



RESERVE BANK OF INDIA

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RPCD.SP.BC.No 12 /09.01.01/2009-10

August 24, 2009

The Chairman /Managing Directors
All Scheduled Commercial Banks
(Excluding RRBs)

Dear Sir/Madam,

Increase in exemption of collateral security in respect of individual and group loans under SGSY Scheme

Please refer to our Circulars No.RPCD.SP.BC23/09.01.01/99 -2000 dated September 1, 1999 and [RPCD.SP.BC.113/09.01.01/2002-03](#) dated July 4, 2002 advising the banks about the exemption of secondary collateral security (earlier referred to as collateral security) for individual loans upto Rs 50,000/- and group loans up to Rs. 5 lakh under SGSY Scheme respectively.

It has now been decided to raise the exemption limit of secondary collateral security under SGSY to Rs. 1 lakh from the existing Rs. 50,000/- in respect of individual loans and to Rs.10 lakh from the existing Rs.5 lakh in respect of group loans. Accordingly, for individual loans up to Rs.1 lakh and group loans up to Rs. 10 lakh, the assets created out of bank loan would be hypothecated to the bank as primary collateral (earlier referred to as primary security). In case where movable assets are not created as in land based activities such as dug well, minor irrigation, etc., mortgage of land may be obtained. Where mortgage of land is not possible, third party guarantee may be obtained at the discretion of the bank.

For all individual loans exceeding Rs.1lakh and group loans exceeding Rs. 10 lakh, in addition to primary security such as hypothecation/mortgage of land or third party guarantee as the case may be, suitable margin money/ other collateral security in the form of insurance

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policy; marketable security/ deeds of other property etc. may be obtained at the discretion of the bank. The upper ceiling of Rs.10 lakh in respect of group loans is irrespective of the size of the group or prorata per capita loan to the group.

We advise that we are receiving complaints both from Government of India and certain State Governments that banks are not complying with even the existing norms of exempting individual loans up to Rs.50, 000 and for group loans up to Rs. 5 lakh from taking any secondary collateral. You may kindly consider issuing necessary instructions to your controlling offices/branches to ensure strict compliance with the guidelines.

Please acknowledge receipt.

Yours faithfully,

(Lily Vadera)
General Manager

Withdrawn w.e.f May 13, 2022

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