators;
ii. Tenant farmers, oral lessees & share croppers;
iii. Self Help Groups (SHGs) or Joint Liability Groups (JLGs) of farmers including tenant farmers, share croppers etc.

Fixation of credit limit / Loan amount: The credit limit under the Kisan Credit Card may be fixed as under :
All farmers other than marginal farmers (Farmers with landholding of up to 1 hectare (Marginal Farmers). Farmers with a landholding of more than 1 hectare and up to 2 hectares (Small Farmers).--Scale of finance for the crop (as decided by District Level Technical Committee) x Extent of area cultivated + 10% of limit towards post-harvest/household/ consumption requirements + 20% of limit towards repairs and maintenance expenses of farm assets + crop insurance and/or accident insurance including PAIS, health insurance & asset insurance.

Limit for second & subsequent year-- First year limit for crop cultivation purpose arrived at as above plus 10% of the limit towards cost escalation / increase in scale of finance for every successive year (2nd, 3rd, 4th and 5th year) and estimated term loan component for the tenure of Kisan Credit Card, i.e., five years

For cultivating more than one crop in a year -- The limit is to be fixed as above depending upon the crops cultivated as per proposed cropping pattern for the first year plus an additional 10% of the limit towards cost escalation / increase in scale of finance for every successive year (2nd, 3rd, 4th and 5th year). It is assumed that the farmer adopts the same cropping pattern for the succeeding four years. In case the cropping pattern adopted by the farmer is changed in the subsequent year, the limit may be reworked.

For Marginal Farmers -- A flexible limit of Rs 10, 000 to Rs 50, 000 may be provided (as Flexi KCC) based on the land holding and crops grown including post-harvest warehouse storage related credit needs and other farm expenses, consumption needs, etc., plus small term loan investment(s) like purchase of farm equipment(s), establishing mini dairy/backyard poultry as per assessment of the Branch Manager without relating it to the value of land. The composite KCC limit is to be fixed for a period of five years on this basis.

For detailed master circular on Kisan Credit Card (KCC) Scheme please follow https://rbidocs.rbi.org.in/rdocs/notification/PDFs/04MCKCC030720171E79A08735884C429CF26F5414AB36D9.PDF

Master circular on Deendayal Antyodaya Yojana – National Urban Livelihoods Mission (DAY-NULM)

The Ministry of Rural Development, Government of India launched a new programme known as National Rural Livelihoods Mission (NRLM) by restructuring and replacing the Swarnjayanti Gram Swarozgar Yojana (SGSY) scheme with effect from April 01, 2013. A women's self-help group, coming together on the basis of mutual affinity is the primary building block of the DAY-NRLM community institutional design.

DAY-NRLM focuses on building, nurturing and strengthening the institutions of the poor women, including the SHGs and their Federations at village and higher levels. In addition, DAY-NRLM promotes livelihood institutions of rural poor. The mission provides a continuous hand-holding support to the institutions of poor for a period of 5-7 years till they come out of abject poverty. The community institutional architecture put in place under DAY- NRLM will provide support for a much longer duration and of a greater intensity.

Financial Assistance to the SHGs: Revolving Fund (RF): DAY-NRLM would provide Revolving Fund (RF) support to SHGs in existence for a minimum period of 3/6 months and follow the norms of good SHGs, i.e. they follow ‘Panchasutra’ – regular meetings, regular savings, regular internal lending, regular recoveries and maintenance of proper books of accounts. Only such SHGs that have not received any RF earlier will be provided with RF, as corpus, with a minimum of ₹10,000 and up to a maximum of ₹15,000 per SHG. The purpose of RF is to strengthen their institutional and financial management capacity and build a good credit history within the group.

Capital Subsidy has been discontinued under DAY-NRLM: No Capital Subsidy will be sanctioned to any SHG from the date of implementation of DAY-NRLM.

Community Investment support Fund (CIF)-- CIF will be provided to the SHGs in the intensive blocks, routed through the Village level/ Cluster level Federations, to be maintained in perpetuity by the Federations. The CIF will be used, by the Federations, to advance loans to the SHGs and/or to undertake the common/collective socio-economic activities.

For detailed master circular on Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM), kindly follow on https://rbidocs.rbi.org.in/rdocs/content/pdfs/10MC03072017_AN1.pdf

Master circular on Credit Facilities to Minority Communities

The Government of India has indicated that care should be taken to see that minority communities secure, in a fair and adequate measure the benefits flowing from various Government sponsored schemes. Accordingly, all commercial banks are advised to ensure smooth flow of bank credit to minority communities. A Special Cell should be set up in each bank to ensure smooth flow of credit to minority communities and it should be headed by an officer holding the rank of Deputy General Manager/Assistant General Manager or any other similar rank who should function as a 'Nodal Officer'.

Government of India has also forwarded a list of 121 minority concentration districts having at least 25% minority population, excluding those States / UTs where minorities are in majority (J & K, Punjab, Meghalaya, Mizoram, Nagaland and Lakshadweep). Accordingly all scheduled commercial banks are requested to specially monitor the credit flow to minorities in these 121 districts, thereby, ensuring that the minority communities receive a fair and equitable portion of the credit within the overall target of the priority sector. In terms of Reserve Bank's extant guidelines on lending to priority sector, a target of 40 percent of Adjusted Net Bank Credit (ANBC) or Credit

Equivalent amount of Off Balance Sheet Exposures (OBE), whichever is higher, as on March 31 of the previous year, has been mandated for lending to the priority sector by domestic scheduled commercial banks and foreign banks with 20 and above branches. Within this, a subtarget of 10 per cent of ANBC or Credit Equivalent amount of OBE, whichever is higher, as on March 31 of the previous year, has been mandated for lending to weaker sections which includes, among others, persons from minority communities.

For detailed master circular on Credit Facilities to Minority Communities kindly follow https://rbidocs.rbi.org.in/rdocs/content/pdfs/06MCE03072017_AN1.pdf

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