

Annexure - 9-63

Interest Subsidy Incentive to NHGs for Bank Linkage

Name of Scheme	Interest Subsidy Incentive to NHGs for Bank Linkage
Funding	State Government - NRLM
Eligibility	All Neighbourhood Groups (NHG) affiliated to Kudumbashree Community Development Societies in Rural & Urban areas of Kerala, who obtain bank linkage from Scheduled Commercial or Cooperative banks in the State. Loans taken by the NHGs up to Rs.1 lakh per group will be eligible for support. For NHGs who take loans above Rs.1 lakh, the subsidy support will be limited to Rs.1 lakh. One NHG will be eligible for support under the Scheme only once in a period of 24 months. NHG's that have received Interest Subsidy support under the ongoing Kudumbashree Interest Subsidy Scheme will become eligible for support under this scheme only after closure of their existing loan. NHG's that currently have linkage loans outstanding, but not part of the ongoing Kudumbashree Interest Subsidy Scheme will also be eligible only after they close their existing loan.
Nature of subsidy	Back-ended on annual basis; paid directly to the bank account of the NHG
Amount of subsidy	Rate of interest paid by the NHG to the bank, over and above 7%
Method of subsidy administration	^ NHG's will obtain bank linkage as per existing norms. ^ They will repay principal and interest as per the terms and conditions agreed with the bank. ^ At the end of 12 months of repayment (typical loans are sanctioned for a 36-month tenure), the subsidy on interest component (actual interest paid minus interest at 7%) will be paid by Kudumbashree to the bank account of the NHG. ^ In order to be eligible for the subsidy, the NHG shall have paid at least 10 of the 12 instalments of repayment (principal + Interest) or balance O/s at the end of the year should be less than or match the loan outstanding (for proper repayment) at the end of the year. ^ At the end of 24 months, the subsidy component will be paid for the second year, provided the NHG has paid 22 of the 24 instalments due to the balance O/s at the end of the year should be less than or match the loan outstanding (for proper repayment) at the end of the year. ^ At the end of 36 months, the subsidy component will be paid for the third year, provided the NHG has paid back the loan in full ^ Any NHG which repays the loan in full before end of 24 months, will receive only the subsidy component eligible for two years. They will not be eligible for the subsidy component for year 3. ^ Any default in repayment by the group at any stage of the loan will make it ineligible for receiving any subsidy (subject to the grace period provided for Year 1 and 2)

Responsibility for subsidy administration	⤴ The Kudumbashree District Mission will provide the subsidy support to the NHG ⤴ District Missions will administer the subsidy scheme four times a year (by 20th of April, July, October and January each year) ⤴ All NHG loans that become due for subsidy support during a given quarter will be considered for release of subsidy by the 20th of the month immediately after the end of the quarter (e.g.: loans completing 12/24/36 months in February of a year will be paid the subsidy by 20th April) ⤴ Kudumbashree State Mission will develop an appropriate software that will process the data and generate necessary reports to support administration of the scheme ⤴ Appropriate application forms and review forms will be developed by Kudumbashree to facilitate implementation of the scheme
Financial Outlay needed	⤴ The financial outlay needed for the scheme has to be calculated by assuming values for three variables – loan amount, actual rate of interest charged by banks, and number of NHGs that will claim subsidy support. Calculations are shown below. ⤴ The total outlay needed for the Scheme, assuming that 50% of the NHGs in Kerala will be covered over the next three years, will be about Rs.62 Crore in three years. An amount of only Rs. 70 Crores is provided for Interest Subsidy under NRLM over a period of seven years. Hence the State Government will also require to support Kudumbashree Mission.
Monitoring	⤴ The online MIS system to be developed will be used for monitoring of the Scheme on a regular basis. CDS-level and District-level review will be the responsibility of the Kudumbashree District Mission. The State Mission will conduct monthly review meetings.