

RBI/2004/194

RPCD.SP.BC. No. 80 /09.16.01/2003-04

May 8, 2004

The Chairman / Managing Director,
All Indian Scheduled Commercial Banks,
(Excluding RRBs)
- as per list -

Dear Sir,

Bad /doubtful loans under SJSRY – Adjustment of subsidy amount

Please refer to our circular RPCD. SP.BC. No.66 /09.16.01/2001-02 dated March 7, 2002 wherein banks were advised about the accounting procedure for subsidy under the Scheme.

2. In this connection it has been decided that **the subsidy under SJSRY will be back-end subsidy with lock-in period of two years.** The subsidy under the USEP/DWCUA component of SJSRY is to be treated as back ended subsidy and the subsidy amount is to be kept in "Subsidy Reserve Fund Account" and the said amount may be utilized / adjusted towards repayment of the loan at the time of maturity.
3. Banks may further note that while arriving at the project cost (including subsidy amount disbursed to the beneficiary), they should make clear distinction between loan and subsidy component and the interest may be charged only on loan component. In the cases, where subsidy is not given (where the beneficiaries are ineligible for assistance under the scheme), the banks would be liable to return the subsidy amount to Government of India.

4. As regards the treatment to be given to the subsidy portion, held back-ended, when the loan under Swarna Jayanti Shahari Rozgar Yojana (SJSRY), becomes bad / doubtful / long overdue for repayment and in respect of which banks file claim with DICGC, it is clarified that the amount of subsidy may be adjusted against the defaulted loan only at the end of the transaction at the time of closure of the loan provided that
- (i) The loan becomes bad and doubtful of recovery in the circumstances beyond the control of banks
 - (ii) The appraisal procedure for sanction and disbursement of loan, post disbursement supervision etc. are carried out in accordance with the instructions issued by Head / Controlling Offices, and
 - (iii) The loans are not misutilised. In case of misutilisation of loan, the subsidy is required to be refunded / not to be claimed by the banks.
5. Please acknowledge the receipt.

Yours faithfully,

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(G. Srinivasan)
Chief General Manager

Endt: RPCD.SP.BC. No. 09/16/01/2003-04 of date.

Copy forwarded for information and necessary action to :

1. All Regional Offices of Rural Planning and Credit department, Reserve Bank of India.
2. The Jt. Secretary (UPA), Government of India, Ministry of Urban Development, Ministry of Urban Development & Poverty Alleviation, Nirman Bhavan, New Delhi – 1
3. As per Mailing List.

(D. S. Nair)
Dy. General Manager