

SHG Bank Linkage



F - Frequently
A - Asked
Q - Questions

Q.1: - Where a SHG can open Saving Bank Account in the bank?

Ans: - SHG can open saving account with any nearest bank branch.

RBI master circular on Micro Credit No RBI/2010-11/407, RPCD. FID. BC.No. 53 / 12.01.001/ 2010-11 date 14 Feb., 2011.

Q. 2: - Is it necessary that the bank branch should be in the service area?

Ans: It is not necessary that the branch should be within service area.

Q. 3: - Is it necessary for the SHG to be registered for opening of the Saving Bank Account?

Ans: - Registration of SHG is not necessary for opening of the saving bank account. SHG may or may not be registered.

RBI master circular on Micro Credit No RBI/2010-11/407, RPCD. FID. BC.No. 53 / 12.01.001/ 2010-11 date 14 Feb., 2011.

Q.4: - What are documents required for opening of the saving bank account with the Bank?

Ans: - Following documents are required for opening of the saving bank account:

- **Account opening Form**
- **Resolution of the SHG for opening of saving bank account with the Bank and authority to office bearers to open and operate the account.**
- **Instructions for operation of the account. It may be either by any two office bearers or otherwise as deemed fit by the members.**
- **Two/three Passport size, colored photographs of Office bearers.**
- **KYC of the Office bearers.**
- **Seal of the SHG.**

KYC documents of the office bearers for identification and address proof are required. RBI master circular on KYC No. RBI/DBR/2015-16/18 Master Direction DBR.AML.BC. No.81/14.01.001/2015-16 dated February 25, 2016 (Updated as on May 10, 2021) clause 43 page 33

(Passport/driving license/Aadhar card/voter Identity Card/Job card/any other document acceptable to the Bank. If e-KYC of office bearers is done by the Bank, no other documentary proof other than Aadhaar card is required)

Q.5: - What type of saving bank account should be opened by the SHG with the Bank?

Ans: - The account can be Basic Saving Bank Deposit Account or normal Saving Bank Account. However, it is better if normal saving bank account is opened to avoid confusion at a later stage as there are certain restrictions on deposits, withdrawals, and balance limit in Basic Saving Bank Deposit Account.

Q.6: - Whether PAN No is required for opening of the saving bank account of the SHG with the Bank?

Ans: - PAN No is not necessary for opening bank account of the SHG instead FORM 60 must be furnished.

As per Central Board of Direct Taxes Notification dated 6th January, 2017, the details of the SHG members must be furnished in column 18 of the FORM 60.

Q. 7: - Do KYC of all members is required to open saving account of SHGs?

Ans: - No. 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.

RBI master circular on KYC No. RBI/DBR/2015-16/18 Master Direction DBR.AML.BC. No.81/14.01.001/2015-16 dated February 25, 2016 (Updated as on May 10, 2021) clause 43 page 33

Q.8: - Whether presence of all SHG members is required in the Bank branch at the time of opening Saving Bank account of the SHG?

Ans: - No, presence of all the SHG members is not required at the time of opening of the account of the SHG. Only office bearers' presence is sufficient for KYC requirement.

RBI master circular on KYC No. RBI/DBR/2015-16/18 Master Direction DBR.AML.BC. No.81/14.01.001/2015-16 dated February 25, 2016 (Updated as on May 10, 2021) clause 43 page 33

Q.9: - When the saving account should be opened with the Bank.

Ans: - Saving account of the SHG should be opened with the Bank within two months of the formation of the SHG.

Q. 10: - Which date should be considered for the formation of the SHG?

Ans: -The date of resolution on formation of SHG should be considered as the first date for all purposes (As noted in the minutes Register).

Q.11: - Does authorization letter require from Govt/Gram Panchayat to open savings account of SHGs?

Ans: No, authorization letter from GP/BDO/Any other Govt. Department is not required to open the saving bank account of the SHG.

Q.12: - If no dues/no objection certificate is required for obtaining Bank loan?

SHGs are not required to obtain No dues/no objection certificate for Bank loan.

RBI circular No RBI/2020-21/05 FIDD.CO.LBS.BC. No.1/02.01.001/2020-21 July 01, 2020 item 8.1 page 30

Q.13: - What are the eligibility criteria for the SHG to avail Bank loan?

Ans: - The following conditions should be fulfilled for availing bank loan: -

- 1. The SHG should be in active existence at least since the last for 6 months as per the Books of account of SHG and not from the date of opening of SB account.**
- 2. SHG should be practicing Panchasutras i.e., Regular Meetings, Regular savings, regular inter-loaning, Timely repayment, and up-to date books of accounts.**
- 3. Qualified as per the Grading norms fixed by NABARD. As and when the federations of the SHGs come to existence, the grading exercise can be done by the Federation to support the Banks.**
- 4. The existing defunct SHGs are also eligible for credit if these are revived and continue to be active for a minimum period of three months.**

RBI master circular No RBI/2024-25/20 FIDD.GSSD.CO.BC. No.03/09.01.003/2024-25 April 16, 2024, page 4 item No. 7.3.1.

Q. 14: - If KYC of all members of SHG is required at the time of availing loan from the Bank?

Ans: - Bank may undertake KYC verification of all the members in the SHG at the time of credit linking of SHGs.

RBI master circular on KYC No. RBI/DBR/2015-16/18 Master Direction DBR.AML.BC. No.81/14.01.001/2015-16 dated February 25, 2016 (Updated as on May 10, 2021) clause 43 page 33

Q. 15: - Whether opening of accounts of all members of SHG is required at the time of credit Linkage?

Ans: - Opening of saving accounts of all the members of the SHG shall not be made a prerequisite for credit linkage of SHGs by the banks.

RBI master circular No RBI master circular No RBI/2023-24/20 FIDD.GSSD.CO.BC. No.07/09.01.003/2023-24 April 26, 2023, page 3 item No. 7.1 (iv).

Q.16: - If the existing defunct SHGs are also eligible for Bank loan?

Ans: - The existing defunct SHGs are also eligible for credit if they are revived and continue to be active for a minimum period of three months.

RBI master circular No RBI/2024-25/20 FIDD.GSSD.CO.BC. No.03/09.01.003/2024-25 April 16, 2024, page 4 item No. 7.3.1(iv).

Q.17: - What is the margin and collateral security required for Bank loan?

Ans: - No margin or collateral is required up to Rs. 10.00 lakh limits to the SHGs.

RBI master circular No RBI/2024-25/20 FIDD.GSSD.CO.BC. No.03/09.01.003/2024-25 April 16, 2024, page 7 item No. 7.3.6(i).

For loan of more than Rs. 10 lakhs and up to Rs. 20 lakhs, Guarantee cover under CGFMU is available and a margin of not more than 10% of the loan amount exceeding Rs. 10 lakhs are required.

RBI master circular No RBI/2024-25/20 FIDD.GSSD.CO.BC. No.03/09.01.003/2024-25 April 16, 2024, page 7 item No. 7.3.6(ii)

Q.18: -Whether Bank can mark lien or block saving Bank account of the SHG while making finance to the SHGs?

Ans: - Bank cannot mark lien against Saving Bank account of the SHG and no deposits can be insisted upon while sanctioning loan.

RBI master circular No RBI/2024-25/20 FIDD.GSSD.CO.BC. No.03/09.01.003/2024-25 April 16, 2024, page 7 item No. 7.3.6(i).

Q.19: -Can branch deduct/debit amount (either from loan or saving) of the SHG if spouse of members is defaulter of earlier schemes?

Ans: - Branch cannot debit SHG account either savings or loan if the spouse of any member is defaulter of earlier schemes.

Q.20: - What are the processing charges and service charges of the Banks for SHG loans?

Ans: No loan related charges/ad hoc services charges/inspection charges should be levied for loan up to Rs. 25,000 per member for the loans to the SHG and not to the group as a whole.

R B I Master circular on SHG Bank Linkage No. RBI/2024-25/05 FIDD.CO.FID.BC. No.1/12.01.033/2024-25 April 01, 2024 clause 7 page 4.

Q.21: - What constitutes the Corpus of the SHG?

Ans: As shown in the books of the SHG, Corpus of the SHG includes: -

- **Savings of the members**
- **Interest earnings by SHG from on lending to its members**
- **Revolving Fund**
- **Income from other sources**
- **Funds from other sources including donations**

RBI master circular No RBI/2024-25/20 FIDD.GSSD.CO.BC. No.03/09.01.003/2024-25 April 16, 2024, page 6 item No. 7.3.3(iv).

Q.22: - Can earlier loan defaulters be members of the SHGs?

Ans: Members who have availed loans earlier from the financial system and could not repay their dues can be admitted as a member of the SHG but they cannot avail any loan from SHG out of the Bank Finance.

Q.23: - Can SHGs having defaulters as members avail loan from the Banks?

Ans: -Willful defaulters of the group should not get benefits under DAY-NRLM Scheme and group may be financed excluding such defaulters. The bank will finance based on the loan requirement of other SHG members who are not willful defaulters.

RBI master circular No RBI/2024-25/20 FIDD.GSSD.CO.BC. No.03/09.01.003/2024-25 April 16, 2024, page 8 item no. 7.3.7.

Q.24: - Can bank deny loan to the SHG if spouse or any other member of the family is defaulters of the Bank.

Ans: - Banks should not deny loan to entire SHG on the pretext that spouse or other family members of individual members of SHG being a defaulter with the Bank. Non willful defaulters should not be debarred from receiving the loan.

RBI master circular No RBI/2024-25/20 FIDD.GSSD.CO.BC. No.03/09.01.003/2024-25 April 16, 2024, page 8 item no. 7.3.7.

Q. 25: - Will SHG be able to raise only one type of loan i.e., either Term Loan or CCL?

Ans: - SHGs can avail Term Loan or CCL or both as per their requirement. In case of need, additional loan can be sanctioned even though the previous loan is outstanding.

RBI master circular No RBI/2024-25/20 FIDD.GSSD.CO.BC. No.03/09.01.003/2024-25 April 16, 2024, page 5 item no. 7.3.3(ii).

Q. 26. Is it essential for the SHG to deposit entire saving in the bank to avail Bank Loan?

Ans: - No Bank cannot insist on depositing Savings of the members in the Bank or take Savings as Collateral.

Q.27: - Is it mandatory for the SHG to avail loan from the bank for the productive purposes only?

Ans: - The loans may be used by the members for meeting social needs, high-cost debt swapping, construction or repair of house, construction of toilets and taking up sustainable livelihood activities by the individual members within the SHG or to finance any viable common activity started by the SHGs.

In order to facilitate use of loans for augmenting livelihoods of SHG members, it is required that at least 50% of loans above Rs. 1 lakh ,75% of the loans above Rs. 4 lakhs and 85% of the loan above Rs. 6 lakhs be used primarily for income generating productive purposes. MCP prepared by SHGs would form the basis of determining the purpose and usage of loans.

RBI master circular No RBI/2024-25/20 FIDD.GSSD.CO.BC. No.03/09.01.003/2024-25 April 16, 2024, page 7 item no. 7.3.5(ii).

Q. 28: - What is the amount of stamp duty to be charged by the banks for loans to SHGs?

Ans: Stamp duty is under State jurisdiction and can be clarified by the State with the help of the SLBC. In most of the states, stamp duty on loan documents for the SHGs has been waived. States can take the matter at the appropriate level for exemption of stamp duty.

Q. 29: - Are there any penal interest charges by the bank on SHG loan accounts?

Ans: There is no penal interest for loan up to Rs. 25000/- per member as loans to SHGs are considered as Loans to Weaker Section under Priority Sector.

Q.30: -Can loan Pass Book be issued to the SHGs by the Banks?

Ans: Loan Pass Books in the Regional Languages may be issued to the SHG which may contain all the details of the loan disbursed and terms and conditions applicable to the loan sanctioned.

RBI master circular No RBI/2024-25/20 FIDD.GSSD.CO.BC. No.03/09.01.003/2024-25 April 16, 2024, page 8 item no. 7.3.8(i).

Q.31: -Can a Bank sanction more than Rs. 1.5 lakh loan to the SHG in the First Year/First Dose?

Ans: Drawing Power for the first year in case of Cash Credit Limit is 6 times of the existing corpus or minimum Rs. 1.5 lakh whichever is higher and in case of Term Loan the first dose is 6 times of the existing corpus or minimum Rs. 1.5 lakh whichever is higher. Thus, the loan amount for the first year or first dose may be more than Rs. 1.5 lakh in the First Year/1st dose.

RBI master circular No RBI/2024-25/20 FIDD.GSSD.CO.BC. No.03/09.01.003/2024-25 April 16, 2024 page 5 item no. 7.3.3(iii) (a).

Q.32: - What is the repayment period of the Term Loan taken by the SHG?

Ans: Term Loan Repayment schedule could be as follows:

- The First dose of loan may be repaid in 24-36 months in monthly/Quarterly Instalments.
- The Second dose of loan may be repaid in 36-48 months in monthly/Quarterly instalments.
- The Third dose of loan may be repaid in 48-60 months based on the cash flow in monthly/Quarterly instalments.
- The loan from Fourth dose onwards may be repaid between 60-84 months based on the cash flow in monthly/ quarterly installment

RBI master circular No RBI/2024-25/20 FIDD.GSSD.CO.BC. No.03/09.01.003/2024-25 April 16, 2024, page 7 item no. 7.3.5(iii).

Q. 33: - Whether credit facilities to individual SHG members are also available from Banks and if so, details thereof?

Ans: Yes, individual SHG members can also avail loan from the Banks up to Rs. 10 lakhs for expanding/undertaking enterprises as per their lending policy.

RBI master circular No RBI/2024-25/20 FIDD.GSSD.CO.BC. No.03/09.01.003/2024-25 April 16, 2024, page No 6 clause 7.3.4.