

# A Handbook on SHG - Bank Linkage



## **DAY – NRLM**

**Deen Dayal Upadhyay Antyodaya Yojana – National Rural Livelihoods Mission**

Ministry of Rural Development, Government of India

6th Floor, Hotel Samrat, Kautilya Marg, Chanakyapuri, New Delhi - 110021



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## **MESSAGE**

This Department through Deendayal Antyodaya Yojna – National Rural Livelihood Mission is focused on eliminating rural poverty through economic empowerment of poor and creating sustainable livelihood. This is a unique attempt to augment social, human, Natural, Financial and Physical Capital; build capacity and enable institutions of poor to emerge as vehicles for larger social and economic change necessary for inclusive growth. In this context financial inclusion is an essential component of the entire inclusive development process of the rural poor.

Meaningful inclusion of the poor in the formal financial system is one of the key mandate for the mission. DAY-NRLM works on both demand and supply sides of financial inclusion. On the demand side, it promotes financial literacy among the poor and provides catalytic capital to the SHGs and their federations. On the supply side, the mission coordinates with the financial sector to deliver credit and related services to SHGs and their federations. It also works towards universal coverage of rural poor against life, health and asset related individual and community level risks.

Reserve Bank of India is issuing guidelines on SHG Bank Linkage Programme and DAY – NRLM and the Mission also provides hand holding support to the SHGs. It has been observed that various field functionaries do not find comprehensive material at one place and has to search at different level. Keeping in view the difficulties faced by them, DAY-NRLM has developed a Handbook on SHG Bank Linkage for building capacities of Self Help Groups, their federations, mission functionaries, and bank officials. I am sure that it all contributes to furthering the objectives of DAY-NRLM and will be of immense use to all stakeholders.

September 04, 2017

(Amarjeet Sinha)  
4 September 2017





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#### **FORWARD**

Deendayal Antyodaya Yojana – National Rural Livelihoods Mission (DAY-NRLM) is the Government of India's flagship programme for the alleviation of rural poverty. The central objective of the DAY-NRLM is to catalyze increase in household incomes for elimination of rural poverty through innovative implementation strategies involving mobilization and organizing rural poor into institutions building, access to formal financial services and fostering convergence with other programmes to enable the poor to augment and sustain their livelihoods.

DAY-NRLM has been focusing on Financial Inclusion and SHG Bank Linkage for members and leaders of SHGs and Federations, SRLM Staff and Bank Officials through comprehensive capacity building initiatives.

This Handbook is primarily intended to guide the frontline NRLM functionaries to facilitate opening of bank accounts for SHGs and enabling them access to repeat doses of credit. I would like to put on record the hard work and contributions received from the DAY-NRLM, NMMU unit, NRLM (RC), NIRD&PR and SRLMs.

I recommend our State Rural Livelihoods Missions to utilize this Handbook for training in Financial Inclusion – SHG Bank Linkage for all its capacity building programmes and welcome your feedback based on field learning.

  
(Atal Dulloo)



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## **Abbreviations Used**

AGM	Assistant General Manager
BK	Bookkeeper
BLBC	Block Level Bankers Committee
BLF	Block Level Federation
BMMU	Block Mission Management Unit
BPM	Block Project Manager
CBO	Community Based Organization
CC	Community Coordinator
CEO	Chief Executive Officer
CIF	Community Investment Fund
CLF	Cluster Level Federation
CRP	Community Resource Person
DCC	District Consultative Committee
DDM	District Development Manager
DLCC	District Level Coordination Committee
DLRC	District Level Review Committee
DMMU	District Mission Management Unit
DPM	District Project Manager
FI	Financial Inclusion
GoI	Government of India
IRDPA	Integrated Rural Development Project
LDM	Lead Bank Manager
MCP	Micro Credit Plan
MIP	Micro Investment Plan
MoRD	Ministry of Rural Development
MoU	Memorandum of Understanding

NABARD	National Bank for Agriculture and Rural Development
NGO	Non Governmental Organization
NOC	No Objection Certificate
NRLM	National Rural Livelihoods Mission
NSSO	National Sample Survey Organization
OBs	Office Bearers
PFT	Project Facilitation Team
RBI	Reserve Bank of India
RF	Revolving Fund
SB A/c	Saving Bank Account
SGSY	Swarnajayanthi Gram Swarozgar Yojana
SHG	Self Help Group
SLBC	State Level Bankers' Committee
SMMU	State Mission Management Unit
SPM	State Project Manager
SRLM	State Rural Livelihoods Mission
VO	Village Organization
VRF	Vulnerability Reduction Fund



## Chapter - 1: Introduction

1.1 Access to finance by the rural poor and vulnerable groups is an essential pre-requisite for poverty reduction and sustainable development. The Government of India has implemented several policies such as Nationalization of Banks, Lead Bank Scheme, Regional Rural Banks, Service Area Approach and financing of SHGs, for promoting the access of the rural poor to institutional finance. However, the share of the rural poor in the bank credit continues to be very low. Lending the rural poor continues to be considered as risky by the banks. One of the important reasons for this situation is the lack of an effective credit delivery mechanism for the poor, besides limited outreach and coverage. It is in this context that the National Rural Livelihoods Mission (NRLM) has taken up the task of promoting financial inclusion of the rural poor. Financial inclusion of the rural poor implies delivery of financial services at an affordable cost. The various financial services include credit, savings, insurance and payments and remittance facilities. NRLM has been implementing various interventions to facilitate the access of the rural poor to these services. Important among these services are:

- Opening of saving bank accounts for the SHGs of the poor;
- Facilitating SHGs to access adequate bank credit to meet both consumption and production needs; and
- Provision of insurance services.
- Pension products

1.2 This handbook is primarily intended to guide the frontline NRLM functionaries to facilitate opening of savings bank accounts for SHGs, and enabling their access to repeat doses of credit.

1.3 This handbook is presented 9 Chapters. As part of introduction, *Chapter-1* presents evolution of concept of financial inclusion. *Chapter-2* presents the roles and responsibilities of Mission units and community institutions in promoting financial inclusion. The importance of building an inventory of SHGs is outlined in *Chapter-3*. The sources of funding available to the community institutions are briefly outlined in *Chapter-4*. *Chapter-5* traces the importance of grading SHGs and the mechanism of grading. *Chapter-6* presents brief discussion of SHG bank linkage covering both opening of savings bank account and credit linkage. Formats for monitoring SHG bank linkage are presented in *Chapter-7*. The importance of environment and capacity building is outlined in *Chapter-8*, while Frequently Asked Questions are presented by *Chapter-9*. The handbook presents several useful circulars and guidelines as annexure to the report.

### Evolution of Financial Inclusion

1.4 The objective of financial inclusion is to extend the scope of the organized financial system to include within its ambit, people with low incomes. It is a process of ensuring access of the poor to appropriate financial products and services at affordable cost. Based on NSSO data, the Rangarajan Committee on Financial Inclusion revealed that about 51% of the total households in the country did not have access to credit either from institutional or non-institutional sources. Further, the committee reported that only 27% of the farm households were found borrowing from the formal sources. The proportion of farmers borrowing from the institutional sources in the North-Eastern, Eastern and Central



Regions was significantly lower. The non-farm households in the rural areas had a still lower access to institutional finance. The Scheduled Castes and the Scheduled Tribes suffered a still great exclusion. The poorer the social group, the greater is the exclusion.

## **Nationalization of Banks**

1.5 Recognizing that financial inclusion can be substantially enhanced by improving the supply side or the delivery system, the Government of India (GOI) has undertaken several steps. Prior to Nationalization of Banks, except the State Bank of India, all other banks owned and operated by the private sector had limited number of bank branches in the rural areas. Further, the share of the poor and low income segments in the bank credit was very limited. In order to facilitate branch banking and ensure more equitable and purposeful distribution of credit, the Government of India nationalized 14 major commercial banks in July, 1969. The Lead Bank Scheme started in 1969 under which one of the commercial banks acts as a lead bank in each district and coordinates the activities of other financial institutions also resulted in development of banking in rural areas. Encouraged by the early results from nationalization of banks and other initiatives in terms of expansion of banking infrastructure and improvement in priority sector lending, the GOI nationalized 6 more banks in 1980. These early steps have resulted in rapid expansion in bank branches in the semi-urban and rural areas and a rise in credit to the agriculture and rural sectors.

## **Setting-up of Regional Rural Banks**

1.6 However even after nationalization of nature banks, the flow of credit to the rural areas in general and the small and marginal farmers, artisans and other segments of rural population in particular continued to remain low. This led to the GOI passing the Regional Rural Banks Act in 1975, which resulted in the creation of a vast network of rural banks in the country with the primary purpose of providing credit and other financial services to the rural areas in general and the small and marginal farmers and other rural poor in particular.

## **Establishment of NABARD**

1.7 The decade of 80s saw launch of several anti-poverty programmes like IRDP in which banks were expected to participate by lending required credit to the poor beneficiaries at affordable rates. However, it was found that the banks were not delivering the required credit services due to various supply and demand side constraints. This in turn led to the realization that there was need for promoting an apex financial institution to promote agriculture and rural development, combining the role of supervision, monitoring, refinance, and even market intervention. Thus, the National Agriculture and Rural Development Bank (NABARD) came into being with effect from 1982, as an apex financing agency for the institutions providing investments and production credit in rural areas.

## **SHG Movement**

1.8 The decade of 1990s, witnessed a rapid SHG movement. The setting-up of NABARD and the introduction of SHG-bank linkage programme by NABARD acted as a catalyst for the development of SHGs. Recognizing the role of SHGs, the RBI issued a circular permitting the banks to lend SHGs of women. However, during the decade, SHG lending by banks was primarily subsidy driven and target oriented.



## SGSY

1.9 This period witnessed a strategic shift in the development programmes - moving from direct targeting of individuals to a group oriented approach (e.g., from IRDP to SGSY). This period also witnessed a significant growth in direct lending to SHGs by the banks as a result of implementation of SHG-centric poverty alleviation programmes by several state governments, notably Andhra Pradesh and Kerala. During the decade, several NGOs have also up-scaled their SHG programme in several parts of the country. In spite of these initiatives, SHG movement in the country has been highly uneven and the associated credit disbursement skewed in favour of the Southern States which accounted for about 75% of the total credit advanced to SHGs.

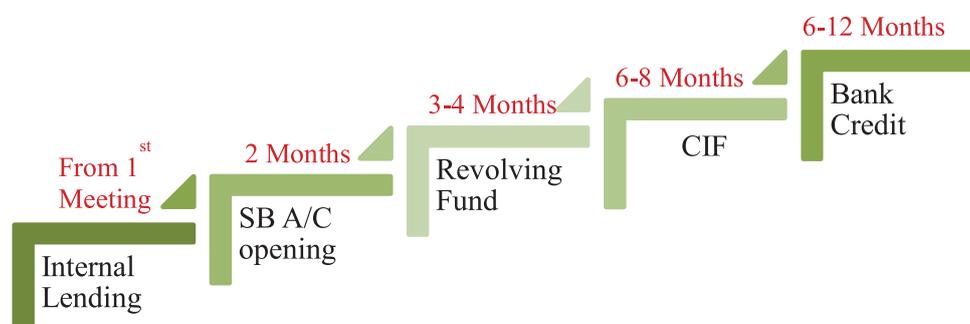
## NRLM

1.10 With a mission to eradicate poverty in a time bound manner, the Ministry of Rural Development, Government of India launched National Rural Livelihood Mission (NRLM) in 2011 by restructuring Swarnajayanti Gram Swarozgar Yojana (SGSY). NRLM works towards achieving universal financial inclusion of all the poor households which are organized into SHGs. NRLM works on both demand and supply sides of financial inclusion. On the demand side, it promotes financial literacy among the poor and provides catalytic capital to the SHGs and their federations. On the supply side, NRLM coordinates with the financial sector to deliver credit and related services to SHGs and their federations. It also works towards universal coverage of rural poor against life, health and asset related individual and community level risks.

1.11 According to the latest NABARD Annual Report, 45% of the SHGs in the country have not been able to get access to credit linkage even once. NRLM seeks to bridge this gap by collaborating with financial institutions. NRLM aims at making poor, the preferred clients of banking system and help them mobilize adequate bank credit for meeting both consumption and production requirements.

1.12 The SHG-Bank Linkage Programme is the key strategy for delivering financial services to the poor in a sustainable manner. As at the end of March 2017, as many as 46.5 lakh SHGs were credit-linked with banks, benefiting more than 510 lakh poor households, while the goal of NRLM is to benefit about 7 Crore households during the next 7 to 8 years.

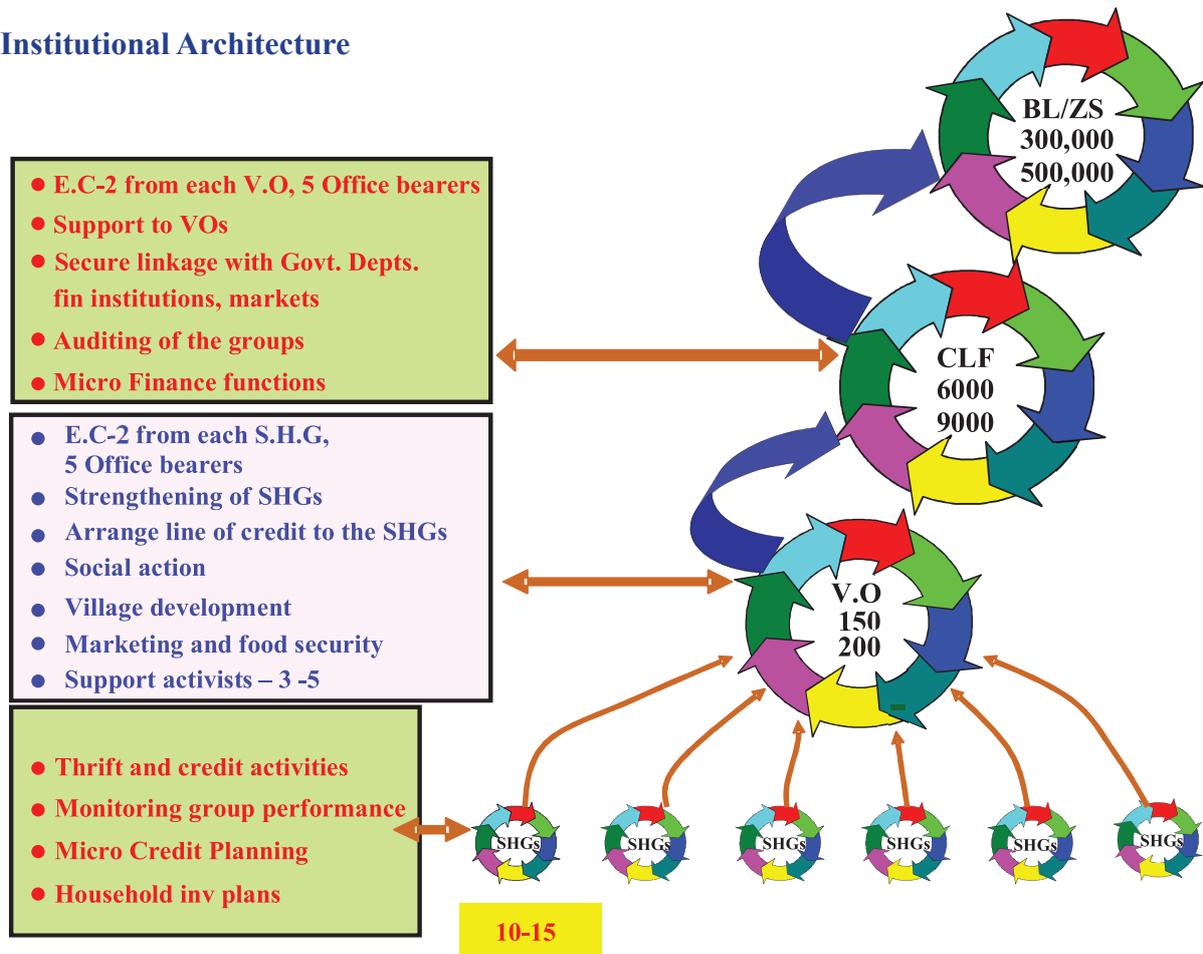
**Figure - 1.1: Capitalization of a Self Help Group under NRLM**



*Savings & Internal Lending are continuous activities of SHG and is an essential DN of a 'Good Group'*

## Chapter - 2: Institutional Architecture

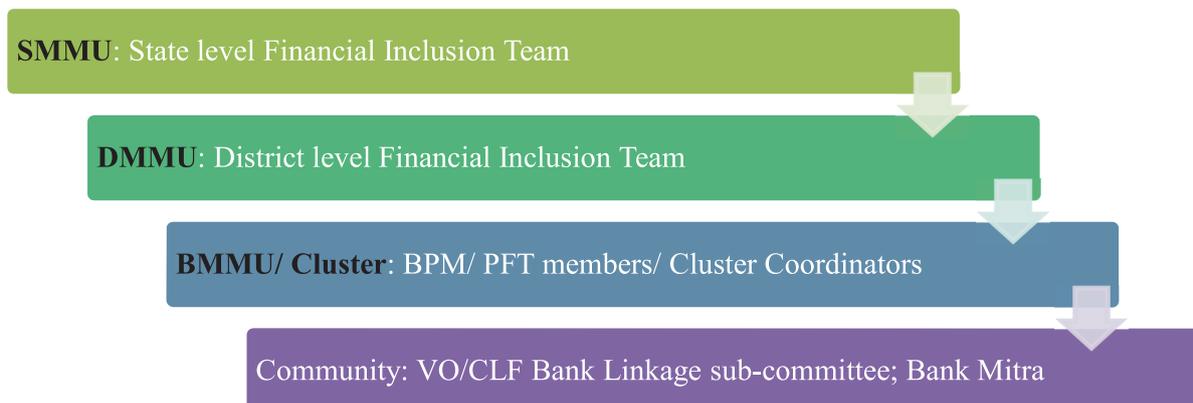
### Institutional Architecture



### Implementation Architecture

2.1 Promotion of financial inclusion through SHG bank linkage requires support from the Mission units at all levels. In order to provide such support, the Mission units need to position professionals with relevant qualifications. An attempt is made in the following to outline the functional roles and responsibilities of each unit in the promotion of financial inclusion/SHG bank linkage.

**Figure-2.1: Institutional Architecture**





## State Mission Management Unit (SMMU)

2.2 The primary role of the State Mission Management Unit (SMMU) is to facilitate, enhance, monitor and evaluate the SHG credit linkage in the state. It is recommended that the SMMU positions at least one FI professional at the state level (State Project Manager-Financial Inclusion (SPM-FI)) to support and oversee SHG bank linkage and other FI tasks in the State. As outreach of the State Mission increases, additional staff may be hired.

### Suggested Profile of SPM-FI

2.3 The SPM-FI must have at least 10-12 years of relevant experience and must be well versed with SHG programme and banking operations and should have worked with community institutions.

### Functional Responsibilities of SPM-FI

2.4 The functional responsibilities of SPM-FI include:

- Preparation of State Annual Financial Inclusion Plan and Perspective plan for SHG-Bank Linkage;
- Preparation of strategies and operational plan for financial inclusion of poor;
- Monitoring and review SHG credit linkage performance at the state level;
- Development of knowledge products and capacity building modules;
- Represent State Mission on SLBC sub-committees and other state level forums;
- Liaise and build relationship with different stakeholders – leading banks operating in the state, SLBC, state government departments *etc*; and
- Initiate new projects/innovations for achieving universal financial inclusion.

## District Mission Management Unit (DMMU)

2.5 Each DMMU should appoint at least one District Manager–FI to promote Financial Inclusion. The District Manager – FI may be supported by consultants, preferably retired bankers.

### Profile for District Manager-FI

2.6 The DPM-FI must have at least 7-8 years of relevant experience and must be well versed with SHG programme and banking operations and must have worked with community institutions.

### Functional Responsibilities of DPM-FI

2.7 The functional responsibilities of DPM-FI include:

- Preparation of district level annual plan for SHG bank linkage;
- Monitoring and review the performance of block teams for effective implementation of the financial inclusion activities and SHG bank linkage;
- Identification and resolution of operational issues in SHG bank linkage, with the support of state team;
- Participation in DLCC meeting to promote NRLM agenda of SHG-bank linkage and interest subvention scheme with the support of bankers; and
- Capacity building and training of the block and sub-block teams in SHG bank linkage.



## Block Mission Management Unit (BMMU)

2.8 The BMMU is the unit for implementing all financial inclusion related activities at the field level. However, at the BMMU, the FI tasks are to be shared by all cluster coordinators/community coordinators. The BPM is expected to take a lead role and coordinate all FI activities.

## Functional Responsibilities of BMMU/BPM

2.9 The functional responsibilities of BMMU/BPM include:

- Facilitate opening of bank accounts for SHGs;
- Facilitate grading and assessment of the SHGs formed;
- Facilitate preparation of MCP;
- Monitor and facilitate utilization of funds given to community institutions;
- Impart training and capacity building to community institutions, active women, Bank Sakhis/ Mitras *etc*;
- Participate in the BLBC meetings and meeting with different block level stakeholders for relationship building with the bankers;
- Identify and resolve the FI issues with bank branches, SHGs, community staff and block professional staff; and
- Document and monitor block level performance of SHG bank linkage.

## Community Level Architecture

2.10 Community institutions need to play an important role in the promotion of financial inclusion. Based on the successful experience of certain states, it is recommended that every BMMU promote:

- Bank linkage sub-committees in each Village Organization and Cluster federation; and
- Community cadres like – ‘Bank Sakhi.

## Bank Linkage Sub-Committee of Village Organization

2.11 The size, composition and functional responsibilities of bank-linkage sub-committees are outlined below:

- **Size:** 3-5 members
- **Eligibility criteria of sub-committee members:**
  - Members should be from ‘Grade-A’ SHGs;
  - SHGs should have received at least one cycle of bank loan;
  - Members should have good credit history;
  - Members should be strong enough follow up with defaulting SHGs/ members;
  - Members should be willing to spare time for sub-committee tasks; and
  - Preference may be given to literate members.
- **Management of the sub-committee**

The sub-committee members should meet at least once a month (other than regular VO meeting). The local bank branch manager should be invited to the meeting.
- **Term of the sub-committee members**

The members of the sub-committee should be changed at least once in two years



### ▪ Functions of the sub-committee

The sub-committee will undertake:

- Preparation of SHGs for bank linkage
- Provide documentation support for bank linkage which in turn involves the following tasks:
  - Liaise with bank branch managers;
  - Facilitate passage of resolution by SHG for bank a/c opening and applying for bank credit;
  - Support SHG in documentation;
  - Verify loan utilization;
  - Monitor repayment of bank loan; and
  - Negotiate with bank manager on repayment schedule in case of genuinely difficult reasons faced by SHGs.
- Report to the VO on a monthly basis:
  - No. of SHGs credit linked to bank during the month;
  - SHG-wise repayment status to bank; and
  - Plan for SHG bank-linkage for next month.

*A similar sub-committee should be constituted at the CLF level to support and monitor the functioning of VO level sub-committees.*

### **Bank Sakhi**

2.12 Experience of the states which have achieved significant progress in SHG-Bank Linkage reveals that use of community level resource persons or Bank Sakhis has been extremely useful. The criteria for selection of Bank Sakhis and the potential functional responsibilities that they can play in promoting bank linkage are outlined below:

#### **Who can be a Bank Sakhi**

- A woman SHG member for at least 12 months;
- Preferably in the age group of 22-45 years;
- Preferably a literate person with a Minimum 10<sup>th</sup>/8<sup>th</sup> standard pass (Good in writing and reading skills);
- Representative of the community but not the bank.

#### **Who Should Select Bank Sakhi?**

2.13 Bank Sakhi should be selected by VO. In case VO is not formed, she should be selected by an informal committee with representatives drawn from different SHGs.



## Responsibilities of a Bank Sakhi

2.14 The key responsibilities of Bank Sakhi are as follows:

- Whenever leaders of SHGs/ members of SHG visit the bank to deposit/ withdraw money, the bank Sakhi
- Should help the SHGs in:
  - Filling transaction slips/ bank challans; and
  - In accounting of cash – segregation by denomination
- Whenever leaders of SHGs/ members of SHG visit the bank for linkage, the Bank Sakhi should help the SHGs in:
  - Completing documentation formalities for account opening and filling in loan application;
  - Opening of individual accounts of the members in the bank; and
  - Assisting SHGs in seeking other financial services from the bank.
  - Aadhar seeding
  - Mobile seeding
- As a trainer, Bank Sakhi should:
  - Spread awareness among SHGs on credit linkage, terms and conditions of loans including interest rate and repayment schedule and interest subsidy; and
  - Educate the group members on bank procedures, other schemes and programmes involving the bank.
  - Insurance
  - Pension
  - Remittances
- Bank Sakhi should also help the bank linkage sub-committee in the following:
  - Maintenance of SHG bank linkage details;
  - Assisting VOs in monitoring SHG repayment to banks; and
  - Collection of over-due statements from banks.

## Payment of Honorarium to Bank Sakhi

2.15 Bank Sakhi is a resource person working for the Community Institutions (VO or CLF). As such, payment of honorarium should be made to Bank Sakhis by the CBOs receiving their services and not by the Mission units. It should be ensured that all Bank Sakhis are paid honorarium for the number of days that they work. However, as the CBOs may not have adequate surpluses in the initial period, the SRLM may provide some funding support to the CBOs such that they pay some honorarium to the *Bank Sakhis*. But such contribution should be routed through CBOs and not directly paid to individual *Bank Sakhis*

2.16 Bank Sakhi may be paid from the earning of the community institutions from the following sources:

- Interest earning
- Earning from service cost charged for bank linkage
- Support from the project (for limited period)
- Payment by banks



## Chapter - 3: Inventory of SHGs

### Why Do We Need an Inventory of SHGs?

3.1 Identifying functioning SHGs is an essential first step for promoting bank linkage. It is therefore imperative for all SRLMs to undertake preparation of a comprehensive inventory of all functioning SHGs. Such an inventory would also help the Mission to determine SHGs eligible for receiving RF and CIF. NRLM has created a portal to facilitate uploading profiles of all functioning SHGs conforming to the Mission norms. An inventory will facilitate systematic planning process, besides enabling SRLM functionaries/ community cadres to take up timely actions for linking SHGs with banks.

### When Do We Undertake Preparation of SHG Inventory<sup>1</sup>

3.2 Ideally, preparation of SHG inventory should be a continuous process. As and when an SHG is formed, its profile should be compiled and uploaded in the portal. However till a system is instituted, preparation of inventory could be done before initiating planning of SHG-bank linkage in each intensive block, during the first quarter of the year. Thereafter, it could be done during each quarter. The following steps may be adopted in the preparation of SHG inventory.

#### Step-1

3.3 The Community Coordinator (CC)/ PFT member should prepare a village wise inventory of SHGs in the following format (FI-1) and submit the same to BMMU/PFT. This should be done for all villages covering all new SHGs, revived SHGs and pre-NRLM functioning SHGs. As and when a VO starts functioning in a village, the responsibility of preparing inventory of SHGs should be taken over by it. The VO book keeper/ animator could be entrusted with this responsibility.

#### Step-2

3.4 The 'village-wise SHG list' should then be consolidated at the following levels in the suggested formats.

- Village-wise Report Format FI-2 by CC (by CLF when it is functional);
- Cluster-wise Report Format FI-3 by BPM/ FI person (by BLF when it is functional);
- Block-wise Report Format FI-4 by DPM/ FI person; and
- District-wise Report Format FI-5 by DPM- FI

#### Step-3

3.5 Based on the information compiled in the table, each village/cluster/block/ district should identify:

- SHGs for which saving bank accounts need to be opened;
- Eligible SHGs for receipt of RF;
- SHGs that should be guided to undertaking preparation of MCPs;
- SHGs provided CIF;

<sup>1</sup> NRLM-MIS is expected to be stabilized during FY 2014-15. Therefore for FY 2015-16, the above reports will be system generated from NRLM-MIS



- SHGs that require CIF;
- SHGs credit linked to the banks; and
- SHGs that need to be credit linked to the banks.

3.6 Thus, the data collected and compiled forms the basis for determining the scope of financial inclusion related work of the Mission units.

**FI-1: Table-3.1 : Village-wise SHG List Up to \_\_\_ Month \_\_\_ Year**

District: Block:	Cluster: Village:		CLF (if any): VO (if any):			SB A/c opened (Yes/ No), SB account no. if YES	RF Recd. (Yes/No)	CIF Recd. (Yes/No)	Credit linkage status of SHG (Yes/No), Name of the bank if yes	Gram Panchayat	
	Name of SHG	Age of SHG (in months)	Age of SHG (in months)	No. of linkage	Bank loan outstanding (Yes/No)					Bank loan application submitted (Yes/No)	
Report prepared by:											







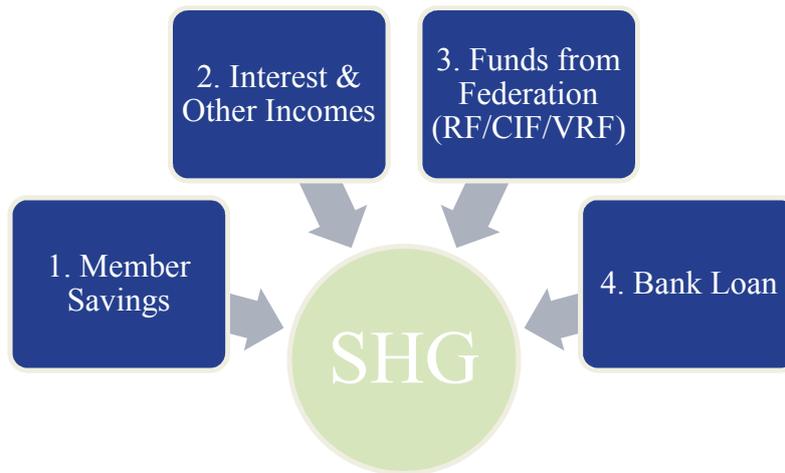


## Chapter-4: Sources of Funding to Community

### Sources of Funds

4.1 Self Help Groups have access to multiple sources of funds as depicted in *Fig.-4.1*. The SHGs need to be guided and prepared to access the Mission funds they are entitled to. More significantly, the SHGs need to be guided to accessing bank credit and other financial services on a continuous basis.

**Figure4.1: Source of Funds for SHGs**



4.2 Facilitating the SHGs to access all potential sources of funds and to support and guide them to utilize the funds efficiently to improve, diversify and sustain their livelihoods is the critical role that the Mission units in general and the FI professionals in particular should play. This can be done in the following manner:

### Gradual Augmentation of Member Savings

- The savings rate (savings per member per meeting/per month) should be enhanced, taking into account the saving potential of the members; and
- Introduction of new saving products like optional/ voluntary savings apart from regular savings. Savings may also be targeted for specific purposes and emerging needs of members such as education of children, construction of houses and for meeting health emergencies.

### Interest Income

- Regular internal lending and recovery will contribute to higher income from interest charges. If the SHGs undertake regular internal lending and recovery of loans, the interest income would exceed the total member savings in about 8 years; and

### Funds from Federation

4.3 NRLM provides the following funds to capitalize the eligible community institutions of the poor and to enable them to access external sources of finance such as bank loans.



### Revolving Fund (RF)

4.4 The Mission provides for a Revolving Fund of Rs.10000 to Rs.15, 000 per eligible SHG to catalyze the process of internal lending and to enable them to meet the immediate credit needs of the members.

### Community Investment Fund (CIF)

4.5 The Mission also provides for Community Investment Fund as a resource in perpetuity to capitalize the institutions of the poor in three forms.

- **Seed Capital** to Cluster Level Federation (CLF) is for onward lending to SHGs via SHG Federation at the village level against SHG's micro-investment/micro-credit plan. CIF equivalent to Rs 60,000 – Rs 1,10,000 per SHGs, is provided as a capital in perpetuity to each Cluster Level Federation (CLF).
- **Vulnerability Reduction Fund** to the village level primary federation of SHGs (Village Organization) for meeting the special needs of the vulnerable people on one hand and for addressing members' different vulnerabilities like food insecurity, malnutrition, health risks, high cost debts and emergencies etc.
- **Livelihoods/Layering Fund** to the SHGs/SHG Federations and other collectives to support the deficit, if any, in the funding clear feasible and viable business plans.

### Bank Loan

4.6 The funding support from the Mission is essentially intended to act as a catalyst for the SHGs to borrow larger amounts from the banks in a gradual manner such that in about 5 to 6 years, each SHG is able to access a credit amount of Rs.10.00 lakhs. The Master circular issued by RBI on 1<sup>st</sup> July, 2017 in this regard recommends the following amounts of loans:

**Cash Credit Limit (CCL):** In case of CCL, banks are advised to sanction minimum loan of Rs 5 lakhs to each eligible SHGs for a period of 5 years with a yearly drawing power (DP). The drawing power may be enhanced annually based on the repayment performance of the SHG. The drawing power may be calculated as follows:

- DP for First Year: 6 times of the existing corpus or minimum of Rs 1 lakh whichever is higher.
- DP for Second Year: 8 times of the corpus at the time review/ enhancement or minimum of Rs 2 lakh, whichever is higher
  - DP for Third Year: Minimum of Rs 3 lakhs based on the Micro credit plan prepared by SHG and appraised by the Federations /Support agency and the previous credit History.
  - DP for Fourth Year onwards: Minimum of Rs 5 lakhs based on the Micro credit plan prepared by SHG and appraised by the Federations /Support agency and the previous credit History.

**Term Loan:** In case of Term Loan, banks are advised to sanction loan amount in doses as mentioned below:

- First Dose: 6 times of the existing corpus or minimum of Rs 1 lakh whichever is higher.
- Second Dose: 8 times of the existing corpus or minimum of Rs 2 lakh, whichever is higher



- Third Dose: Minimum of Rs 3 lakhs based on the Micro credit plan prepared by the SHGs and appraised by the Federations /Support agency and the previous credit History
  - Fourth Dose: Minimum of Rs 5 lakhs based on the Micro credit plan prepared by the SHGs and appraised by the Federations /Support agency and the previous credit History

Banks should take necessary measures to ensure that eligible SHG are provided with repeat loans. Banks are advised to work with DAY-NRLM to institutionalize a mechanism for online submission of loan application of SHGs for tracking and timely disposal of application.

## Chapter – 5: Grading of SHGs

5.1 Grading is undertaken primarily for assessing the institutional and financial discipline of the SHGs. Grading enables external financial and other institutions to understand the quality of SHGs. Grading also enables identification of the strengths and weaknesses of SHGs and facilitates interventions for their improvement. Grading of SHGs is based on 5 key principles of democratic governance and financial discipline, which are illustrated in *Fig.5.1*.

5.2 The responsibility of grading SHGs should be eventually undertaken by VOs. The VOs should regularly undertake review of the performance of SHGs on the basis of their gradation. Grading of member SHGs should become a part of the agenda of VO meetings. Grading as a process should be compulsorily ensured at the following stages of SHG life-cycle.

**Table-5.1: Grading Exercise**

SHG Life –Cycle Stage	Purpose of Grading	Grading Parameters	Who will Grade?
Before disbursement of RF (3-4 Months after formation of SHG)	For judging readiness /eligibility of SHG to receive RF	<ul style="list-style-type: none"> <li>▪ <b>Pancha Sutra</b></li> <li>- Regular meetings</li> <li>- Regular Savings</li> <li>- Internal loaning</li> <li>- Timely repayment</li> <li>- Proper book keeping</li> </ul>	<ul style="list-style-type: none"> <li>• In case VO is formed and the SHG is a member of VO, grading will be done by VO<sup>1</sup></li> <li>• In case VO is not formed, or SHG is not a member of VO, grading will be done by an informal village level committee involving members from other SHGs facilitated by CRP/ Community cadres</li> </ul>
Before disbursement of CIF (6-9 Months after formation of the SHG)	For judging readiness /eligibility of SHG to receive CIF	<ul style="list-style-type: none"> <li>• MCP prepared</li> <li>• Pancha Sutra</li> <li>- Regular meetings</li> <li>- Regular Savings</li> <li>- Internal loaning</li> <li>- Timely repayment</li> <li>- Proper book keeping</li> </ul>	<ul style="list-style-type: none"> <li>• In case VO is formed and the SHG is a member of VO, grading should be undertaken by VO sub-committee.</li> <li>• In case VO is not formed, or SHG is not a member of VO, grading should be done by block/ cluster level appraisal committee involving members from other SHGs facilitated by CRP/ Community cadres</li> </ul>
Before credit linkage of SHG (first linkage) –  (6 months after the formation of SHG or before submission of application for credit linkage)	For judging readiness /eligibility of SHG to receive bank credit	<ul style="list-style-type: none"> <li>• MCP prepared (<i>not mandatory till 2<sup>nd</sup> linkage</i>)</li> <li>• Pancha Sutra</li> <li>- Regular meeting</li> <li>- Regular savings</li> <li>- Internal loaning</li> <li>- Timely repayment</li> <li>- Proper book keeping</li> </ul>	<ul style="list-style-type: none"> <li>• In case VO is formed and the SHG is a member of VO, grading should be done by VO</li> <li>• In case VO is not formed, or SHG is not a member of VO, grading should be done by an informal village level committee involving members from other SHGs facilitated by CRP/ Community cadres</li> <li>• Branch Official/ Authorized representative of banks may also be involved for grading</li> </ul>

\*Grading to be facilitated by the VO level Bank Linkage sub-committee



SHG Life –Cycle Stage	Purpose of Grading	Grading Parameters	Who will Grade?
<p>Before credit linkage of SHG (subsequent linkages) –</p> <p>(Within 2 Months of repayment of previous loan or before submission of application for bank loan)</p>	<p>For judging readiness /eligibility of SHG to receive Bank Credit</p>	<ul style="list-style-type: none"> <li>• MCP prepared (<i>Mandatory from 3<sup>rd</sup> linkage onwards</i>)</li> <li>• Pancha Sutra               <ul style="list-style-type: none"> <li>- <i>Regular meeting</i></li> <li>- <i>Regular Savings</i></li> <li>- <i>Internal loaning</i></li> <li>- <i>Timely repayment</i></li> <li>- <i>Proper book keeping</i></li> </ul> </li> <li>• Other parameters               <ul style="list-style-type: none"> <li>- Repayment to bank</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• In case, VO is formed and the SHG is a member of VO, grading should be undertaken by VO</li> <li>• In case VO is not formed, or SHG is not a member of VO, grading should be undertaken by an informal village level committee involving members from other SHGs facilitated by CRP/ Community cadres</li> <li>• Branch Official/ Authorized representative of banks may also be involved for grading</li> </ul>



## Chapter-6: SHG-Bank Linkage

### Importance of SHG-Bank Linkage

6.1 Linking the SHG with the bank is an essential pre-requisite for promoting financial inclusion. Unless SHGs access repeat doses of bank credit, the members will not be able to meet their consumption and production credit requirements at affordable interest rates. Apart from providing access to credit, bank linkage enables SHGs to utilize other services such as remittances of Mission and other government funds such as interest subvention and insurance services. Bank linkage also promotes the financial literacy of the members and contributes to prudent utilization of funds. The two key steps in promoting SHG-bank linkage are:

- Opening of SHG Saving Bank Account; and
- Facilitating Credit Linkage of SHG.

6.2 The following processes should be adopted in facilitating opening of bank accounts and credit linkage of SHGs.

### Opening of Savings Bank account for SHG

6.3 Opening of savings bank account is the first step towards financial inclusion of SHG. The saving bank account provides the following advantages to the SHGs and its members:

- Savings bank account gives recognition to the SHG as a customer of the banking system and provides potential access to different financial services;
- SHG can keep surplus cash with the bank for safe custody, which in turn contributes to trust building among members;
- An account provides an opportunity for the SHG to undertake financial transactions with the bank and contributes to the financial literacy of the members; and
- It facilitates introduction of all individual members of the SHG to the bank who could eventually become individual customers of the bank.

**SHG should open a SB A/c with the nearest Bank branch, ideally within two months of formation of the Group.**

6.4 The followings steps should be observed in opening of the Savings Bank Account:

#### Step-1: SHG Resolution

6.5 The first step is to facilitate passing of a resolution by SHG to open a bank account in the service area bank branch/nearest bank branch. All members should subscribe their signatures to the resolution (*See sample resolution for opening SB A/c for SHGs*).

#### Step-2: Office Bearers

6.6 As part of the resolution, the SHG should authorize three Office Bearers to operate the saving bank account with a condition that any two Office Bearers can transact with the bank.



### Step-3: Application for Opening of Bank Account

6.7 The next step is to guide the SHG in preparing an application to the branch manager with a request to open a savings bank a/c at the branch. The application should be signed by office bearers of the SHG.

### Step-4: SHG Seal and Photographs of OBs

6.8 It is important to ensure that each SHG gets a stamp (seal) made. Also the SHG needs to be guided to arrange for color photographs of 3 Office Bearers (passport size-3 copies each). Photocopies of the supporting identity and address proof documents of office bearers should also be prepared as part of the KYC norms (*See RBI Circular on KYC – 28 Mar 2013 & 01 Apr 2013*).

6.9 The following documents are required for the SHG to comply with the KYC norms

<b><i>Proof of Identity of Office bearers (Any one of the documents to be submitted)</i></b>	<b><i>Proof of Address of office bearers(Any one of the documents to be submitted)</i></b>
<ul style="list-style-type: none"> <li>▪ Voter ID Card</li> <li>▪ Aadhar Card</li> <li>▪ MGNREGS Job Card</li> <li>▪ Artisan Card</li> <li>▪ Any other ID card with photograph, issued by A Government Department as ID card is accepted by the banks</li> </ul>	<ul style="list-style-type: none"> <li>▪ Voter ID Card</li> <li>▪ Aadhar Card</li> <li>▪ MGNREGS Card</li> <li>▪ Electricity Bills</li> <li>▪ Artisan Card</li> </ul>

### SINGLE DOCUMENT FOR PROOF OF IDENTITY AND ADDRESS

Earlier, as part of the KYC process, one had to submit separate proofs for address and identity. The RBI has done away with this. Now, a single document with photograph and address of the applicant will suffice. Among the documents approved for KYC include passport, driving license, voter ID card,, Aadhar and job card.

### Step-5: Visit to the Bank

6.10 The SHG office bearers should visit the bank branch along with following items for opening of Saving Bank account

- A copy of the resolution to open bank account for the SHG;
- Application to the Branch Manager with a request to open a savings bank A/c;
- Photocopies of identity and address proof documents of office bearers (Original documents also should be carried for verification);
- Colour photographs (passport size-3 copies each) of 3 office bearers; and
- Seal of the group.

### Step-6: Opening Form

6.11 The SHGs should be guided to filling in the requisite SB account opening form and attach all supporting documents correctly. See point 6.2



### **Step-7: Basic Saving Bank Deposit Account**

6.12 The SHGs may also open 'Basic Saving Bank Deposit Account' or may deposit some amount if they choose to. Preference should be given to open account with some amount to avoid any confusion/misunderstanding at later stage.

### **Step-8: Regular Banking**

6.13 SHG should be encouraged to regularly transact with the bank to maintain good rapport with bank branch manager.

### **Precautionary Measures for Promoting Transparency**

6.14 The following precautionary measures should be taken to promote transparency in the transactions and downward accountability of the members

- The SB A/c shall be opened in name of the group and not in the name of any office bearer or member;
- Only members of the group should become the signatories to the bank A/c. No one other than a member should become a joint signatory of the group A/c;
- The SHG should collect the saving A/c pass book & cheque Book from the bank on the same day of opening of bank account or within the time period specified by the bank;
- The SHG should get the pass book updated regularly;
- While operating the bank account, the group members should depute at least one member along with the office bearers for ensuring transparency and development of trust among the office bearers and other members; and
- The pass book along with the cheque book, if any, should be kept in safe custody in a manner decided by the SHG.

### **Tips for the Facilitator**

- Before opening of SB a/c, the facilitator should orient the SHGs on the importance of opening saving bank account;
- The opening of bank a/c should be done in batches of few SHGs;
- The facilitator should meet the bank branch manager in advance and finalize the date on which opening of SHG accounts would be taken up in a week/month;
- The facilitator may ensure collection of the bank a/c opening form and specimen signature card from the bank in advance;
- The facilitator should ensure that all groups have the requisite documents, seal and photographs before visiting the bank branch for a/c opening; and
- As a best practice, the facilitator could also make efforts for opening of individual SB A/Cs by members of the SHG, at the nearest Bank branch to promote universal financial inclusion.



## Credit Linkage of SHGs

### Importance of Credit Linkage

6.15 The Mission funds in the form of RF and CIF to the SHGs and their federations are intended only to provide initial capitalization support required by them. These funds are expected to create the necessary financial discipline for the SHGs to access bank credit in repeat doses to meet both consumption and production credit requirements. However, the SHGs need to be carefully guided, supported and monitored closely to enable them to access the required credit. The objective of the Mission is to ensure that each SHG mobilizes about Rs.10.00 lakh in repeat doses over a period of 5 to 8 years, such that the members undertake sustainable livelihoods.

### Preparation for credit linkage of SHG should ideally start in the fifth month of formation of the SHG

#### Eligibility Criteria

6.16 SHGs fulfilling the following criteria are eligible for availing first credit linkage:

SHG should be in active existence at least since the last 6 months as per the books of account of SHGs and not from the date of opening of S/B account.

- SHG should be practicing 'Panchasutras' i.e. Regular meetings; Regular savings; Regular inter-loaning; Timely repayment; and Up-to-date books of accounts;
- Qualified as per grading norms fixed by NABARD. As and when the federations of the SHGs come to existence, the grading exercise can be done by the Federations to support the Banks.
- The existing defunct SHGs are also eligible for credit if they are revived and continue to be active for a minimum period of 3 months.

*(Refer RBI Master Circular on NRLM – 01 Jun 2017)*

#### Documents Required for Credit Linkage

6.17 The following steps need to be adopted for preparing the documents required for SHG credit linkage.

<b>Step-1:</b>	Verify annual SHG-bank linkage target and identify SHGs which need to be graded
<b>Step-2:</b>	Facilitate grading of SHGs as per the suggested process
<b>Step-3:</b>	For SHGs graded 'A', ascertain credit requirements from recently prepared MCP. In case MCP for the SHG has not been prepared, facilitate conduct of SHG meetings to determine their credit requirement of members
<b>Step-4:</b>	Facilitate passage of resolution authorizing sending of application for bank loan. (Resolution to be signed by all members).
<b>Step-5:</b>	Guide the SHG to prepare loan application, signed by office bearers <i>(Refer sample application)</i> .
<b>Step-6:</b>	Facilitate preparation of 'inter-se agreement' and 'loan agreement form' by the SHG <i>(Refer sample application)</i> .
<b>Step-7:</b>	Ensure that all signatories/ office bearers have their photographs (color and passport size-3 copies each) and a seal for the SHG is available.
<b>Step-8:</b>	Guide the SHGs to visit the bank branch for completion of documentation formalities (only signatories/ office bearers are required to visit the bank branch with necessary books of accounts, passbook and application forms).

6.18 In addition to the above steps, the following efforts are required to be made by the Mission functionaries to ensure seamless bank linkage.



### Efforts Required at Sub-Block/Cluster Level

- 6.19 The following efforts are required to be made by the sub-block/cluster level staff:
- Meeting with branch managers along with district/ block managers;
  - Follow-up with branch managers on pending applications at bank branch level;
  - Facilitate declaration of a SHG-banking day in a week by all bankers to facilitate quick disposal of loan applications;
  - Monthly monitoring of repayment to bank through VO (sub-committee);
  - Promotion of a cadre of financial inclusion CRPs (bookkeeping trainers/ community auditors/ Bank Sakhis /*Mitra*);
  - Provide initial support for 'Bank Sakhi to establish herself at the bank branch;
  - Facilitate formation of the Community Based Recovery Mechanism (CBRM) at the branch level;
  - Initiate monthly meeting of the CBRM committee with branch manager; and
  - Facilitate regular audit of SHGs through community auditors.

### Efforts Required at Block Level

- 6.20 The block level staff are required to make the following efforts:
- Regular participation in Block Level Bankers Committee (BLBC) meetings;
  - Monitoring progress of SHG-bank linkage Village/Cluster-wise and Bank branch wise;
  - Sharing monitoring reports with BLBC;
  - Visiting Bank Branches within the Block regularly for identifying branch specific issues affecting credit linkage. Issues identified need to be brought before BLBC for resolution;
  - Organize meeting between branch managers and Office Bearers of Federations/SHGs and Community Resource Persons (CRPs) to identify issues related to bank linkage at least once in six months; and
  - Undertake credit planning for next year.

### Efforts Required at District Level

- 6.21 The DMMU is responsible for the following functions:
- Discuss the status of SHG-bank linkage in DLRC/DLCC meeting regularly and submit a monthly/quarterly report to District Collector/ CEO;
  - Interact and meet with the DDM, LDM and branch managers in the district (preferably monthly or bi-monthly);
  - Coordinate sensitization program for Branch Managers (exposure visits);
  - Conduct regular review of the block team on SHG-bank linkage.
  - Collect and compile data from the VO/CLF and BMMU and prepare relevant reports for SPMU/ SLBC sub-committee;
  - Participate in BLBC meetings; and
  - Compile district credit plan for the following year.



## Efforts Required At State Level

6.22 At the SMMU level, the following steps are required to be taken:

- Ensure regular monitoring of the SHG-bank linkage on a monthly/quarterly basis through SLBC sub-committee;
- Organize sensitization program (classroom and field visits) for all controlling officers of the banks;
- Attend DLRC meetings along with District Team on a rotational basis;
- Prepare annual credit plans using bottom-up approach and get the credit target approved by SLBC;
- Organize capacity building of district and block level staff; and
- Facilitate MoU with leading banks in the state.

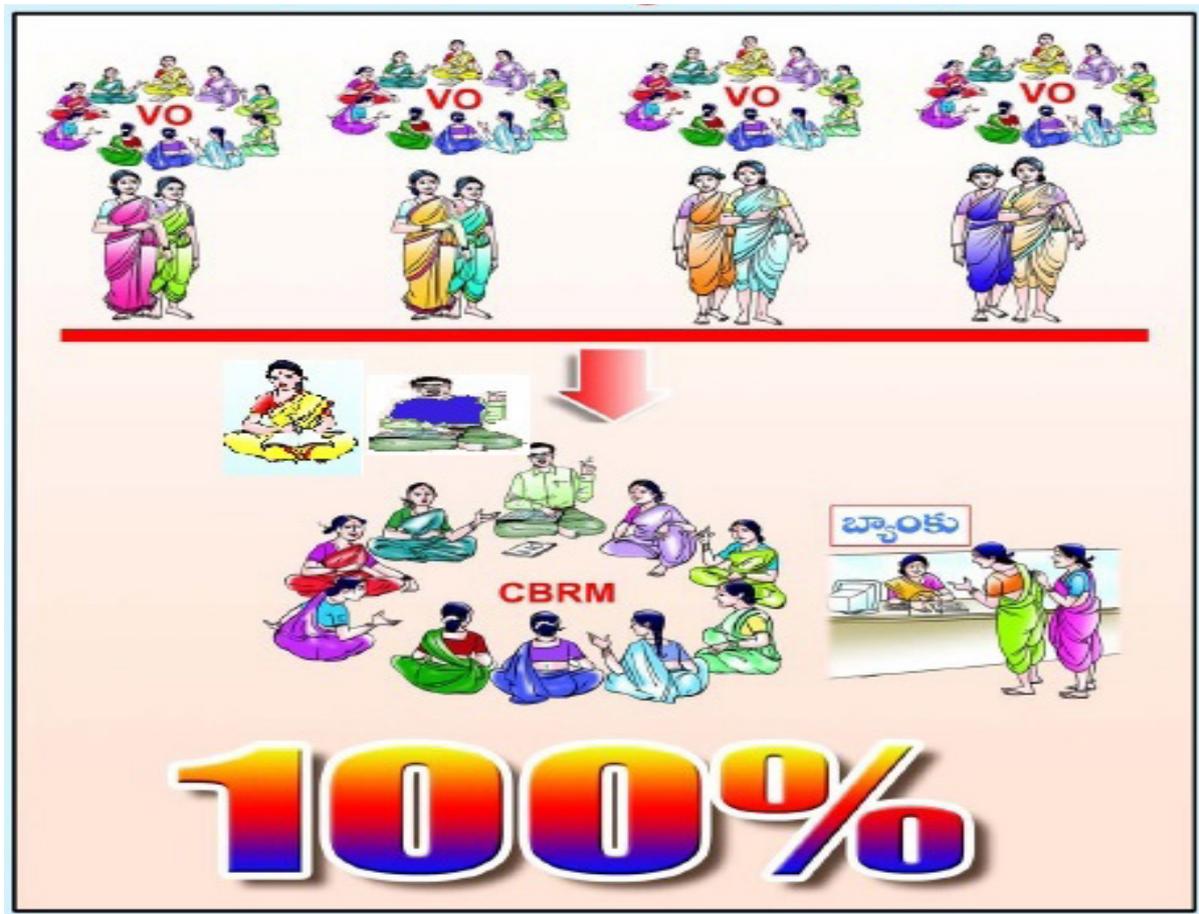
## Common Problems/Issues Faced in SHG Bank Linkage

6.23 The Mission units face several problems in promoting SHG bank linkage. Some of the common problems and issues faced are presented in the *Box-6.1*.

<b>Box-6.1: Problems/Issues Faced in SHG Bank Linkage</b>
▪ Banks not giving acknowledgements for loan application submitted by SHGs
▪ Bank not giving loan without furnishing the reasons in writing
▪ Repeated visits to bank branch for credit linkage
▪ Branch managers insisting on visit by all SHG members to bank branch required for credit linkage
▪ Branch managers insisting on identity proof and residence proof for all members
▪ Branch managers insisting on No Objection Certificate (NOC) from other banks
▪ Impounding of savings of SHGs and taking it as collateral by certain branches;
▪ Loan passbook not issued to members by some banks;
▪ Bank debiting processing fees and service charge without the knowledge of SHGs
▪ Some banks insisting on buying insurance cover for loans
▪ Partial disbursal of credit amount to SHGs
▪ Repayment schedule for loans not communicated to SHGs by banks
▪ Banks charging penal interest on SHGs
▪ Adjusting outstanding dues of family members
▪ Adjusting savings accounts with loan installments due

NB: Refer the Chapter on 'Frequently Asked Questions' for clarification of Issues & problems

## Chapter-7: Monitoring Bank Linkage



### Importance of Monitoring

7.1 Instituting an effective monitoring system to track progress of SHG bank linkage and disbursement of Mission funds is central to the success of the program. Apart from tracking progress at all levels, such a system would facilitate transparency in the disbursement of project funds. More importantly, an effective monitoring system would provide the necessary information base for intervening at different levels to promote bank linkage. The following figure illustrates the monitoring system that could be adopted by the states.

### Establishment of Monitoring System

7.2 The following steps could be adopted by the states to establish a monitoring system.

#### Step-1

7.3 The Community Coordinator (CC)/PFT member should compile a SHG monitoring report on a monthly basis. Each SRLM may devise monitoring formats for the purpose. The copy of the monitoring report should be submitted to BMMU/ PFT. The report should be prepared for all villages in which SRLM has started implementation. As and when a VO becomes functional, the monitoring role should be transferred to it.



## Step-2

7.4 Each CC/ PFT member should analyze SHG-wise monitoring report on the following parameters and initiate necessary action.

Parameter	Observed Status	Suggested Follow-up Action
Do all SHGs over 3 months of age have SB A/c?	If 'No'	Submit SB a/c opening application form with the identified bank branch for all such SHGs
Have all 6-month old SHGs received RF (provided they did not receive under SGSY)?	If 'No'	Send request to CLF/ DMMU for release of RF as per the stipulated process
Have MCPs been prepared for all SHGs for the current year?	If 'No'	Initiate process for preparation of MCP/MIP for SHGs
Have all 8-month old SHGs applied for CIF loan?	If 'No'	Initiate process of preparation of MCP/MIP for SHGs and initiate process of disbursement of CIF from CLF/ DMMU as per the stipulated process
Are there SHGs not repaying CIF loan on time?	If 'Yes'	Immediately organize meeting of the SHGs along with VO members/ active women and identify the reasons for default. Facilitate corrective action and recovery of CIF
Do all SHGs over one-year old have outstanding bank loan?	If 'No'	Submit bank loan application to identified bank branch and follow-up for disbursement of bank loans
Have SHGs not regularly repaying bank loan been identified?	If 'Yes'	Immediately organize meetings of SHGs along with VO members/ active women/ bank mitra/ branch manager and identify the reasons for default. Facilitate SHGs to take corrective action and ensure repayment of bank loan

## Step-3

7.5 Along with the report, each CC/ PFT member should also send a note on the action taken during the month, to BPM/ PFT.

## Step-4

7.6 The 'SHG-wise monitoring report' should be consolidated 'Village' and 'Cluster' wise by BPM/ PFT leader. These reports should be consolidated by CLF and BLF, respectively, as and when they come into being.

## Step-5

7.7 BPM/ PFT leaders should analyze the consolidated at the village and cluster level on the following parameters. For analysis, BPM/ PFT leader should also refer to the consolidated reports of the previous months.



Parameter	Observed Status	Suggested Follow-up Action
Have all 3-month old SHGs opened SB A/c?	If 'No'	Ensure submission of SB A/c opening application forms with the identified bank branch for all such SHGs
Have all 6-month old SHGs received RF (excluding SHGs provided RF under SGSY)?	If 'No'	Ensure release of RF by CLF/DMMU as per the stipulated process
Have MCPs been prepared for all eligible SHGs?	If 'No'	Ensure preparation of MCP for SHGs
Has cumulative CIF disbursal in the village/cluster increase over last month?	If 'No'	Ensure disbursal of CIF from CLF/ DMMU as per the stipulated process
Have all 8-month old SHGs being provided CIF?	If 'No'	Ensure timely preparation & appraisal of MCP for SHGs and initiate process for disbursal of CIF from CLF/ DMMU as per the stipulated process
Are there SHGs not regularly repaying CIF loans?	If 'Yes'	Ensure corrective actions through meeting with the defaulting SHG along with VO members/ active women identifying the reasons for default. Facilitate SHGs to take corrective action. BPM should participate in 25% of such meetings
Has cumulative bank loan in the village/cluster increase over last month?	If 'No'	Follow-up with bank branches for clearing pending applications with the support of bank mitra. Ensure approval and disbursal of loans
Do all SHGs over one-year old have outstanding bank loan?	If 'No'	Submit bank loan application to identified bank branch and follow-up for disbursal of bank loan
Are there SHGs not repaying bank loan regularly?	If 'Yes'	Ensure corrective action by meeting the defaulting SHGs along with VO members/ active women/ bank mitra/branch manager. Facilitate SHGs to take corrective action. BPM should participate in 25% of such meetings

### Step-6

7.8 BPM/ PFT leaders should also prepare a list of bank and branch wise SHG loan applications pending on a monthly basis. A copy of the report along with actions taken should be sent to District Manager (Financial Inclusion) on a monthly basis. A copy of the report should also be presented at the BLBC meeting.



### Step-7

7.9 The 'cluster-wise monitoring report' should be consolidated '**block**' wise by District Manager (Financial Inclusion). A copy of the report should be sent to SPM-FI every month.

### Step-8

7.10 District Manager (Financial Inclusion) should analyze the 'block-wise monitoring report' as per the parameters mentioned in step 5 and also submit action taken on a monthly basis to SPM-FI.

### Step-9

7.11 District Manager (Financial Inclusion) should also prepare a list of block, bank and branch wise SHG loan applications pending on a monthly basis. A copy of the report along with actions taken should be sent to SPM-FI on a monthly basis. A copy of this report should also be shared with LDM and DDM-NABARD on a monthly basis.

### Step-10

7.12 The 'block wise monitoring report' should be consolidated '**district**' wise by SPM-FI on monthly basis. A copy of the same should be placed to Mission Director.

### Step-11

7.13 SPM-FI should analyze the 'district-wise monitoring report' as per the parameters mentioned in step 5 and also submit action taken on a monthly basis to the Mission Director.

### Step-12

7.14 SPM-FI should also prepare a list of district, bank and branch wise SHG loan applications pending on a monthly basis. A copy of the report along with action taken should be shared with Mission Director. Copy of this report should also be shared with SLBC, CGM-NABARD and Zonal head of respective banks on a monthly basis.



## Chapter-8: Environment Building

### Importance

8.1 Promoting financial inclusion involves multiple stakeholders. The banks, the mission management units, the community institutions and the community resource persons are required to work in concert to promote inclusive financial services in general and SHG-bank linkage in particular. Building knowledge, awareness and capacities of the stakeholders is essential to promote SHG-bank linkage. While bankers need to understand the functional dynamics of the community institutions, the SHG members require sustained financial literacy education. Creating a favorable environment is critical for addressing the operational hurdles and driving SHG-bank linkage.

8.2 Positive environment building towards SHG-bank linkage can be achieved through sustained capacity building of:

- Community institutions and their cadre;
- SRLM staff;
- Bank branch managers/staff; and
- Intensive monitoring through SLBC, DCC and BLBC.

### Capacity Building of Community Institutions

8.3 Financial literacy of all SHG members needs to be promoted as part of SHG training. The SHG training must include modules on financial inclusion. The modules must include units on savings, inter-lending, opening of bank accounts, RF, CIF, SHG bank linkage and bookkeeping. Adequate focus must be placed on promoting member understanding of financial transactions, importance of bookkeeping, identification of the bookkeeper, the role of bookkeeper and transparency and accountability in the finances. A similar training needs to be organized on the finances of VOs and CLFs. More significantly, identification and training of bookkeepers at all levels should receive priority.

### VO Bank Linkage Sub-Committee

8.4 While promoting financial literacy of members is a continuous feature of capacity building programme, promotion and use of bank linkage sub-committees at the VO level is critical for the success of the programme. Identification of members with good standing in SHGs and with minimum education and awareness about bank linkage programme is an important first-step in the promotion of VO sub-committee. The bank linkage sub-committee comprising 3 to 5 members should be intensively trained in the following areas:

- Types of bank loan;
- Eligibility of SHGs for bank loan;
- Grading of SHGs;
- Documentation for SB A/c opening and credit linkage;
- Interest payment calculation;
- Preparing repayment schedule; and
- Monitoring repayment of loans.



### Capacity Building of Bank Sakhi

8.5 Apart from training the VO sub-committees, identification and training of bank sakhis or community resource persons in financial inclusion is another important strategy that needs to be adopted by the Mission units. The bank sakhi should be a long standing member of the SHG with a high degree of financial literacy and the ability to liaise with banks on behalf of SHGs. The bank sakhis need to be trained intensively in the following areas:

- Types of bank loans;
- Eligibility of SHGs for bank loans;
- Grading of SHG;
- Documentation for SB a/c opening and credit linkage;
- Filling of transaction slip – deposit and withdrawal;
- Filling up of other transaction slips for Demand Drafts and money transfers etc
- Interest calculation;
- Preparation of repayment schedule;
- Monitoring of repayment;
- Preparation of loan applications; and
- Rapport and relationship building with bank branch managers.

### Capacity Building of SRLM Staff

8.6 Apart from the general training of SRLM staff in financial inclusion, they should be trained additionally on the following aspects:

- Types of funds;
- Eligibility of CBOs for accessing community funds;
- Preparation of MCP/MIP;
- Management of community funds;
- Banking architecture, different committees and their roles;
- Procedure for SHG bank linkage;
- Important circulars;
- Schemes like – interest subvention for SHGs; and
- Monitoring of bank linkage and disbursement and utilization of community funds.

### Orientation and Capacity Building of Bank Branch Managers

8.7 Bank branch managers directly interact with SHGs on a regular basis. Orientating them towards the needs of poor and making them aware of the operations of SHGs would enable them to appreciate the Mission objectives. Experience shows that organizing exposure visits of bankers to best practice sites is the best way to sensitize and orient them.

8.8 It is recommended that all branch managers from intensive blocks should undergo 1-2 days of training with exposure to best practice sites within/outside the state. SRLM may tie-up with resource organizations for imparting such orientation to bankers.



## **Intensive Monitoring by SLBC, DLCC & BLBC**

8.9 Intensive monitoring at all levels will help overcome the challenges and remove the impediments to SHG-bank linkage. The key functional role that different committees can play in this regard is briefly indicated below:

### **State Level Banker's Committee (SLBC)**

8.10 SLBC is required to constitute a sub-committee on SHG-bank linkage. The sub-committee should consist of members from all banks operating in the State, RBI, NABARD, CEO of SRLM, representatives of State Rural Development Department, Secretary-Institutional Finance and Representatives of Development Departments. SRLM should take initiative to ensure that the sub-committee meets once in a month with the specific agenda of review, implementation and monitoring of the SHG-bank linkage and the issues/ constraints in the achievement of the credit target. The decisions of SLBCs should be derived from the analysis of the reports of the sub-committee. Mission Directors should attend the meeting of the SLBC sub-committees.

### **Role of SLBC Sub-Committee**

8.11 The sub-committee is charged/assigned with the following responsibilities:

- Meet once in a month
- Monitor the progress of SHG linkage in the state;
- Submit progress report to SLBC for further discussion and guidance;
- Analyze the state SHG climate and prepare the next year target;
- Make recommendations to SLBC on policies for driving the SHG-bank linkage in the state;
- Coordinate with banks for organizing sensitization programs for controlling officers; and
- Compile state level credit plans for SHG bank linkage.

### **District Consultative Committee (DCC)**

8.12 The NRLM sub-committee under DCC shall meet on a monthly basis and regularly monitor the flow of credit to SHGs at the district level and resolve issues that constrain the flow of credit to the SHGs. This committee should include LDMs, AGM of NABARD, district coordinators of the banks and DPMU staff representing NRLM and office bearers of SHG federations. SPM-FI should also attend the meeting of the NRLM sub-committee (at least in the intensive districts). The District Magistrate/Collector is the Chairman of this committee.

### **Role of District Level NRLM Sub-Committee**

8.13 The role of the district level NRLM sub-committee is as follows:

- The committee shall monitor the progress of SHG linkage in the district;
- Submission of district progress updates to ensuing SLBC sub-committee and table it for further discussion;
- Recommend SLBC on removal of procedural difficulties and for introducing innovative strategies for SHG-bank linkage in the district;
- Organize workshops and training to the Branch Managers and line department officials; and
- Prepare district level credit plans and targets.



### **Block Level Bankers Committee (BLBC)**

8.14 SRLMs should ensure that the BLBC (in resource and intensive blocks) shall meet regularly at quarterly intervals and take up issues of SHG-bank linkage at the block level. Representatives of SHGs/ federations of SHGs should be invited as members to participate in the forum. Branch-wise status of SHG credit shall be monitored at the BLBC. BPM should compulsorily attend the meeting of BLBC. District Manager – FI should also attend the BLBC meeting.

### **Role of Block Level Coordination Committee**

- 8.15 The block level NRLM sub-committees are expected to:
- Monitor the progress of SHG linkage, bank branch-wise in the block;
  - Discuss the operational issues of bank branches including opening of accounts and SHG-bank linkage;
  - Submit block progress report to District NRLM sub-committee and table it for further discussions; and
  - Recommend strategies to DCC on bank linkage.



## Chapter-9: Frequently Asked Questions

### 1. Can defaulters be members of SHGs? Will such SHGs be able to avail the loan?

- In case a family member/relative of a SHG member is a defaulter, the member seeking the loan will not be considered as a defaulter;

It is desirable that willful defaulters should not be financed under DAY-NRLM. In case willful defaulters are members of a group, they might be allowed to benefit from the thrift and credit activities of the group including the corpus built up with the assistance of Revolving Fund. But at the stage of assistance for economic activities, the willful defaulters should not have the benefit of further assistance until the outstanding loans are repaid. Willful defaulters of the group should not get benefits under the DAY-NRLM Scheme and the group may be financed excluding such defaulters while documenting the loan.

Further, non-willful defaulters should not be debarred from receiving the loan. In case default is due to genuine reasons, Banks may follow the norms suggested for restructuring the account with revised repayment schedule

*(Refer RBI Master Circular on NRLM – 01 July 2017)*

### 2. Can a minor become a member of SHGs?

- No. The minimum age of member should be 18 years.

### 3. Can SHG open bank account in non-service area branches?

- Yes

*(Refer RBI Master Circular on Micro Credit – 14 Feb 2011)*

### 4. What is Term Loan (TL) and Cash Credit Limit (CCL)?

- **Term Loan (TL)** – Term loan is a loan from a bank for a specific amount that has a specified repayment schedule and a floating interest rate.
- **Cash Credit Limit (CCL)** – The Cash Credit Limit is a loan facility/ overdraft facility extended to the SHG by a bank. This loan limit is sanctioned for a period of 5 years based on the corpus/ savings of the SHG up to the end of 5 years. The drawing limit for each year can be fixed with aggregate ceiling as multiple of actual pooled corpus reached.

#### *Example*

#### **Fixation of Credit Limit**

- ✓ No. of SHG members: **15;**
- ✓ Periodicity of meetings and savings: **Once a month;**
- ✓ Monthly savings amount of each SHG member :**Rs.100/-;**
- ✓ Total monthly savings by the group : **Rs.100 x 15 = Rs.1500/-;**



- ✓ Projected savings of the group after 5yrs. :**Rs.1500 x 60(month) = Rs.90,000/-**; and
- ✓ CCL that can be sanctioned for 5yrs (8 times of saving at the end of 5 years):**Rs.90, 000 x 8(times) = Rs.7, 20,000/-**.

#### **Fixation of Drawing Power [DP] assuming that the group saves regularly**

- ✓ **1<sup>st</sup> year:** Savings = 1500 x 12 (month) = Rs 18000  
**DP for 1<sup>st</sup> year:** 6 times of corpus or minimum **Rs 1,00,000**
- ✓ **2<sup>nd</sup> year:** Savings till 24 months = 1500 x 24(month) = Rs 36,000  
**DP for 2<sup>nd</sup> year:** Eight times of corpus or minimum **Rs 2,00,000**
- ✓ **3<sup>rd</sup> year:** Savings till 36 months = 1500 x 36 (month) = Rs 54,000  
**DP for 3<sup>rd</sup> year:** minimum **Rs 3,00,000**

#### **5. Will SHG be issued only the CCL or term loans?**

- An SHG can avail either CCL or the Term loans or both, as per their requirements.

*(Refer RBI Master Circular on NRLM – 01 July 2017)*

#### **6. Which date must be taken as the first date for 6 months?**

- The date of resolution on formation of the SHG should be considered as the first date for all purposes *(as noted in the minutes register)*

*(Refer RBI Master Circular on NRLM – 27 Jun 2013)*

#### **7. What is the interest rate applicable for the SHG bank loans?**

- Interest rate charged by banks is deregulated and is governed by policies of individual banks. However, under NRLM with introduction of interest subvention scheme, the effective rate of interest is 4% in the 250 backward districts (including all IAP districts) and 7% in the remaining districts. Some State governments are implementing state specific interest subvention schemes.

*(Refer Detailed Guidelines on Operationalization of interest subvention scheme under NRLM issued by RBI on 25 Aug 2016)*

#### **8. What are the documents required for Credit linkage of SHG?**

- Resolution by the SHG members
- Application to the Bank
- Inter-se agreement to be executed among the members of the SHGs
- Articles of Agreement with Bank

*(Refer 'A Handbook on forming Self Help Group published by NABARD)*



**9. In case office bearers of SHGs who were illiterate at the time of opening of SB A/c can become semi-literate subsequently and can sign instead of putting thumb impression, whether they should be allowed to do so?**

- Office bearers should be encouraged to sign. Bank may take the specimen signature of office bearers and then such office bearers can use their signatures in all bank transactions.

**10. If there is a change in office bearer, what should be done?**

- Resolution on the change of office bearers signed by all the members of the group should be submitted to the concerned bank for updating of bank records. The bank will take the specimen signature of the new office bearers and then such office bearers can use their signatures in all subsequent bank transactions.

**11. Is it essential to deposit savings of SHGs to bank in order to access loan?**

- No, banks cannot insist in depositing Savings of SHGs or take savings as collateral against loan to SHG.

**12. Is it essential to buy insurance products from banks to access loan?**

- No. Members should buy only insurance products as per their need and risk perception.

**13. What should be the frequency for repayment of bank loan?**

- For term loans , the repayment must be made as per the repayment schedule in the banks
- For CCL, the interest amount should be paid on a monthly basis. The loan outstanding should not remain in excess of the limit sanctioned/ drawing power for more than 30 days. TO AVOID DEFAULTS and encourage a good repayment culture in the SHGs, regular repayment (*principal and interest*) should be made by the SHGs as per a decided schedule on a monthly basis for both term loan and CCL.

*(Refer RBI Master Circular Operationalization of interest subvention scheme under NRLM issued by RBI on 25Aug 2016)*

**14. Is there any processing charge and stamp duty for the loan to the SHGs?**

- No processing/service charges are levied by banks for loans to SHGs as loans to SHG are treated as advances to weaker section.

*(Refer RBI Master Circular – Lending to Priority Sector – 01 Jul 2016)*

- Stamp duty is a state jurisdiction and can be clarified by the SRLMs at the SLBC level. SRLM may also take the initiative to consult the state for waiving off the stamp duty.



### 15. Is there any penal interest charged by banks on defaulting loans by SHGs?

- There is no penal interest for loans up to Rs 25000 per member as loans to SHG are treated as advances to weaker section.  
(Refer RBI Master Circular –SHG Bank Linkage Programme – 03 Jul 2017)

### 16. What is the amount of loan given to SHGs?

- SHGs should have access to repeat doses of credit over a period of time.
- The amount of various doses of credit should be as follows:
  - ✓ **First Dose:** 6 times of the proposed corpus during the year or Rs. 1,00,000 whichever is higher;
  - ✓ **Second Dose:** 8 times of existing corpus and proposed saving during the next twelve months or Rs. 2 lakhs, whichever is higher;
  - ✓ **Third Dose:** Minimum of Rs.3.00 lakhs, based on the Micro credit plan prepared by the SHGs and appraised by the Federations/Support agency; and
  - ✓ **Fourth Dose Onwards:** Loan amount can be between Rs.5 lakh and Rs.10 lakh and/or higher in subsequent doses based on Micro Credit Plans.

*In case of need, additional loan can be sanctioned by banks even though the previous loan is outstanding.*

### 17. What constitutes the corpus of SHG?

- The corpus of SHG includes – Savings by members, interest earning by SHG from on-lending to its members, income from other sources and funds from other sources and other receipts including Revolving funds.

### 18. Is Revolving Fund (RF) received by SHG from project/ promoter a part of corpus?

- Corpus is inclusive of revolving funds, if any, received by that SHG, its own savings and funds from other sources in case of promotion by other institutes/NGOs.  
(Refer RBI Master Circular on NRLM – 1 July, 2017)

### 19. Is collateral required for availing the loans?

- No collateral is required for the loans upto 10 lakhs  
(Refer RBI Master Circular on NRLM – 01 July 2017)

### 20. Is it mandatory for SHGs to take loans from bank only for productive purpose?

- SHGs may access loans from banks for meeting social needs, high cost debt swapping, construction or repair of house, construction of toilets and taking up sustainable livelihoods by the individual members within the SHGs or to finance any viable common activity started by the SHGs.  
(Refer RBI Master Circular on NRLM – 01 July 2017)



### **21. What is the repayment period for loans taken by SHG?**

- Repayment schedule could be as follows:
  - ✓ First dose of loan will be repaid in 6-12 months in monthly/quarterly instalments;
  - ✓ Second dose of loan will be repaid in 12-24 months in monthly/quarterly instalments;
  - ✓ Third dose will be sanctioned based on the micro credit plans, the repayment has to be either monthly/quarterly based on the cash flow and it has to be between 24 to 36 months Years; and
  - ✓ Fourth dose onwards, repayment has to be either monthly/quarterly based on the cash flow and it has to be between 3 to 6 Years.

*(Refer RBI Master Circular on NRLM – 01 July 2017)*

### **22. Can CCL be merged with the S/B account?**

- All SHGs must maintain the SB account and the CCL accounts separately. Without the information of the SHGs, the repayment for the CCL should not be adjusted from the SB account, by the banks.

### **23. Will bank issue the loan pass books?**

- Yes, SHGs must insist on loan pass books being issued to them by the banks



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RBI/2017-18/11

FIDD.FID.BC.No.02/12.01.033/2017-18

July 03, 2017

The Chairman/ Managing Director/  
Chief Executive Officer  
All Scheduled Commercial Banks

Madam/ Dear Sir

**Master Circular on SHG-Bank Linkage Programme**

The Reserve Bank of India has, from time to time, issued a number of guidelines/instructions to banks on SHG-Bank Linkage Programme. In order to enable the banks to have instructions at one place, the Master Circular incorporating the existing guidelines/instructions on the subject has been updated and enclosed. This Master Circular consolidates the circulars issued by Reserve Bank on the subject up to June 30, 2017, as indicated in the [Appendix](#).

Yours faithfully

(Uma Shankar)  
Chief General Manager-in-Charge

Encl: As above

वित्तीय समावेशन और विकास विभाग, केंद्रीय कार्यालय, 10वीं मंज़िल, केंद्रीय कार्यालय भवन, शहीद भगत सिंह मार्ग, पो.बा.सं.10014, मुंबई 400 001  
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No.10014, Mumbai 400001

हिंदी आसान है, इसका प्रयोग बढ़ाइए

चेतावनी: रिज़र्व बैंक द्वारा ई-मेल, डाक, एसएमएस या फोन कॉल के जरिए किसी की भी व्यक्तिगत जानकारी जैसे बैंक के खाते का ब्यौरा, पासवर्ड आदि नहीं मांगी जाती है। यह धन रखने या देने का प्रस्ताव भी नहीं करता है। ऐसे प्रस्तावों का किसी भी तरीके से जवाब मत दीजिए।  
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## Master Circular on SHG-Bank Linkage Programme

1. 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. For various reasons, credit to these sections of the population has not been institutionalized to the extent desired. Studies conducted by NABARD, APRACA and ILO on the informal groups promoted by Non-Governmental Organizations (NGOs) brought out that Self-Help Savings and Credit Groups had the potential to bring together the formal banking structure and the rural poor for mutual benefit and that their working had been encouraging.

2. Accordingly, NABARD launched a pilot project to cover Self-Help Groups (SHGs) promoted by Non-Governmental Organizations, banks and other agencies and supported it by way of refinance. The quick studies conducted by NABARD in a few states to assess the impact of the linkage project brought out encouraging and positive features like increase in loan volume of the SHGs, definite shift in the loaning pattern of the members from non-income generating activities to production activities, nearly 100 per cent recovery performance, significant reduction in the transaction costs for both the banks and the borrowers etc., besides leading to a gradual increase in the income level of the SHG members. Another significant feature observed in the linkage project was that about 85 per cent of the groups linked with banks were formed exclusively by women.

3. 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.

4. Linking of SHGs with banks has been emphasized in the Monetary Policy Statements of Reserve Bank of India and Union Budget announcements from time to time and various guidelines have been issued to banks in this regard. To scale up the SHGs linkage programme and make it sustainable, banks were advised that they may consider lending to SHGs as part of their mainstream credit operations, both at policy and implementation level. They may include SHG linkage in their corporate strategy/plan, training curriculum of their officers and staff and implement it as a regular business activity and monitor and review it periodically.

5. **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.

6. **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.

**7. 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.

**8. Margin and Security Norms:** As per operational guidelines issued by NABARD, SHGs may be sanctioned savings linked loans by banks (varying from a saving to loan ratio of 1:1 to 1:4). However, in case of matured SHGs, loans may be given beyond the limit of four times the savings as per the discretion of the bank.

**9. Documentation:** A simple system requiring minimum procedures and documentation is a precondition for augmenting flow of credit to SHGs. Banks should strive to remove all operational irritants and make arrangements to expeditiously sanction and disburse credit by delegating adequate sanctioning powers to branch managers. The loan application forms, procedures and documents should be made simple. It would help in providing prompt and hassle-free credit.

**10. 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.

**11. 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.

**12. Monitoring and Review of SHG Lending:** Having regard to the potential of SHGs, banks may have to closely monitor the progress regularly at various levels. In order to give a boost to the ongoing SHG bank linkage programme for credit flow to the



unorganized sector, banks were advised in January 2004 that monitoring of SHG bank linkage programme may be made a regular item on the agenda for discussion at the SLBC and DCC meetings. It should be reviewed at the highest corporate level on a quarterly basis. Further, progress of the programme may be reviewed by banks at regular intervals. A progress report, as prescribed vide [circular FIDD.FID.BC.No.56/12.01.033/2014-15 dated May 21, 2015](#), may be sent to NABARD (Micro Credit Innovations Department), Mumbai, on a half-yearly basis, as on 30 September and 31 March each year so as to reach within 30 days of the half-year to which the report relates.

**13. Encourage SHG Linkage:** Banks should provide adequate incentives to their branches in financing the Self Help Groups (SHGs) and establish linkages with them, making the procedures simple and easy. The group dynamics of working of the SHGs need neither be regulated nor formal structures imposed or insisted upon. The approach to financing of SHGs should be totally hassle-free and may also include consumption expenditures.

**14. Interest rates:** The banks would have the discretion to decide on the interest rates applicable to loans given to Self Help Groups/member beneficiaries.

**15. Service/ Processing charges:** No loan related and ad hoc service charges/inspection charges should be levied on priority sector loans up to ₹ 25,000. In the case of eligible priority sector loans to SHGs/ JLGs, this limit will be applicable per member and not to the group as a whole.

**16. Total Financial Inclusion and Credit Requirement of SHGs:** Banks have been advised to meet the entire credit requirements of SHG members, as envisaged in Paragraph 93 of the Union Budget announcement for the year 2008-09, made by the Honourable Finance Minister, wherein it was stated as under: "Banks will be encouraged to embrace the concept of Total Financial Inclusion. Government will request all scheduled commercial banks to follow the example set by some public sector banks and meet the entire credit requirements of SHG members, namely, (a) income generation activities, (b) social needs like housing, education, marriage, etc. and (c) debt swapping".



Appendix

**List of Circulars consolidated in the Master Circular**

Sr. No.	Circular No.	Date	Subject
1.	RPCD.No.Plan.BC.13/PL-09.22/91/92	July 24,1991	Improving Access of Rural poor to Banking- Role of Intervening Agencies-Self Help Groups
2.	RPCD.No.PL.BC.120/04.09.22/95-96	April 2,1996	Linking of Self Help Groups with banks- Working Group on NGOs and SHGs- recommendations –Follow up
3.	DBOD.DIR.BC.11/13.01.08/98	February 10, 1998	Opening of Savings bank accounts in the name of Self Help Groups(SHG)
4.	RPCD.PI.BC/12/04.09.22/98-99	July 24, 1998	Linking of Self Help Groups with Banks
5.	RPCD.No.PLAN.BC.94/04.09.01/98-99	April 24,1999	Loans to Micro Credit Organizations-Rates of Interest
6.	RPCD.PL.BC.28/04.09.22/99-2000	September 30, 1999	Credit delivery through Micro Credit Organizations/ Self Help Groups
7.	RPCD.No.PL.BC.62/04.09.01/99-2000	February 18, 2000	Micro credit
8.	<a href="#">RPCD.No.Plan.BC.42/04.09.22/2003-04</a>	November 03, 2003	Micro Finance
9.	RPCD No.Plan.BC.61/04.09.22/2003-04	January 09, 2004	Credit flow to the unorganized sector
10.	<a href="#">RBI/385/2004-05</a> , <a href="#">RPCD.No.Plan.BC.84/04.09.22/2004-05</a>	March 03, 2005	Submitting progress report under micro credit
11.	<a href="#">RBI/2006-07/441</a> <a href="#">RPCD.CO.MFFI.BC.No.103/12.01.01/2006-07</a>	June 20, 2007	Microfinance-Submission of progress reports
12.	<a href="#">RPCD.MFFI.BC.No.56/12.01.001/2007-08</a>	April 15, 2008	Total Financial inclusion and Credit Requirement of SHGs.
13.	<a href="#">DBOD.AML.BC.No.87/14.01.001/2012-13</a>	March 28, 2013	Know Your Customer Norms/Anti Money Laundering Standards/ Combating of Financing of Terrorism/Obligation of banks under Prevention of Money Laundering Act, 2002 – Simplifying norms for Self Help Groups
14.	<a href="#">FIDD.FID.BC.No.56/12.01.033/2014-15</a>	May 21, 2015	SHG-Bank Linkage Programme – Revision of progress reports
15.	<a href="#">Master Direction</a> <a href="#">DBR.AML.BC.No.81/14.01.001/2015-16</a>	February 25, 2016	Master Direction - Know Your Customer (KYC) Direction, 2016



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RESERVE BANK OF INDIA

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RBI/2017-18/10

FIDD.GSSD.CO.BC.No.04/09.01.01/2017-18

July 01, 2017

The Chairman/ Managing Director & CEO  
All Scheduled Commercial Banks

Dear Sir/Madam,

**Master Circular – Deendayal Antyodaya Yojana - National Rural  
Livelihoods Mission (DAY-NRLM)**

Please refer to the [Master Circular FIDD.GSSD.CO.BC.No.07/09.01.01/2016-17 dated July 01, 2016](#) consolidating guidelines / instructions / directions issued to banks with regards to Deendayal Antyodaya Yojana - National Rural Livelihoods Mission. The Master Circular has been suitably updated by incorporating the instructions on DAY-NRLM issued up to June 30, 2017, which are listed in the Appendix and also been placed on website (<https://www.rbi.org.in>).

A copy of Master Circular is enclosed.

Yours faithfully.

(Ajay Kumar Misra)  
Chief General Manager

Encls: As above

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**हिंदी आसान है, इसका प्रयोग बढ़ाइए।**

"चेतावनी: रिज़र्व बैंक द्वारा मेल-डाक, एसएमएस या फोन कॉल के जरिए किसी की भी व्यक्तिगत जानकारी जैसे बैंक के खाते का ब्यौरा, पासवर्ड आदि नहीं मांगी जाती है। यह धन रखने या देने का प्रस्ताव भी नहीं करता है। ऐसे प्रस्तावों का किसी भी तरीके से जवाब मत दीजिए।"

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## Master Circular

### Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM)

#### 1. Background

1.1 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. Detailed 'Guidelines' were circulated to all Scheduled Commercial Banks including Regional Rural Banks vide RBI [circular RPCD.GSSD.CO.No.81/09.01.03/2012-13 dated June 27, 2013](#).

1.2 NRLM was renamed as DAY-NRLM (Deendayal Antyodaya Yojana - National Rural Livelihoods Mission) w.e.f. March 29, 2016 and is the flagship program of Govt. of India for promoting poverty reduction through building strong institutions of the poor, particularly women, and enabling these institutions to access a range of financial services and livelihoods services. DAY-NRLM is designed to be a highly intensive program and focuses on intensive application of human and material resources in order to mobilize the poor into functionally effective community owned institutions, promote their financial inclusion and strengthen their livelihoods. DAY-NRLM complements these institutional platforms of the poor with services that include financial and capital services, production and productivity enhancement services, technology, knowledge, skills and inputs, market linkage, etc. The community institutions also offer a platform for convergence and partnerships with various stakeholders by building environment for the poor to access their rights and entitlements and public service.

1.3 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.

1.4 The support from DAY-NRLM includes all round capacity building of the SHGs ensuring that the group functions effectively on all issues concerning their members, financial management, providing them with initial fund support to address vulnerabilities and high cost indebtedness, formation and nurturing of SHG federations, making the federations evolve as strong support organizations, making livelihoods of the poor sustainable, formation and nurturing of livelihoods organizations, skill development of the rural youth to start their own enterprises or take up jobs in organized sector, enabling these institutions to access their entitlements from the key line departments, etc.

1.5 The implementation of DAY-NRLM has been in a Mission Mode since April, 2013. DAY-NRLM adopts a demand driven approach, enabling the States to formulate their own State specific poverty reduction action plans. DAY-NRLM enables the State rural livelihoods missions to professionalize their human resources at State, district and block level. The State missions are capacitated to deliver a wide range of quality services to the rural poor. DAY-NRLM emphasizes continuous capacity building, imparting requisite skills and creating linkages with livelihoods opportunities for the poor, including those emerging in the organized sector, and monitoring against targets of poverty reduction outcomes. The blocks and districts in which all the components of DAY-NRLM will be implemented, either through the SRLMs or partner institutions or NGOs, will be the intensive blocks and districts, whereas remaining will be non-intensive blocks and districts. The selections of intensive districts are done by the states based on the demographic vulnerabilities. It will be rolled out in a phased manner over the next 7-8 years. All blocks in the country will become intensive blocks over time. The key features of DAY-NRLM have been furnished in **Annex I**.



## 2. Women SHGs and their Federations

2.1 Women SHGs under DAY-NRLM consist of 10-20 persons. In case of special SHGs i.e. groups in the difficult areas, groups with disabled persons, and groups formed in remote tribal areas, this number may be a minimum of 5 persons.

2.2 DAY-NRLM promotes affinity based women Self –help groups.

2.3 Only for groups to be formed with Persons with disabilities, and other special categories like elders, transgenders, DAY-NRLM will have both men and women in the self-help groups.

2.4 SHG is an informal group and registration under any Societies Act, State cooperative Act or a partnership firm is not mandatory vide Circular RPCD.No. Plan BC.13/PL-09.22/90-91 dated July 24<sup>th</sup>, 1991. However, Federations of Self Help Groups formed at village, Gram Panchayat, Cluster or higher level may be registered under appropriate acts prevailing in their States.

### Financial Assistance to the SHGs

**3. 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.

### 4. 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.



## 5. 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.

## 6. Introduction of Interest subvention:

DAY-NRLM has a provision for interest subvention, to cover the difference between the Lending Rate of the banks and 7%, on all credit from the banks/ financial institutions availed by women SHGs, for a maximum of ₹ 3,00,000 per SHG. This will be available across the country in two ways:

- (i) In 250 identified districts, banks will lend to the women SHGs @7% up to an aggregated loan amount of ₹ 3,00,000/-. The SHGs will also get additional interest subvention of 3% on prompt payment, reducing the effective rate of interest to 4%.
- (ii) In the remaining districts also, all women SHGs under DAY-NRLM are eligible for interest subvention to the extent of difference between the lending rates and 7% for the loan up to ₹ 3,00,000, subjected to the norms prescribed by the respective SRLMs. This part of the scheme will be operationalized by SRLMs.

*(A separate circular on August 25, 2016 was issued to all Public and Private Sector Banks containing the detailed guidelines on interest subvention and its operationalization across the country for the year 2016-17 along with the list of 250 identified districts. Salient features and the implementation procedure of the Scheme are enclosed in **Annex II**. Interest subvention for subsequent years will be communicated separately to the banks by GOI/RBI).*

## 7. Role of banks:

### 7.1 Opening of Savings accounts:



**7.1.1 Opening of Savings account of SHGs:** The role of banks would commence with opening of accounts for all the Women SHGs including members with disability and the Federations of the SHGs. The 'Know Your Customer' (KYC) norms regarding SHGs as specified from time to time by Reserve Bank of India will be applicable. Banks are advised to maintain separate Savings and loan account for Self Help Groups

**7.1.2 Opening of Savings account of Federation of SHGs:** Banks are advised to open savings account of Federations of SHGs at village, Gram Panchayat, Cluster or higher level. These accounts may be categorized as savings account for 'Association of persons'. The 'Know Your Customer' (KYC) norms for the signatories of such accounts as specified from time to time by Reserve Bank of India will be applicable.

**7.1.3 Transaction in Savings account of SHGs and Federation of SHGs:** SHGs and their federations may be encouraged to transact through their respective saving account on regular basis. To facilitate this, banks are advised to enable transactions in jointly operated savings account of SHGs and their federations at retail outlets managed by Business Correspondent Agents. Banks are also advised to extend all such services to SHGs and their federations through Business Correspondent agents permitted vide [circular DBOD.No.BAPD.BC.122./22.01.009/2013-14 dated June 24, 2014](#).

## 7.2 Lending Norms:

### 7.2.1 The eligibility criteria for the SHGs to avail loans:

- SHG should be in active existence at least since the last 6 months as per the books of account of SHGs and not from the date of opening of S/B account.
- SHG should be practicing '*Panchasutras*' i.e. Regular meetings; Regular savings; Regular inter-loaning; Timely repayment; and Up-to-date books of accounts;
- Qualified as per grading norms fixed by NABARD. As and when the federations of the SHGs come to existence, the grading exercise can be



done by the Federations to support the Banks.

- The existing defunct SHGs are also eligible for credit if they are revived and continue to be active for a minimum period of 3 months.

**7.2.2 Loan amount:** Emphasis is laid on the multiple doses of assistance under DAY-NRLM. This would mean assisting an SHG over a period of time, through repeat doses of credit, to enable them to access higher amounts of credit for taking up sustainable livelihoods and improve on the quality of life.

SHGs can avail either Term Loan (TL) or a Cash Credit Limit (CCL) loan or both based on the need. In case of need, additional loan can be sanctioned even though the previous loan is outstanding.

The amount of credit under different facilities should be as follows:

**Cash Credit Limit (CCL):** In case of CCL, banks are advised to sanction minimum loan of ₹5 lakhs to each eligible SHGs for a period of 5 years with a yearly drawing power (DP). The drawing power may be enhanced annually based on the repayment performance of the SHG. The drawing power may be calculated as follows:

- DP for First Year: 6 times of the existing corpus or minimum of ₹1 lakh whichever is higher.
- DP for Second Year: 8 times of the corpus at the time review/ enhancement or minimum of ₹2 lakh, whichever is higher
- DP for Third Year: Minimum of ₹3 lakhs based on the Micro credit plan prepared by SHG and appraised by the Federations /Support agency and the previous credit History.
- DP for Fourth Year onwards: Minimum of ₹5 lakhs based on the Micro credit plan prepared by SHG and appraised by the Federations /Support agency and the previous credit History.

**Term Loan:** In case of Term Loan, banks are advised to sanction loan amount in doses as mentioned below:

- First Dose: 6 times of the existing corpus or minimum of ₹1 lakh whichever is higher.



- Second Dose: 8 times of the existing corpus or minimum of ₹2 lakh, whichever is higher
- Third Dose: Minimum of ₹3 lakhs based on the Micro credit plan prepared by the SHGs and appraised by the Federations /Support agency and the previous credit History
- Fourth Dose: Minimum of ₹5 lakhs based on the Micro credit plan prepared by the SHGs and appraised by the Federations /Support agency and the previous credit History

Banks should take necessary measures to ensure that eligible SHG are provided with repeat loans. Banks are advised to work with DAY-NRLM to institutionalize a mechanism for online submission of loan application of SHGs for tracking and timely disposal of application.

*(Corpus is inclusive of revolving funds, if any, received by that SHG, its own savings, interest earning by SHG from on-lending to its members, income from other sources, and funds from other sources in case of promotion by other institutes/NGOs.)*

### **7.3 Purpose of loan and repayment:**

7.3.1 The loan amount will be distributed among members based on the Micro Credit Plan prepared by the SHGs. The loans may be used by members for meeting social needs, high cost debt swapping, construction or repair of house, construction of toilets and taking up sustainable livelihoods by the individual members within the SHGs or to finance any viable common activity started by the SHGs.

7.3.2 Repayment schedule could be as follows:

- The First year/ first dose of loan will be repaid in 6-12 months in monthly/ quarterly instalments
- The Second year/ Second dose of loan will be repaid in 12-24 months in monthly/ quarterly instalments
- The Third year/ Third dose of loan will be repaid in 24-36 months in monthly/ quarterly instalments



- The loan from Fourth year/ Fourth dose onwards has to be repaid between 3-6 years based on the cash flow in monthly/ quarterly installments.

**7.4. Security and Margin:** No collateral and no margin will be charged up to ₹10.00 lakhs limit to the SHGs. No lien should be marked against savings bank account of SHGs and no deposits should be insisted upon while sanctioning loans.

#### **7.5. Dealing with Defaulters:**

7.5.1 It is desirable that willful defaulters should not be financed under DAY-NRLM. In case willful defaulters are members of a group, they might be allowed to benefit from the thrift and credit activities of the group including the corpus built up with the assistance of Revolving Fund. But at the stage of accessing bank loan by SHG for financing economic activities by its members, the willful defaulters should not have the benefit of such bank loan until the outstanding loans are repaid. Willful defaulters of the group should not get benefits under the DAY-NRLM Scheme and the group may be financed excluding such defaulters while documenting the loan. However, 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. Further, non-willful defaulters should not be debarred from receiving the loan. In case default is due to genuine reasons, Banks may follow the norms suggested for restructuring the account with revised repayment schedule.

#### **8. Credit Target Planning**

8.1 Based on the Potential Linked Plan/State Focus Paper prepared by NABARD, SLBC sub-committee may arrive at the district-wise, block-wise and branch-wise credit plan. The sub-committee has to consider the existing SHGs, New SHGs proposed, and number of SHGs eligible for fresh and repeat loans as suggested by the SRLMs to arrive at the credit targets for the states. The targets so decided should be approved in the SLBC and should be reviewed and monitored periodically for effective implementation.



8.2. The district-wise credit plans should be communicated to the DCC. The Block-wise/Cluster-wise targets are to be communicated to the bank Branches through the Controllers.

### **9. Post credit follow-up**

9.1 Loan pass books in regional languages may be issued to the SHGs which may contain all the details of the loans disbursed to them and the terms and conditions applicable to the loan sanctioned. The passbook should be updated with every transaction made by the SHGs. At the time of documentation and disbursement of loan, it is advisable to clearly explain the terms and conditions as part of financial literacy.

9.2 Bank branches may observe one fixed day in a fortnight to enable the staff to go to the field and attend the meetings of the SHGs and Federations to observe the operations of the SHGs and keep a track of the regularity in the SHGs meetings and performance.

### **10. Repayment:**

Prompt repayment of the loans is necessary to ensure the success of the programme. Banks shall take all possible measures, i.e. personal contact, organization of joint recovery camps with District Mission Management Units (DPMUs) / DRDAs to ensure the recovery of loans. Keeping in view, the importance of loan recovery, banks should prepare a list of defaulting SHGs under DAY-NRLM every month and furnish the list in the BLBC, DLCC meetings. This would ensure that DAY-NRLM staff at the district/ block level will assist the bankers in initiating the repayment.

### **11. Deputation of the bank officials to SRLMs**

As a measure of strengthening the (DPMUs) / DRDAs and for promoting a better credit environment, deputation of the bank officials to DPMUs/ DRDAs has been suggested. Banks may consider deputing officers at various levels to the State Governments/DRDAs in consultation with them.



## 12. Supervision and monitoring of the Scheme

Banks may set up DAY-NRLM cells at Regional/Zonal offices. These cells should periodically monitor and review the flow of credit to the SHGs, ensure the implementation of the guidelines to the scheme, collect data from the branches and make available consolidated data to the Head office and the DAY-NRLM units at the districts/ blocks. The cell should also discuss this consolidated data in the SLBC, BLBC and DCC meetings regularly to maintain the effective communication with the state staff and all banks.

**12.1 State Level Bankers' Committee:** SLBCs shall constitute a sub-committee on SHG-bank linkage. The sub-committee should consist of members from all banks operating in the State, RBI, NABARD, CEO of SRLM, representatives of State Rural Development Department, Secretary-Institutional Finance and Representatives of Development Departments etc. The sub-committee shall meet once in a month with a specific agenda of review, implementation and monitoring of the SHG-Bank linkage and the issues/constraints in achievement of the credit target. The decisions of SLBCs should be derived from the analysis of the reports of the sub-committee.

**12.2 District Coordination Committee:** The DCC (DAY-NRLM sub-committee) shall regularly monitor the flow of credit to SHGs at the district level and resolve issues that constrain the flow of credit to the SHGs at district level. This committee meeting should have participation of LDMS, AGM of NABARD, district coordinators of the banks and DPMU staff representing DAY-NRLM and office bearers of SHG federations.

**12.3 Block level Bankers Committee:** The BLBC shall meet regularly and take up issues of SHG bank linkage at the block level. In this Committee, the SHGs/ Federations of the SHGs should be included as members to raise their voice in the forum. Branch wise status of SHG credit shall be monitored at the BLBC (Annex B and C may be used for the purpose)

**12.4 Reporting to Lead District Managers:** The branches may furnish the progress report and the delinquency report under various activities of DAY-NRLM in the format at Annex 'IV' and 'Annex V' to the LDM every month for



onward submission to Special Steering Committee/sub-committee constituted by SLBC.

12.5 Reporting to RBI: Banks may give a state-wise consolidated report on the progress made on DAY-NRLM to RBI/NABARD at quarterly intervals.

12.6 LBR returns: Existing procedure of submitting LBR returns to be continued duly furnishing the correct code.

### 13. **Data Sharing:**

Data sharing on a mutually agreed format / interval may be provided to DAY-NRLM or State Rural Livelihood Missions (SRLMs) for initiating various strategies including recovery etc. The financing banks are advised to regularly share data on loans to SHGs with the DAY-NRLM or SRLMs, directly from the CBS platform.

### 14. **DAY-NRLM support to the bankers:**

14.1 SRLM would develop strategic partnerships with major banks at various levels. It would invest in creating enabling conditions for both the banks and the poor for a mutually rewarding relationship.

14.2 SRLM will assist the SHGs through imparting financial literacy, extending counselling services on savings, credit and training on Micro-investment Planning embedded in capacity building.

14.3 SRLMs will extend support to banks for improving quality of banking services to poor clients including follow-up for recovery of over dues if any, by utilising the services of customer relationship managers (i.e Bank Mitra/ Sakhi) with every bank branch involved in financing of SHGs. Banks are advised to extend necessary cooperation to Bank Mitra/Sakhi for performing their roles.

14.4 Leveraging IT mobile technologies and institutions of poor, youth or SHG member as business facilitators and business correspondents.

14.5. **Community Based Repayment mechanism (CBRM)**: One exclusive sub - committee for SHG Bank Linkage may be formed at village/cluster/ block level which will provide support to the banks in ensuring proper utilization of



loan amount, recovery etc. The bank linkage sub - committee members from each village level federation along with project staff will meet once in a month under the chairmanship of the Branch Manager in the branch premises with the agenda items relating to bank linkage.



## Annex I

### Key Features of DAY-NRLM

**1. Universal Social Mobilization:** To begin with, DAY-NRLM would ensure that at least one member from each identified rural poor household, preferably a woman, is brought under the Self Help Group (SHG) network in a time bound manner. Subsequently, both women and men would be organized for addressing livelihoods issues i.e. farmers organizations, milk producers' cooperatives, weavers associations, etc. All these institutions are inclusive and no poor would be left out of them. DAY-NRLM would ensure adequate coverage of vulnerable sections of the society such that 50% of the beneficiaries are SC/STs, 15% are minorities and 3% are persons with disability, while keeping in view the ultimate target of 100% coverage of BPL families.

**2. Participatory Identification of poor (PIP):** The experience from SGSY suggests that the current BPL list has large inclusion and exclusion errors. To widen the target groups beyond the BPL list and to include all the needy poor, DAY-NRLM will undertake community based process i.e. participation of the poor in the process of identifying the target group. Participatory process based on sound methodology and tools (*social mapping and well-being categorization, deprivation indicators*) and also locally understood and accepted criterion ensures local consensus that inadvertently reduces the inclusion and exclusion errors, and enables formation of the groups on the basis of mutual affinity. Over the years, the participatory method of identifying the poor have been developed and applied successfully in the states like AP, Kerala, Tamil Nadu and Odisha.

The households identified as poor through the P.I.P process will be accepted as DAY-NRLM target group and will be eligible for all the benefits under the programme. The list finalized after PIP process will be vetted by the Gram Sabha and approved by the Gram Panchayat.



Till the PIP process is undertaken by the State in a particular district/Block, the rural households already included in the official BPL list will be targeted under DAY-NRLM. As already provided in the Framework for implementation of DAY-NRLM, up to 30% of the total membership of the SHGs may be from among the population marginally above the poverty line, subject to the approval of the BPL members of the group. This 30% also includes the excluded poor, those who are really as poor as those included in BPL list but their name does not figure in the list.

**3. Promotion of Institutions of the poor:** Strong institutions of the poor such as SHGs and their village level and higher level federations are necessary to provide space, voice and resources for the poor and for reducing their dependence on external agencies. They empower them and also act as instruments of knowledge and technology dissemination, and hubs of production, collectivization and commerce. DAY-NRLM, therefore, would focus on setting up these institutions at various levels. In addition, DAY-NRLM would promote specialized institutions like Livelihoods collectives, producers' cooperative/companies for livelihoods promotion through deriving economies of scale, backward and forward linkages, and access to information, credit, technology, markets etc. The Livelihoods collectives would enable the poor to optimize their limited resource.

**4. Strengthening all existing SHGs and federations of the poor.** There are existing institutions of the poor women formed by Government efforts and efforts of NGOs. DAY-NRLM would strengthen all existing institutions of the poor in a partnership mode. The self-help promoting institutions both in the Government and in the NGO sector would promote social accountability practices to introduce greater transparency. This would be in addition to the mechanisms that would be evolved by SRLMs and state governments. The learning from one another underpins the key processes of learning in DAY-NRLM.

**5. Emphasis on Training, Capacity building and skill building:** DAY-NRLM would ensure that the poor are provided with the requisite skills for



managing their institutions, linking up with markets, managing their existing livelihoods, enhancing their credit absorption capacity and credit worthiness, etc. A multi-pronged approach is envisaged for continuous capacity building of the targeted families, SHGs, their federations, government functionaries, bankers, NGOs and other key stakeholders. Particular focus would be on developing and engaging community professionals and community resource persons for capacity building of SHGs and their federations and other collectives. DAY-NRLM would make extensive use of ICT to make knowledge dissemination and capacity building more effective.

**6. Revolving Fund and Community investment support Fund (C.I.F):** A Revolving Fund would be provided to eligible SHGs as an incentive to inculcate the habit of thrift and accumulate their own funds towards meeting their credit needs in the long-run and immediate consumption needs in the short-run. The C.I.F would be a corpus and used for meeting the members' credit needs directly and as catalytic capital for leveraging repeat bank finance. The C.I.F would be routed to the SHGs through the Federations. The key to coming out of poverty is continuous and easy access to finance, at reasonable rates, till they accumulate their own funds in large measure.

**7. Universal Financial Inclusion:** DAY-NRLM would work towards achieving universal financial inclusion, beyond basic banking services to all the poor households, SHGs and their federations. DAY-NRLM would work on both demand and supply side of Financial Inclusion. On the demand side, it would promote financial literacy among the poor and provides catalytic capital to the SHGs and their federations. On the supply side, it would coordinate with the financial sector and encourage use of Information, Communication & Technology (ICT) based financial technologies, business correspondents and community facilitators like 'Bank Mitras'. It would also work towards universal coverage of rural poor against loss of life, health and assets. Further, it would work on remittances, especially in areas where migration is endemic.

**8. Provision of Interest Subvention:** The rural poor need credit at low rate of interest and in multiple doses to make their ventures economically viable. In order to ensure affordable credit, DAY-NRLM has a provision for subvention on interest rate above 7% per annum for all eligible SHGs, who have availed loans from mainstream financial institutions.



**9. Funding Pattern:** DAY-NRLM is a Centrally Sponsored Scheme and the financing of the programme would be shared between the Centre and the States in the ratio of 75:25 (90:10 in case of North Eastern States including Sikkim; completely from the Centre in case of UTs). The Central allocation earmarked for the States would broadly be distributed in relation to the incidence of poverty in the States.

**10. Phased Implementation:** Social capital of the poor consists of the institutions of the poor, their leaders, community professionals and more importantly community resource persons (poor women whose lives have been transformed through the support of their institutions). Building up social capital takes some time in the initial years, but it multiplies rapidly after some time. If the social capital of the poor does not play the lead role in DAY-NRLM, then it would not be a people's programme. Further, it is important to ensure that the quality and effectiveness of the interventions is not diluted. Therefore, a phased implementation approach is adopted in DAY-NRLM. DAY-NRLM would reach all districts by the end of 12th Five-year Plan.

**11. Intensive blocks.** The blocks that are taken up for implementation of DAY-NRLM, 'intensive blocks', would have access to a full complement of trained professional staff and cover a whole range of activities of universal and intense social and financial inclusion, livelihoods, partnerships etc. However, in the remaining blocks or non-intensive blocks, the activities may be limited in scope and intensity.

**12. Rural Self Employment Training Institutes (RSETIs).** RSETI concept is built on the model pioneered by Rural Development Self Employment Institute (RUDSETI) – a collaborative partnership between SDME Trust, Syndicate Bank and Canara Bank. The model envisages transforming unemployed youth into confident self-employed entrepreneurs through a short duration experiential learning programme followed by systematic long duration hand holding support. The need-based training builds entrepreneurship qualities, improves self-confidence, reduces risk of failure and develops the trainees into



change agents. Banks are fully involved in selection, training and post training follow up stages. The needs of the poor articulated through the institutions of the poor would guide RSETIs in preparing the participants/trainees in their pursuits of self-employment and enterprises. DAY-NRLM would encourage public sector banks to set up RSETIs in all districts of the country.



## Annex II

### **Interest subvention scheme for Women SHGs**

- I. Interest subvention scheme on Credit to Women SHG for all Commercial Banks (only Public Sector Banks, Private Sector Banks and Regional Rural Banks) and Co-operative banks in 250 districts
  - i. All women SHGs will be eligible for interest subvention on credit up to 3 lakhs at 7% per annum. SHG availing capital subsidy under SGSY in their existing credit outstanding will not be eligible for benefit under this scheme.
  - ii. The Commercial Banks and Cooperative Banks will lend to all the women SHGs at the rate of 7% in the 250 districts. ***Annex III*** provides the names of the 250 districts.
  - iii. All Commercial Banks (excluding RRBs) will be subvented to the extent of difference between the Weighted Average Interest Charged (*WAIC as specified by Department of Financial Services, Ministry of Finance*) and 7% subject to the maximum limit of 5.5%. This subvention will be available to all the Banks on the condition that they make SHG credit available at 7% p.a. in the 250 districts.
  - iv. RRBs and Cooperative Banks will be subvented to the extent of difference between the maximum lending rates (as specified by NABARD) and 7% subject to the maximum limit of 5.5%. This subvention will be available to all RRBs and Cooperative Banks on the condition that they make SHG credit available at 7% p.a. in the 250 districts. RRBs and Cooperative Banks will also get concessional refinance from NABARD. Detailed guidelines for RRBs and Cooperative Banks will be issued by NABARD.
  - v. Further, the SHGs will be provided with an additional 3% subvention on the prompt repayment of loans. For the purpose of Interest Subvention of additional 3% on prompt repayment, an SHG account will be considered prompt payee if it satisfies the following criterion.



For Cash Credit Limit:

- i. Outstanding balance shall not have remained in excess of the limit /drawing power continuously for more than 30 days.
- ii. There should be regular credit and debits in the accounts. In any case there shall be at least one customer induced credit during a month.
- iii. Customer induced credit should be sufficient to cover the interest debited during the month.

b. For the Term loans: A term loan account where all of the interest payments and/or instalments of principal were paid within 30 days of the due date during the tenure of the loan, would be considered as an account having prompt payment.

All prompt payee SHG accounts as on the end of the reporting quarter will be eligible for the additional interest subvention of 3%. The banks should credit the amount of 3% interest subvention to the eligible SHG loan accounts and thereafter seek the reimbursement.

- vi. The Interest Subvention scheme shall be implemented for all commercial banks (excluding RRBs) through a Nodal Bank selected by the Ministry of Rural Development.
- vii. For the RRBs and Cooperative Banks the scheme will be operationalized by NABARD similar to the short term crop loan scheme.
- viii. All Commercial Banks (including the PSBs, Private Banks and RRBs) who are operating on the Core Banking Solutions (CBS) can avail the interest subvention under the scheme.
- ix. In order to avail the Interest Subvention on credit extended to the SHGs @ 7%, regular subvention, all commercial banks (excluding RRBs) are required to upload the SHG loan account information on the Nodal Bank's portal as per the required technical specification. Banks must submit the claims for 3% additional subvention on the same portal.
- x. The claims submitted by bank should be accompanied by a Statutory Auditor's certificate (in original) certifying the claims for subvention as true and correct.



- xi. In order to avail the Interest Subvention on credit extended to the SHGs @ 7%, all RRBs and Cooperative Banks are required to submit their claims to respective NABARD - Regional Offices on a quarterly basis as at June, September, December and March. The claims for the last quarter should be accompanied with a Statutory Auditor's certificate certifying the claims for the Financial Year as true and correct. The claims of any Bank for the quarter ending March will be settled by MoRD only on receipt of the Statutory Audited certificate for the complete Financial Year by the Bank.
- xii. RRBs and Cooperative Banks may submit their consolidated claims pertaining to the 3% additional subvention on disbursements made during the entire year to respective NABARD - Regional Offices latest by June every year, duly audited by Statutory Auditors certifying the correctness.
- xiii. Any remaining claim pertaining to the disbursements made during the year and not included during the year, may be consolidated separately and marked as an '*Additional Claim*' and submitted to Nodal Bank (for all Commercial banks except RRBs) and NABARD Regional Offices (for all RRBs and Cooperative Banks) latest by June every year, duly audited by Statutory Auditors certifying the correctness.
- xiv. Any corrections in claims by PSBs and Pvt. Sector Banks shall be adjusted from later claims based on auditor's certificate. The corrections must be made on the nodal banks portal accordingly.
- xv. For process of submission of claims by RRBs and Cooperative Banks, detailed guidelines will be issued by NABARD

## II. Interest subvention scheme for Category II Districts

### (Other than 250 districts).

For category II districts, comprising of districts other than the above 250 districts, all women SHGs under DAY-NRLM will continue to be eligible for interest subvention to avail the loan facility at an interest rate of 7%. The funding for this subvention will be provided to the State Rural Livelihoods Missions (S.R.L.Ms). The State-wise distribution of the provision under this budget head would be determined each year. In the Category II districts, Banks will charge the SHGs as per their respective lending norms and the difference between the lending rates and 7% subjected to a maximum limit of 5.5% will be subvented in the loan accounts of the SHGs by the SRLM. In pursuance of the above, the salient features and the operational guidelines in respect of the interest subvention for the category II districts, are as follows:



**(A) Role of the Banks:**

All banks who are operating on the Core Banking Solution (CBS) are required to furnish the details of the Credit disbursement and Credit outstanding of the SHGs across all districts in the desired format as suggested by the MoRD, directly from the CBS platform, to the Ministry of Rural Development (*through FTP*) and to the SRLMs. The information should be provided on a monthly basis to facilitate the calculation and disbursement of the Interest Subvention amount to SHGs.

**(B) Role of the State Governments:**

- . All women SHGs, comprising of more than 70% BPL or rural poor members (rural poor as per the Participatory Identification Process) are regarded as SHGs under DAY-NRLM. Such SHGs, comprising of rural poor members from the intended DAY-NRLM target group will be eligible for interest subvention on credit up to ₹ 3 lakhs at the rate of 7% per annum on prompt repayment.
- i. This scheme will be implemented by the State Rural Livelihood Missions (SRLMs). SRLMs will provide interest subvention to the eligible SHGs who have accessed loan from Commercial and Cooperative Banks. The funding for this subvention will be met out of the Central Allocation: State Contribution in the ratio of 75:25.
- . The SHGs will be subvented with the extent of difference between the lending Rate of the banks and 7% subjected to a maximum limit of 5.5% by the SRLMs, directly on a monthly / quarterly basis. An e-transfer of the subvention amount will be made by the SRLM to the loan accounts of the SHGs who have repaid promptly.
- v. Women SHGs who have availed capital subsidy under SGSY in their existing loans, will not be eligible for benefit of Interest Subvention for their subsisting loan under this scheme.
- v. SRLMs should submit Quarterly Utilization Certificate indicating subvention amounts transferred to the Loan accounts of the eligible SHGs

The States with state specific interest subvention schemes are advised to harmonize their guidelines with the Central scheme

**Annex III**

**List of 250 eligible Districts for the Interest Subvention on the loan at 7%  
and additional interest Subvention of 3% on the prompt repayment**

<b>Sl No</b>	<b>States</b>	<b>Sl</b>	<b>Name of districts</b>
1	ANDHRA PRADESH	1	Guntur
		2	Krishna
		3	Srikakulam
		4	East Godavari
		5	Vijaynagram
		6	Visakhapatnam
2	ARUNACHAL PRADESH	1	East Siang
		2	East Kameng
		3	Papumpare
		4	Lohit
3	ASSAM	1	Chirang
		2	Karbi Anglong
		3	Sonitpur
		4	Tinsukiya
		5	Hailakandi
		6	Dhemeji
		7	Jorhat
		8	Nagaon
4	BIHAR	1	Saharsa
		2	Supaul
		3	Madhepura
		4	Nalanda
		5	Khagria
		6	EastChampan (Motihari)
		7	Arwal
		8	Aurangabad
		9	Gaya
		10	Jamui
		11	Jehanabad
		12	Kaimur
		13	Munger
		14	Nawada
		15	Rohtas
		16	Paschim Champan
		17	Sitamarhi
5	CHATTISGARH	1	Balarampur
		2	Surajpur
		3	Sukama
		4	Kondagaon



		5	Gariyaband
		6	Baloda Bazar
		7	Dhamtari
		8	Raigarh
		9	Bastar
		10	Bijapur
		11	Dantewada
		12	Jashpur
		13	Kanker
		14	Kawardha
		15	Koriya
		16	Narayanpur
		17	Rajnandgaon
		18	Sarguja
6	GUJARAT	1	Chhotaudepur
		2	Mahisagar
		3	Mehsana
		4	Junagadh
		5	Vadodara
		6	Banaskantha
		7	Panchmahal
7	JHARKHAND	1	Pakur
		2	Dumka
		3	Godda
		4	Bokarao
		5	Chatra
		6	Garhwa
		7	Giridh
		8	Gumla
		9	Hazaribagh
		10	Khunti
		11	Kodarma
		12	Latehar(N)
		13	Lohardaga
		14	Paschim Singhbhum
		15	Palamu
		16	Purbi Singhbhum
		17	Ramgarh
		18	Ranchi(Rural)
		19	Saraikela(N)
		20	Simdega(N)
8	KARNATAKA	1	Bijapur
		2	Chamrajnagar
		3	Chitradurga



		4	Gulbarga
		5	Mysore
		6	Tumkur
		7	Gadag
		8	Koppal
9	MADHYA PRADESH	1	Sager
		2	Damoh
		3	Tikamgarh
		4	Panna
		5	Chahatapur
		6	Jhabua
		7	Dhar
		8	Annupur
		9	Balaghat
		10	Dindori
		11	Mandala
		12	Seoni
		13	Shahdol
		14	Sidhi
		15	Umaria
		16	Chhindwara
		17	Singrauli
		18	Badwani
		19	Sheopur
		20	Alirajpur
10	MAHARASHTRA	1	Solapur
		2	Ratnagiri
		3	Thane
		4	Wardha
		5	Beed
		6	Sindhurdurg
		7	Chandrapur
		8	Gadchiroli
		9	Gondia
		10	Jalna
		11	Osmanabad
		12	Nandurbar
		13	Yavatmal
11	ODISHA	1	Angul
		2	Bhadrak
		3	Balasore
		4	Cuttack
		5	Balangir
		6	Devagarh



		7	Gajapati
		8	Ganjam
		9	Jaipur
		10	Kalahandi
		11	Kandhamal
		12	Kendujhar
		13	Koraput
		14	Malkangiri
		15	Mayurbhanj
		16	Nabarangpur
		17	Nayagarh
		18	Nuapada
		19	Rayagada
		20	Sambalpur
		21	Sonapur
		22	Sundargarh
12	RAJASTHAN	1	Dungarpur
		2	Banswara
		3	Dholpur
		4	Jhalawar
		5	Baran
		6	Ajmer
		7	Alwar
		8	Dausa
		9	Udaipur
13	TAMIL NADU	1	Cuddalore
		2	Nagapattinam
		3	Thanjaore
		4	Trichy
		5	Dindugal
		6	Vilupuram
		7	Vellore
		8	Thiruvannamalai
		9	Dharmapuri
14	UTTAR PRADESH	1	Agra
		2	Aligarh
		3	Auraiya
		4	Basti
		5	Bijnor
		6	Lakhimpur Kheri
		7	Unnao
		8	Varanasi
		9	Bara banki
		10	Gorakhpur



		11	Lucknow
		12	Chandauli
		13	Mirzapur
		14	Sonbhadra
		15	Badaun
		16	Hardoi
		17	Etawah
		18	Azamgarh
		19	Allahabad
		20	Ambedkarnagar
		21	Bahraich
		22	Deoria
		23	Jalaun
		24	Hamirpur
		25	Banda
15	WEST BENGAL	1	Alipurduar
		2	Purba Medinipur
		3	South 24 Parganas
		4	Bankura
		5	Medinipur West
		6	Coochbehar
		7	Birbhum
		8	Puruliya
16	TELANGANA	1	Mahabubnagar
		2	Adilabad
		3	Warangal
		4	Khammam
		5	Karimnagar
17	KERALA	1	Idukki
		2	Vayanadu
		3	Pallakkad
		4	Mallapuram
18	HARYANA	1	Mahendergarh
		2	Karnal
		3	Jind
		4	Mewat
		5	Bhiwani
		6	Jhajjar
19	HIMACHAL PRADESH	1	Kangra
		2	Una
		3	Shimla
		4	Mandi
20	JAMMU & KASHMIR	1	Kupwara
		2	Poonch



		3	Kistwar
		4	Ganderbal
		5	Budgam
		6	Udhampur
21	PUNJAB	1	Patiala
		2	Sangrur
		3	Bathinda
		4	Tarn Taran
		5	Gurdaspur
		6	Ferozepur
22	UTTRAKHAND	1	Pithoragarh
		2	Pohri Garwal
		3	Chamoli
		4	Bageshwar
23	MANIPUR	1	Chandel
		2	Imphal East
24	MEGHALAYA	1	West Garo Hills
		2	South West Khasi Hills
		3	West Khasi Hill
25	MIZORAM	1	Serchhip
		2	Aizwal
		3	Lunglei
26	NAGALAND	1	Kiphere
		2	Longleng
		3	Peren
		4	Tuensang
		5	Mon
27	TRIPURA	1	Dhalai
		2	West Tripura
		3	North Tripura
28	PUDUCHERRY	1	Puducherry
29	ANDAMAN & NICOBAR ISLANDS	1	North & Middle Andhman Dist
30	SIKKIM	1	South Sikkim
		2	East Sikkim
31	GOA	1	North Goa



**Annex IV**

Branch Name:

Bank Name:

Block

Name:

District:

State:

Progress report for  
the month of -----,

20--

No. of loans – Actual \* ₹ lakhs

S. No	No of SHGs with SB account			Credit Linked SHGs in the month						Credit outstanding	
	Total S/B accounts till last month	New a/c opened this month	Cumulative	New Loans		Repeat Loans		Cumulative		No of loans	Amount Outstanding*
				No of loans	Amount Disbursed*	No of loans	Amount Disbursed*	No of loans	Amount Disbursed*		
	1(a)	1(b)	1(c) = 1(a)+1(b)	2(a)	2(b)	3(a)	3(b)	4(a) = 2(a)+3(a)	4(b)=2(b)+3(b)	5(a)	5(b)

\*New loans: First linkage loans to be considered as the new loans

\*Second and third linkage to be counted under repeat finance

\* Credit Outstanding 5(a) and 5(b) should be inclusive of the cumulative credit disbursed in the month i.e. 5(a) = 4(b) + credit outstanding till last month

**Annex V**

Delinquency Report for the month of

Branch Name:

Bank Name:

Block Name:

District:

State:

No. of loans –  
Actual \* ₹ lakhs

SL No	No of loan accounts	Amount outstanding*	Irregular accounts (4)		Details of the NPA accounts(5)	
			No of accounts	Overdue Amount*	No of accounts	Amount*
1	2	3	4(a)	4(b)	5(a)	5(b)



## Appendix

No.	Circular No.	Date	Subject
1.	<a href="#">RPCD.GSSD.CO.NO.81/09.01.03/2012-13</a>	27.06.2013	Priority Sector Lending – Restructuring of SGSY as National Rural Livelihoods Mission(DAY-NRLM)-Aajeevika
2.	<a href="#">RPCD.GSSD.CO.BC.No.38/09.01.03/2013-14</a>	20.09.2013	Credit Facility under National Rural Livelihoods Mission(NRLM)- Aajeevika-Reporting to RBI
3.	<a href="#">RPCD.GSSD.CO.BC.No.57/09.01.03/2013-14</a>	19.11.2013	Restructuring of SGSY as National Rural Livelihoods Mission (NRLM)-Aajeevika-Interest Subvention Scheme
4.	<a href="#">FIDD.GSSD.CO.BC.NO.45/09.01.03/2014-15</a>	09.12.2014	National Rural Livelihoods Mission(NRLM)- Aajeevika-Interest Subvention Scheme
5.	<a href="#">FIDD.GSSD.CO.BC.NO.19/09.01.03/2015-16</a>	21.01.2016	National Rural Livelihoods Mission(NRLM)- Aajeevika-Interest Subvention Scheme 2015-16
6.	<a href="#">FIDD.GSSD.CO.BC.NO.26/09.01.03/2015-16</a>	09.06.2016	National Rural Livelihoods Mission(NRLM)- Aajeevika-Interest Subvention Scheme 2015-16 –Modification.
7.	<a href="#">FIDD.GSSD.CO.BC.NO.13/09.01.03/2016-17</a>	25.08.2016	National Rural Livelihoods Mission(NRLM)- Aajeevika-Interest Subvention Scheme 2016-17



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA  
www.rbi.org.in

RBI/2016-17/42

FIDD.GSSD.CO.BC.No.13/09.01.03/2016-17

August 25, 2016

The Chairman / Managing Director  
Public and Private Sector Banks

Dear Sir / Madam,

**Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM)  
– Aajeevika - Interest Subvention Scheme**

Please refer to our [circular FIDD.GSSD.CO.BC.NO. 19/09.01.03/2015-16 dated January 21, 2016](#) on interest subvention scheme under National Rural Livelihoods Mission (NRLM).

2. The revised guidelines for the year 2016-17 on Interest Subvention Scheme under DAY- NRLM, as received from the Ministry of Rural Development, Government of India, are annexed for implementation by all Public Sector Banks and 15 Private Sector Banks (as per list attached).

Yours faithfully

(Uma Shankar)  
Chief General Manager  
Enc: As above

वित्तीय समावेशन और विकास विभाग, केन्द्रीय कार्यालय, 10 वी मंजिल, केंद्रीय कार्यालय भवन, शहीद भगतसिंह मार्ग, पोस्ट बॉक्स सं. 10014, मुंबई -400001

Financial Inclusion & Development Dept., Central Office, 10th Floor, Central Office Building, Shahid Bhagat Singh Marg, P.B.No.10014, Mumbai-1

टेली Tel:022-22601000 फैक्स: 91-22-22621011/22610943/22610948 ई -मेल : cgmincfidd@rbi.org.in

हिंदी आसान है, इसका प्रयोग बढ़ाइए।

"चेतावनी : रिज़र्व बैंक द्वारा मेल-ड्राक, एसएमएस या फोन कॉल के जरिए किसी की भी व्यक्तिगत जानकारी जैसे बैंक के खाते का न्यौरा, पासवर्ड आदि नहीं मांगी जाती है। यह धन रखने या देने का प्रस्ताव भी नहीं करता है। ऐसे प्रस्तावों का किसी भी तरीके से जवाब मत दीजिए।"

**Caution:** RBI never sends mails, SMSs or makes calls asking for personal information like bank account details, passwords, etc. It never keeps or offers funds to anyone. Please do not respond in any manner to such offers.



## Interest subvention scheme for Women SHGs - Year 2016-17

### I. Interest subvention scheme on Credit to Women SHG during the year 2016-17 for all Commercial Banks (only Public Sector Banks, Private Sector Bank and Regional Rural Banks) and Co-operative banks in 250 districts

- i. All women SHGs will be eligible for interest subvention on credit upto Rs. 3 lakhs at 7% per annum. SHG availing capital subsidy under SGSY in their existing credit outstanding will not be eligible for benefit under this scheme.
- ii. The Commercial Banks and Cooperative Banks will lend to all the women SHGs in Rural areas at the rate of 7% in the 250 districts is provided at *Annexure I*
- iii. All Commercial Banks will be subvented to the extent of difference between the Weighted Average Interest Charged (*WAIC as specified by Department of Financial Services, Ministry of Finance for the year 2016-17 – Annexure II*) and 7% subject to the maximum limit of 5.5% for the year 2016-17. This subvention will be available to all the Banks on the condition that they make SHG credit available at 7% p.a. in the 250 districts.
- iv. Further, the SHGs will be provided with an additional 3% subvention on the prompt repayment of loans. For the purpose of Interest Subvention of additional 3% on prompt repayment, an SHG account will be considered prompt payee if it satisfies the following criterion as specified by Reserve Bank of India (RBI).

#### a. For Cash Credit Limit:

- i. Outstanding balance shall not have remained in excess of the limit/drawing power continuously for more than 30 days
- ii. There should be regular credit and debits in the accounts. In any case there shall be **at least one customer induced credit during a month**



iii. **Customer induced credit** should be sufficient to cover the interest debited during the month.

b. For the Term loans: A term loan account where all of the interest payments and/or instalments of principal were paid within 30 days of the due date during the tenure of the loan, would be considered as an account having prompt payment.

The prompt payment guidelines would continue to be guided by RBI guidelines on the subject in the future.

All prompt payee SHG accounts as on the end of the reporting quarter will be eligible for the additional interest subvention of 3%. The banks should credit the amount of 3% interest subvention to the eligible SHG loan accounts and thereafter seek the reimbursement.

- v. The scheme is limited to Women Self Help Groups in rural areas only
- vi. The funding for the scheme will be met out of Central Allocation under DAY- NRLM
- vii. The interest subvention scheme shall be implemented for all Public Sector Banks and Private sector Banks through a Nodal Bank selected by the Ministry of Rural Development (MoRD). The Nodal Bank will operationalize the scheme through a web based platform, as advised by MoRD. For the year 2016-17, Canara bank has been nominated as the Nodal bank by MoRD.
- viii. All Banks, who are operating on the Core Banking Solutions (CBS) can avail the interest subvention under the scheme.
- ix. In order to avail the Interest Subvention on credit extended to the SHGs @ 7%, regular subvention, all Public Sector Banks are required to upload the SHG loan account information on the Nodal Bank's portal as per the required technical specification. Public Sector Banks should also submit the claims for 3% additional subvention on the same portal. Public Sector Banks must submit the regular claims (difference between WAIC or lending rate and 7%) and additional claims (@ 3%



on prompt repayment) on a quarterly basis as on June 30, 2016, September 30, 2016, December 31, 2016 and March 31, 2017 by last week of the subsequent month.

- x. In order to avail the interest subvention on credit extended to the SHGs @7% and additional subvention claims of 3%, all Public Sector Banks and Private Sector Banks are required to submit claim certificate on quarterly basis to the nodal bank. The claims submitted by any bank should be accompanied by claim certificate (in original) certifying the claims for subvention as true and correct (Annexure-III to V). The claims of any Bank for the quarter ending March 2017 will be settled by MoRD only on receipt of the Statutory Auditor's certificate for the complete FY16-17 from the Bank.
- xi. Any remaining claim pertaining to the disbursements made during the year 2016-17 and not included during the year, may be consolidated separately and marked as an '*Additional Claim*' and submitted to Nodal Bank by Public Sector Banks and Private Sector Banks latest by June 30, 2017, duly audited by Statutory Auditor's certifying the correctness.
- xii. Any corrections in claims by Banks shall be adjusted from later claims based on auditor's certificate. For Public Sector Banks and Private sector Banks, the corrections must be made on the Nodal Bank's portal accordingly.

## **II. Interest subvention scheme for Category II Districts (Other than 250 districts).**

For category II districts, comprising of districts other than the above 250 districts, all women S.H.Gs under DAY- NRLM will be eligible for interest subvention to avail the loan facility at an interest rate of 7%. The funding for this subvention will be provided to the State Rural Livelihoods Missions (S.R.L.Ms) from the allocation for DAY- NRLM. In the Category II districts, Banks will charge the SHGs as per their respective lending norms and the difference between the lending rates and 7% subjected to a maximum limit of 5.5% for the FY16-17 will be subvented in the loan accounts of the SHGs by the SRLM. In pursuance of the above, the salient features and the operational



guidelines in respect of the interest subvention for the category II districts, for the year 2016-17 are as follows:

**(A) Role of the Banks:**

All banks who are operating on the Core Banking Solution (CBS) are required to furnish the details of the Credit disbursement and Credit outstanding of the SHGs across all districts in the desired format as suggested by the MoRD, directly from the CBS platform, to the Ministry of Rural Development (*through FTP*) and to the SRLMs. The information should be provided on a monthly basis to facilitate the calculation and disbursement of the Interest Subvention amount to SHGs.

**(B) Role of the State Governments:**

- i. All women SHGs, are regarded as SHGs under DAY- NRLM and will be eligible for interest subvention on credit upto ₹ 3 lakhs at the rate of 7% per annum on prompt repayment.
- ii. This scheme will be implemented by the State Rural Livelihood Missions (SRLMs). SRLMs will provide interest subvention to the eligible SHGs who have accessed loan from Commercial and Cooperative Banks. The funding for this subvention will be met out of the Central Allocation and State Contribution as per the norms of Government of India.
- iii. The SHGs will be subvented with the extent of difference between the lending Rate of the banks and 7% subject to a maximum limit of 5.5% for the year 2016-17 by the SRLMs, directly on a monthly/quarterly basis. An *e-transfer* of the subvention amount will be made by the SRLM to the loan accounts of the SHGs who have repaid promptly.
- iv. For the purpose of the Interest Subvention, an account will be considered as prompt payee if it satisfies the following criterion as specified by RBI:



a. For Cash Credit Limit:

1. Outstanding balance shall not have remained in excess of the limit/drawing power continuously for more than 30 days
2. There should be regular credit and debits in the accounts. In any case there shall be at least one customer induced credit during a month
3. Customer induced credit should be sufficient to cover the interest debited during the month.

b. For the Term loans: A term loan account where all of the interest payments and/or instalments of principal were paid within 30 days of the due date during the tenure of the loan, would be considered as an account having prompt payment  
The prompt payment guidelines would continue to be guided by RBI guidelines on the subject in the future.

- v. Women SHGs who have availed capital subsidy under SGSY in their existing loans, will not be eligible for benefit of Interest Subvention for their subsisting loan under this scheme.
- vi. SRLMs should submit Quarterly Utilization Certificate indicating subvention amounts transferred to the Loan accounts of the eligible SHGs.

III. The States with state specific interest subvention schemes are advised to harmonize their guidelines with the Central scheme.



Annexure I

**List of 250 eligible Districts for the Interest Subvention on the loan at 7% and additional interest Subvention of 3% on the prompt repayment**

<u>Sl No</u>	<u>States</u>	<u>Sl</u>	<u>Name of districts</u>
1	ANDHRA PRADESH	1	Guntur
		2	Krishna
		3	Srikakulam
		4	East Godavari
		5	Vijaynagram
		6	Visakhapatnam
2	ARUNACHAL PRADESH	1	East Siang
		2	East Kameng
		3	Papumpare
		4	Lohit
3	ASSAM	1	Chirang
		2	Karbi Anglong
		3	Sonitpur
		4	Tinsukiya
		5	Hailakandi
		6	Dhemeji
		7	Jorhat
		8	Nagaon
4	BIHAR	1	Saharsa
		2	Supaul
		3	Madhepura
		4	Nalanda
		5	Khagria
		6	EastChampan (Motihari)
		7	Arwal
		8	Aurangabad
		9	Gaya
		10	Jamui
		11	Jehanabad
		12	Kaimur
		13	Munger
		14	Nawada
		15	Rohtas
		16	Paschim Champan
		17	Sitamarhi
5	CHATTISGARH	1	Balarampur
		2	Surajpur
		3	Sukama
		4	Kondagaon



		5	Gariyaband
		6	Baloda Bazar
		7	Dhamtari
		8	Raigarh
		9	Bastar
		10	Bijapur
		11	Dantewada
		12	Jashpur
		13	Kanker
		14	Kawardha
		15	Koriya
		16	Narayanpur
		17	Rajnandgaon
		18	Sarguja
6	GUJARAT	1	Chhotaudepur
		2	Mahisagar
		3	Mehsana
		4	Junagadh
		5	Vadodara
		6	Banaskantha
		7	Panchmahal
7	JHARKHAND	1	Pakur
		2	Dumka
		3	Godda
		4	Bokarao
		5	Chatra
		6	Garhwa
		7	Giridh
		8	Gumla
		9	Hazaribagh
		10	Khunti
		11	Kodarma
		12	Latehar(N)
		13	Lohardaga
		14	Paschim Singhbhum
		15	Palamu
		16	Purbi Singhbhum
		17	Ramgarh
		18	Ranchi(Rural)
		19	Saraikela(N)
		20	Simdega(N)
8	KARNATAKA	1	Bijapur
		2	Chamrajnagar
		3	Chitradurga
		4	Gulbarga
		5	Mysore
		6	Tumkur



		7	Gadag
		8	Koppal
9	MADHYA PRADESH	1	Sager
		2	Damoh
		3	Tikamgarh
		4	Panna
		5	Chahatapur
		6	Jhabua
		7	Dhar
		8	Annupur
		9	Balaghat
		10	Dindori
		11	Mandala
		12	Seoni
		13	Shahdol
		14	Sidhi
		15	Umaria
		16	Chhindwara
		17	Singrauli
		18	Badwani
		19	Sheopur
		20	Alirajpur
10	MAHARASHTRA	1	Solapur
		2	Ratnagiri
		3	Thane
		4	Wardha
		5	Beed
		6	Sindhurdurg
		7	Chandrapur
		8	Gadchiroli
		9	Gondia
		10	Jalna
		11	Osmanabad
		12	Nandurbar
		13	Yavatmal
11	ODISHA	1	Angul
		2	Bhadrak
		3	Balasore
		4	Cuttack
		5	Balangir
		6	Devagarh
		7	Gajapati
		8	Ganjam
		9	Jaipur
		10	Kalahandi
		11	Kandhamal
		12	Kendujhar



		13	Koraput
		14	Malkangiri
		15	Mayurbhanj
		16	Nabarangpur
		17	Nayagarh
		18	Nuapada
		19	Rayagada
		20	Sambalpur
		21	Sonapur
		22	Sundargarh
12	RAJASTHAN	1	Dungarpur
		2	Banswara
		3	Dholpur
		4	Jhalawar
		5	Baran
		6	Ajmer
		7	Alwar
		8	Dausa
		9	Udaipur
13	TAMIL NADU	1	Cuddalore
		2	Nagapattinam
		3	Thanjaore
		4	Trichy
		5	Dindugal
		6	Vilupuram
		7	Vellore
		8	Thiruvannamalai
		9	Dharmapuri
14	UTTAR PRADESH	1	Agra
		2	Aligarh
		3	Auraiya
		4	Basti
		5	Bijnor
		6	Lakhimpur Kheri
		7	Unnao
		8	Varanasi
		9	Bara banki
		10	Gorakhpur
		11	Lucknow
		12	Chandauli
		13	Mirzapur
		14	Sonbhadra
		15	Badaun
		16	Hardoi
		17	Etawah
		18	Azamgarh
		19	Allahabad



		20	Ambedkarnagar
		21	Bahraich
		22	Deoria
		23	Jalaun
		24	Hamirpur
		25	Banda
15	WEST BENGAL	1	Alipurduar
		2	Purba Medinipur
		3	South 24 Parganas
		4	Bankura
		5	Medinipur West
		6	Coochbehar
		7	Birbhum
		8	Puruliya
16	TELANGANA	1	Mahabubnagar
		2	Adilabad
		3	Warangal
		4	Khammam
		5	Karimnagar
17	KERALA	1	Idukki
		2	Vayanadu
		3	Pallakkad
		4	Mallapuram
18	HARYANA	1	Mahendergarh
		2	Karnal
		3	Jind
		4	Mewat
		5	Bhiwani
		6	Jhajjar
19	HIMACHAL PRADESH	1	Kangra
		2	Una
		3	Shimla
		4	Mandi
20	JAMMU & KASHMIR	1	Kupwara
		2	Poonch
		3	Kistwar
		4	Ganderbal
		5	Budgam
		6	Udhampur
21	PUNJAB	1	Patiala
		2	Sangrur
		3	Bathinda
		4	Tarn Taran
		5	Gurdaspur
		6	Ferozepur
22	UTTRAKHAND	1	Pithoragarh
		2	Pohri Garwal



		3	Chamoli
		4	Bageshwar
23	MANIPUR	1	Chandel
		2	Imphal East
24	MEGHALAYA	1	West Garo Hills
		2	South West Khasi Hills
		3	West Khasi Hill
25	MIZORAM	1	Serchhip
		2	Aizwal
		3	Lunglei
26	NAGALAND	1	Kiphere
		2	Longleng
		3	Peren
		4	Tuensang
		5	Mon
27	TRIPURA	1	Dhalai
		2	West Tripura
		3	North Tripura
28	PUDUCHERRY	1	Puducherry
29	ANDAMAN & NICOBAR ISLANDS	1	North & Middle Andhman Dist
30	SIKKIM	1	South Sikkim
		2	East Sikkim
31	GOA	1	North Goa



**Weighted Average Interest Rate for 2016-17 of Private Banks**

<b>WAIC applicable for PSBs for the year 2016-17</b>			
<b>Sl. No</b>	<b>Name of the Bank</b>	<b>Weighted average interest charged (WAIC)</b>	<b>Interest to be subvented above 7% based on WAIC subject to a cap of 5.5%</b>
1	Allahabad Bank	10.52	3.52
2	Andhra Bank	12.5	5.50
3	Bank of Baroda	9.65	2.65
4	Bank of India	13.27	5.50
5	Bank of Maharashtra	11.2	4.20
6	Canara Bank	11.15	4.15
7	Central Bank of India	10.5	3.50
8	Corporation Bank	11.65	4.65
9	Dena Bank	11.09	4.09
10	Indian Bank	11.95	4.95
11	Indian Overseas Bank	10.81	3.81
12	Oriental Bank of Commerce	11.45	4.45
13	Punjab National Bank	11.5	4.50
14	Punjab & Sindh Bank	11.62	4.62
15	State Bank of Bikaner & Jaipur	12.73	5.50
16	State Bank of Hyderabad	12.05	5.05
17	State Bank of India	12.25	5.25
18	State Bank of Mysore	10.6	3.60
19	State Bank of Patiala	10.78	3.78
20	State Bank of Travancore	11.49	4.49
21	Syndicate Bank	11.15	4.15
22	Uco Bank	10.7	3.700
23	Union Bank	10	3.00
24	United Bank of India	11.47	4.47
25	Vijaya Bank	13.93	5.50
26	IDBI	11.5	4.50
27	Bharatiya Mahila Bank	11.7	4.70



Sl. No.	Name of the Banks	weighted average Interest Charged(WAIC)	Interest to be subvented above 7% based on WAIC subjected to a cap of 5.50%
1	The Karur Vysya Bank	10.67	3.67
2	Kotak Mahindra	NA*	NA*
3	Dhan Laxmi	12.50	5.50
4	Tamil Nadu Mercantile Bank	12.65	5.50
5	Yes Bank	NA	NA
6	Indusind Bank	NA	NA
7	Axis Bank	12.48	5.48
8	HDFC	15.25	5.50
9	ICICI Bank	14.35	5.50
10	Lakshmi vilas Bank	12.45	5.45
11	J&K	12.50	5.50
12	City Union Bank	11.07	4.07
13	Karnataka Bank Ltd	11.50	4.50
14	DCB Bank	26.00	5.50
15	RBL Bank	18.00	5.50

**Annexure III**

**Claim for Interest Subvention on loans to women SHGs at 7% per annum, for the credit up-to ₹ 3 Lakhs, for the year 2016-17**

**Name of Bank:**

**Statement for claims for the period ..... to .....: Loans disbursed/outstanding up-to ₹ 3 lakhs**

New loan accounts opened during the period .....to .....		Outstanding as at ..... (end of previous period)		Total outstanding as at .....		Amount of interest subvention
No of Accounts	Amount	No of Accounts	Amount	No of Accounts	Amount	Amount

We hereby certify that loans to women SHGs up-to 3 lakhs were charged Interest @ 7% per annum on the above disbursement/outstanding in the year 2016-17. We certify that the above claimed amount and the accounts are from the Category-I districts only and all the accounts claimed are eligible for interest subvention as per RBI guidelines. We also certify that there is no duplication in the claims and with minimal human intervention while submitting the regular claim or additional interest subvention claim from the branch level onwards

Dated

Authorized Signatory

(This claim format, consolidated for the year, needs to be duly certified by Statutory Auditors and submitted along with the claims for the quarter ending March 31<sup>st</sup>, within June 30<sup>th</sup> of the next financial year)



## Annexure IV

**Claim for additional Interest Subvention @ 3% on the prompt repayment, for the credit up-to ₹ 3 Lakhs, for the year 2016-17**

**Name of Bank:**

**Statement for claims for the period ..... to .....: Loans disbursed/outstanding upto ₹ 3 lakhs**

New loan accounts opened during the period .....to .....	Outstanding as at ..... (end of previous period)		Total outstanding as at .....		Regular / eligible women SHGs	Amount of interest subvention
	No of Accounts	Amount	No of Accounts	Amount		

We certify that the above loans were repaid on time and the benefit of additional 3% interest subvention has been passed on to the women SHG's account, reducing the effective rate of interest to 4% for the prompt payee women SHGs. There is minimal human intervention while submitting the regular claim or additional interest subvention claim from the branch level onwards

Dated

Authorized Signatory

(This claim format, consolidated for the year, needs to be duly certified by Statutory Auditors and submitted along with the claims for the quarter ending March 31<sup>st</sup>, within June 30<sup>th</sup> of the next financial year)

**Annexure-V**

FINAL CERTIFICATE TO BE ISSUED BY THE MEMBER BANKS ON DAY-NRLM CLAIMS FOR THE YEAR 2016-17  
(No and amount in actuals)

NAME OF THE BANK:

DAY-NRLM claim uploaded in CANARA BANK Web portal as on Date : For the month of March 2017

Regular Claim		Additional claim		Total Claim	
No of accounts	Amount	No of accounts	Amount	No of accounts	Amount

We certify that the above claimed accounts and amount are from the Category-I districts only and all the accounts claimed are eligible for interest subvention as per RBI guidelines. We also certify that there is no duplication in the claims and there is minimal human intervention while submitting the regular claim or additional interest subvention claim from the branch level onwards

Date

Authorized signatory



**Final Certificate to be issued by Private Banks on Interest Subvention Claims under DAY - NRLM for the year 2016-17**

Name of Bank

Details of Claims uploaded on CANARA Bank web portal up to month – March 2017

Date:

Authorized Signatory



भारतीय रिज़र्व बैंक

-----RESERVE BANK OF INDIA-----

[www.rbi.org.in](http://www.rbi.org.in)

RBI/FIDD/2016-17/33

Master Direction FIDD.CO.Plan.1/04.09.01/2016-17

July 7, 2016

(Updated as on December 22, 2016)

(Updated as on July 28, 2016)

**The Chairman / Managing Director/  
Chief Executive Officer  
[All Scheduled Commercial Banks,  
(excluding Regional Rural Banks)]**

Dear Sir/ Madam,

**MASTER DIRECTION-PRIORITY SECTOR LENDING-TARGETS  
AND CLASSIFICATION**

The Reserve Bank of India has, from time to time, issued a number of guidelines/instructions/directives to banks on Priority Sector Lending. The Master Direction enclosed incorporates the updated guidelines/ instructions/ circulars on the subject. The list of circulars consolidated in this Master Direction is indicated in the *Appendix*. The Direction will be updated from time to time as and when fresh instructions are issued. This Master Direction has been placed on the RBI website at [www.rbi.org.in](http://www.rbi.org.in).

2. The guidelines on priority sector lending were revised vide our circular dated April 23, 2015. The priority sector loans sanctioned under the guidelines issued prior to April 23, 2015 will continue to be classified under priority sector till repayment/maturity/renewal.

Yours faithfully,

(A. Udgata)  
Principal Chief General Manager

वित्तीय समावेशन और विकास विभाग, केन्द्रीय कार्यालय, 10 वी मंजिल, केंद्रीय कार्यालय भवन, शहीद भगतसिंह मार्ग, पोस्ट बॉक्स सं. 10014, मुंबई -400001  
Financial Inclusion & Development Dept., Central Office, 10th Floor, Central Office Building, Shahid Bhagat Singh Marg, P.B.No.10014, Mumbai-1

टेली Tel:022-22601000 फ़ैक्स: 91-22-22621011/22610943/22610948 ई -मेल : [cgmincfidd@rbi.org.in](mailto:cgmincfidd@rbi.org.in)

हिंदी आसान है, इसका प्रयोग बढ़ाइए।

चेतावनी : मेल रिज़र्व बैंक द्वारा-डाक, एसएमएस या फोन कॉल के जरिए किसी की भी व्यक्तिगत जानकारी जैसे बैंक के खाते का ब्यौरा, पासवर्ड आदि नहीं मांगी जाती है। यह धन रखने या देने का प्रस्ताव भी नहीं करता है। ऐसे प्रस्तावों का किसी भी तरीके से जवाब मत दीजिए।"

**Caution:** RBI never sends mails, SMSs or makes calls asking for personal information like bank account details, passwords, etc. It never keeps or offers funds to anyone. Please do not respond in any manner to such offers.



**Master Direction- Reserve Bank of India (Priority Sector Lending –Targets and Classification) Directions, 2016**

In exercise of the powers conferred by Sections 21 and 35 A of the Banking Regulation Act, 1949, the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest so to do, hereby, issues the Directions hereinafter specified.

**CHAPTER – I  
PRELIMINARY**

**1. Short Title and Commencement**

- (a) These Directions shall be called the Reserve Bank of India (Priority Sector Lending – Targets and Classification) Directions, 2016.
- (b) These Directions shall come into effect on the day they are placed on the official website of the Reserve Bank of India.

**2. Applicability**

The provisions of these Directions shall apply to every Scheduled Commercial Bank {excluding Regional Rural Banks (RRBs)} licensed to operate in India by the Reserve Bank of India.

**3. Definitions/ Clarifications**

- (a) In these Directions, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them below:
- (i) On-lending means loans sanctioned by banks to eligible intermediaries for onward lending only for creation of priority sector assets. The average maturity of priority sector assets thus created should be broadly co-terminus with maturity of the bank loan.
- (ii) Contingent liabilities/off-balance sheet items do not form part of priority sector target achievement. However, foreign banks with less than 20 branches have an option to reckon the credit equivalent of off-balance sheet items, extended to borrowers for eligible priority sector activities, along with priority sector loans for the purpose of computation of priority sector target achievement. In that case, the credit equivalent of all off-balance sheet items (both priority sector and non-priority sector excluding interbank) should be added to the ANBC in



the denominator for computation of Priority Sector Lending targets.

- (iii) Off-balance sheet interbank exposures are excluded for computing Credit Equivalent of Off - Balance Sheet Exposures for the priority sector targets.
- (iv) The term “all inclusive interest” includes interest (effective annual interest), processing fees and service charges.
- (b) Banks should ensure that loans extended under priority sector are for approved purposes and the end use is continuously monitored. The banks should put in place proper internal controls and systems in this regard.
- (c) All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act or the Reserve Bank of India Act, or any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

## CHAPTER - II

### CATEGORIES AND TARGETS UNDER PRIORITY SECTOR

#### 4. The categories under priority sector are as follows:

- (i) Agriculture
- (ii) Micro, Small and Medium Enterprises
- (iii) Export Credit
- (iv) Education
- (v) Housing
- (vi) Social Infrastructure
- (vii) Renewable Energy
- (viii) Others

The details of eligible activities under the above categories are specified in Chapter III.



## 5. Targets /Sub-targets for Priority sector

(i) The targets and sub-targets set under priority sector lending for all scheduled commercial banks operating in India are furnished below:

Categories	Domestic scheduled commercial banks and Foreign banks with 20 branches and above	Foreign banks with less than 20 branches
<b>Total Priority Sector</b>	<p>40 percent of Adjusted Net Bank Credit [ANBC defined in sub paragraph (iii)] or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher.</p> <p>Foreign banks with 20 branches and above have to achieve the Total Priority Sector Target within a maximum period of five years starting from April 1, 2013 and ending on March 31, 2018 as per the action plans submitted by them and approved by RBI.</p>	<p>40 percent of Adjusted Net Bank Credit [ANBC defined in sub paragraph (iii)] or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher; to be achieved in a phased manner by 2020 as indicated in sub paragraph (ii) below.</p>
<b>Agriculture</b>	<p>18 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher.</p> <p>Within the 18 percent target for agriculture, a target of 8 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher is prescribed for Small and Marginal Farmers.</p> <p>Foreign banks with 20 branches and above have to achieve the Agriculture Target within a maximum period of five years starting from April 1, 2013 and ending on March 31, 2018 as per the</p>	Not applicable



	<p>action plans submitted by them and approved by RBI. The sub-target for Small and Marginal farmers would be made applicable post 2018 after a review in 2017.</p> <p>##</p>	
<b>Micro Enterprises</b>	<p>7.5 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure.</p> <p>The sub-target for Micro Enterprises for foreign banks with 20 branches and above would be made applicable post 2018 after a review in 2017.</p>	Not Applicable
<b>Advances to Weaker Sections</b>	<p>10 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher.</p> <p>Foreign banks with 20 branches and above have to achieve the Weaker Sections Target within a maximum period of five years starting from April 1, 2013 and ending on March 31, 2018 as per the action plans submitted by them and approved by RBI.</p>	Not Applicable

## Additionally, domestic banks are directed to ensure that the overall lending to non-corporate farmers does not fall below the system-wide average of the last three years achievement. All efforts should be maintained to reach the level of 13.5 percent direct lending to the beneficiaries who earlier constituted the direct agriculture sector. The applicable system wide average figure for computing achievement under priority sector lending will be notified every year. For FY 2016-17, the applicable system wide average figure is 11.70 percent.

(ii) The Total Priority Sector target of 40 percent for foreign banks with less than 20 branches has to be achieved in a phased manner as under:-

Financial Year	The Total Priority Sector as percentage of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher
2015-16	32
2016-17	34
2017-18	36



2018-19	38
2019-20	40

The additional priority sector lending target of 2 percent of ANBC each year from 2016-17 to 2019-20 has to be achieved by lending to sectors other than exports. The sub targets for these banks, if to be made applicable post 2020, would be decided in due course.

(iii) The computation of priority sector targets/sub-targets achievement will be based on the ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposures, whichever is higher, as on the corresponding date of the preceding year. For the purpose of priority sector lending, ANBC denotes the outstanding Bank Credit in India [As prescribed in item No.VI of Form 'A' under Section 42 (2) of the RBI Act, 1934] minus bills rediscounted with RBI and other approved Financial Institutions plus permitted non-SLR bonds/debentures under Held to Maturity (HTM) category plus other investments eligible to be treated as part of priority sector lending (e.g. investments in securitised assets). The outstanding deposits under RIDF and other funds with NABARD, NHB, SIDBI and MUDRA Ltd. in lieu of non-achievement of priority sector lending targets/sub-targets will form part of ANBC. Advances extended in India against the incremental FCNR (B)/NRE deposits, qualifying for exemption from CRR/SLR requirements, as per the Reserve Bank's circulars [DBOD.No.Ret.BC.36/12.01.001/2013-14 dated August 14, 2013](#) read with [DBOD.No.Ret.BC.93/12.01.001/2013-14 dated January 31, 2014](#) and DBOD mailbox clarification issued on February 6, 2014 will be excluded from the ANBC for computation of priority sector lending targets, till their repayment. The eligible amount for exemption on account of issuance of long-term bonds for infrastructure and affordable housing as per Reserve Bank's circular [DBOD.BP.BC.No.25/08.12.014/2014-15 dated July 15, 2014](#) will also be excluded from the ANBC for computation of priority sector lending targets. For the purpose of calculation of Credit Equivalent Amount of Off-Balance Sheet Exposures, banks may be guided by the Master Circular on Exposure Norms issued by our Department of Banking Regulation.

#### **Computation of Adjusted Net Bank Credit (ANBC)**

Bank Credit in India [As prescribed in item No.VI of Form 'A' under Section 42 (2) of the RBI Act, 1934].	I
Bills Rediscounted with RBI and other approved Financial Institutions	II
Net Bank Credit (NBC)*	III (I-II)
Bonds/debentures in Non-SLR categories under HTM category+ other investments eligible to be treated as priority sector +Outstanding Deposits under RIDF and other eligible funds with NABARD, NHB, SIDBI and MUDRA Ltd. on account of priority sector shortfall + outstanding PSLCs	IV
Eligible amount for exemptions on issuance of long-term bonds for infrastructure and affordable housing as per <a href="#">circular DBOD.BP.BC.No.25/08.12.014/2014-15 dated July 15, 2014</a> .	V
Eligible advances extended in India against the incremental FCNR (B)/NRE deposits, qualifying for exemption from CRR/SLR requirements.	VI
ANBC	III+IV-V-VI



\* For the purpose of priority sector computation only. Banks should not deduct / net any amount like provisions, accrued interest, etc. from NBC.

*It has been observed that some banks are subtracting prudential write off at Corporate/Head Office level while reporting Bank Credit as above. In such cases it must be ensured that bank credit to priority sector and all other sub-sectors so written off should also be subtracted category wise from priority sector and sub-target achievement.*

*All types of loans, investments or any other items which are treated as eligible for classification under priority sector target/sub-target achievement should also form part of Adjusted Net Bank Credit.*

### CHAPTER - III

#### DESCRIPTION OF ELIGIBLE CATEGORIES UNDER PRIORITY SECTOR

##### 6. Agriculture

The lending to agriculture sector has been defined to include (i) Farm Credit (which will include short-term crop loans and medium/long-term credit to farmers) (ii) Agriculture Infrastructure and (iii) Ancillary Activities. A list of eligible activities under the three sub-categories is indicated below:

6.1 Farm credit	<p>A. Loans to individual farmers [including Self Help Groups (SHGs) or Joint Liability Groups (JLGs), i.e. groups of individual farmers, provided banks maintain disaggregated data of such loans] and Proprietorship firms of farmers, directly engaged in Agriculture and Allied Activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture. This will include:</p> <p>(i) Crop loans to farmers, which will include traditional/non-traditional plantations and horticulture, and, loans for allied activities.</p> <p>(ii) Medium and long-term loans to farmers for agriculture and allied activities (e.g. purchase of agricultural implements and machinery, loans for irrigation and other developmental activities undertaken in the farm, and developmental loans for allied activities.)</p> <p>(iii) Loans to farmers for pre and post-harvest activities, viz., spraying, weeding, harvesting, sorting, grading and transporting of their own farm produce.</p> <p>(iv) Loans to farmers up to ₹50 lakh against pledge/hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months.</p> <p>(v) Loans to distressed farmers indebted to non-institutional lenders.</p> <p>(vi) Loans to farmers under the Kisan Credit Card Scheme.</p> <p>(vii) Loans to small and marginal farmers for purchase of land for</p>
-----------------	--



	<p>agricultural purposes.</p> <p>B. Loans to corporate farmers, farmers' producer organizations/companies of individual farmers, partnership firms and co-operatives of farmers directly engaged in Agriculture and Allied Activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture up to an aggregate limit of ₹2 crore per borrower. This will include:</p> <p>(i) Crop loans to farmers which will include traditional/non-traditional plantations and horticulture, and, loans for allied activities.</p> <p>(ii) Medium and long-term loans to farmers for agriculture and allied activities (e.g. purchase of agricultural implements and machinery, loans for irrigation and other developmental activities undertaken in the farm, and developmental loans for allied activities.)</p> <p>(iii) Loans to farmers for pre and post-harvest activities, viz., spraying, weeding, harvesting, sorting, grading and transporting of their own farm produce.</p> <p>(iv) Loans up to ₹50 lakh against pledge/hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months.</p>
6.2. Agriculture infrastructure	<p>i) Loans for construction of storage facilities (warehouses, market yards, godowns and silos) including cold storage units/ cold storage chains designed to store agriculture produce/products, irrespective of their location.</p> <p>ii) Soil conservation and watershed development.</p> <p>iii) Plant tissue culture and agri-biotechnology, seed production, production of bio-pesticides, bio-fertilizer, and vermi composting.</p> <p>For the above loans, an aggregate sanctioned limit of ₹100 crore per borrower from the banking system, will apply.</p>
6.3. Ancillary activities	<p>(i) Loans up to ₹5 crore to co-operative societies of farmers for disposing of the produce of members.</p> <p>(ii) Loans for setting up of Agriclincs and Agribusiness Centres.</p> <p>(iii) Loans for Food and Agro-processing up to an aggregate sanctioned limit of ₹100 crore per borrower from the banking system.</p> <p>(iv) Loans to Custom Service Units managed by individuals, institutions or organizations who maintain a fleet of tractors, bulldozers, well-boring equipment, threshers, combines, etc., and undertake farm work for farmers on contract basis.</p> <p>(v) Bank loans to Primary Agricultural Credit Societies (PACS),</p>



	<p>Farmers' Service Societies (FSS) and Large-sized Adivasi Multi-Purpose Societies (LAMPS) for on-lending to agriculture.</p> <p>(vi) Loans sanctioned by banks to MFIs for on-lending to agriculture sector as per the conditions specified in paragraph 19 of these Master Directions.</p> <p>(vii) Outstanding deposits under RIDF and other eligible funds with NABARD on account of priority sector shortfall.</p>
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For the purpose of computation of achievement of the sub-target, Small and Marginal Farmers will include the following:-

- 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).
- Landless agricultural labourers, tenant farmers, oral lessees and share-croppers, whose share of landholding is within the limits prescribed for small and marginal farmers.
- Loans to Self Help Groups (SHGs) or Joint Liability Groups (JLGs), *i.e.* groups of individual Small and Marginal farmers directly engaged in Agriculture and Allied Activities, provided banks maintain disaggregated data of such loans.
- Loans to farmers' producer companies of individual farmers, and co-operatives of farmers directly engaged in Agriculture and Allied Activities, where the membership of Small and Marginal Farmers is not less than 75 per cent by number and whose land-holding share is also not less than 75 per cent of the total land-holding.

## 7. Micro, Small and Medium Enterprises (MSMEs)

**7.1. Limits for investment in plant and machinery/ equipment:** The limits for investment in plant and machinery/equipment for manufacturing / service enterprise, as notified by Ministry of Micro, Small and Medium Enterprises, vide S.O.1642(E) dated September 9, 2006 are as under:-

<b>Manufacturing Sector</b>	
<b>Enterprises</b>	<b>Investment in plant and machinery</b>
Micro Enterprises	Does not exceed twenty five lakh rupees
Small Enterprises	More than twenty five lakh rupees but does not exceed five crore rupees
Medium Enterprises	More than five crore rupees but does not exceed ten crore rupees
<b>Service Sector</b>	
<b>Enterprises</b>	<b>Investment in equipment</b>
Micro Enterprises	Does not exceed ten lakh rupees
Small Enterprises	More than ten lakh rupees but does not exceed two crore rupees
Medium Enterprises	More than two crore rupees but does not exceed five crore rupees



Bank loans to Micro, Small and Medium Enterprises, for both manufacturing and service sectors are eligible to be classified under the priority sector as per the following norms:

### **7.2. Manufacturing Enterprises**

The Micro, Small and Medium Enterprises engaged in the manufacture or production of goods to any industry specified in the first schedule to the Industries (Development and Regulation) Act, 1951 and as notified by the Government from time to time. The Manufacturing Enterprises are defined in terms of investment in plant and machinery.

### **7.3. Service Enterprises**

Bank loans up to ₹ 5 crore per unit to Micro and Small Enterprises and ₹ 10 crore to Medium Enterprises engaged in providing or rendering of services and defined in terms of investment in equipment under MSME Act, 2006.

### **7.4. Factoring Transactions**

(i) Factoring transactions on 'with recourse' basis by banks which carry out the business of factoring departmentally, wherever the 'assignor' is a Micro, Small or Medium Enterprise, subject to the corresponding limits for investment in plant and machinery/ equipment and other extant guidelines for priority sector classification. Such outstanding factoring portfolios may be classified by banks under MSME category on the reporting dates.

(ii) In terms of paragraph 9 of the Department of Banking Regulation Circular [DBR.No. FSD.BC.32/24.01.007/2015-16 dated July 30, 2015](#) on 'Provision of Factoring Services by Banks- Review', inter-alia, the borrower's bank shall obtain from the borrower, periodical certificates regarding factored receivables to avoid double financing/ counting. Further, the 'factors' must intimate the limits sanctioned to the borrower and details of debts factored to the banks concerned, taking responsibility to avoid double financing.

(iii) Factoring transactions taking place through the Trade Receivables Discounting System (TReDS) shall also be eligible for classification under priority sector upon operationalization of the platform.

### **7.5. Khadi and Village Industries Sector (KVI)**

All loans to units in the KVI sector will be eligible for classification under the sub-target of 7.5 percent prescribed for Micro Enterprises under priority sector.

### **7.6. Other Finance to MSMEs**

(i) Loans to entities involved in assisting the decentralized sector in the supply of inputs to and marketing of outputs of artisans, village and cottage industries.

(ii) Loans to co-operatives of producers in the decentralized sector viz. artisans, village and cottage



industries.

(iii) Loans sanctioned by banks to MFIs for on-lending to MSME sector as per the conditions specified in paragraph 19 of these Master Directions.

(iv) Credit outstanding under General Credit Cards (including Artisan Credit Card, Laghu Udyami Card, Swarajgar Credit Card, and Weaver's Card etc. in existence and catering to the non-farm entrepreneurial credit needs of individuals).

(v) Overdrafts extended by banks after April 8, 2015 upto ₹5,000/- under Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts provided the borrower's household annual income does not exceed ₹ 100,000/- for rural areas and ₹ 1,60,000/- for non-rural areas. These overdrafts will qualify as achievement of the target for lending to Micro Enterprises.

(vi) Outstanding deposits with SIDBI and MUDRA Ltd. on account of priority sector shortfall.

7.6. To ensure that MSMEs do not remain small and medium units merely to remain eligible for priority sector status, the MSME units will continue to enjoy the priority sector lending status up to three years after they grow out of the MSME category concerned.

## 8. Export Credit

The Export Credit extended as per the details below will be classified as priority sector.

Domestic banks	Foreign banks with 20 branches and above	Foreign banks with less than 20 branches
Incremental export credit over corresponding date of the preceding year, up to 2 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, effective from April 1, 2015 subject to a sanctioned limit of up to ₹25 crore per borrower to units having turnover of up to ₹100 crore.	Incremental export credit over corresponding date of the preceding year, up to 2 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, effective from April 1, 2017 (As per their approved plans, foreign banks with 20 branches and above are allowed to count certain percentage of export credit limit as priority sector till March 2017).	Export credit will be allowed up to 32 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher.

Export credit includes pre-shipment and post-shipment export credit (excluding off-balance sheet items) as defined in Master Circular on Rupee / Foreign Currency Export Credit and Customer Service to Exporters issued by our Department of Banking Regulation.

## 9. Education



Loans to individuals for educational purposes including vocational courses upto ₹10 lakh irrespective of the sanctioned amount will be considered as eligible for priority sector.

## **10. Housing**

**10.1** Loans to individuals up to ₹28 lakh in metropolitan centres (with population of ten lakh and above) and loans up to ₹20 lakh in other centres for purchase/construction of a dwelling unit per family provided the overall cost of the dwelling unit in the metropolitan centre and at other centres should not exceed ₹35 lakh and ₹25 lakh, respectively. The housing loans to banks' own employees will be excluded. As housing loans which are backed by long term bonds are exempted from ANBC, banks should either include such housing loans to individuals up to ₹28 lakh in metropolitan centres and ₹20 lakh in other centres under priority sector or take benefit of exemption from ANBC, but not both.

**10.2** Loans for repairs to damaged dwelling units of families up to ₹5 lakh in metropolitan centres and up to ₹2 lakh in other centres.

**10.3** Bank loans to any governmental agency for construction of dwelling units or for slum clearance and rehabilitation of slum dwellers subject to a ceiling of ₹10 lakh per dwelling unit.



**10.4** The loans sanctioned by banks for housing projects exclusively for the purpose of construction of houses for economically weaker sections and low income groups, the total cost of which does not exceed ₹10 lakh per dwelling unit. For the purpose of identifying the economically weaker sections and low income groups, the family income limit of ₹2 lakh per annum, irrespective of the location, is prescribed.

**10.5** Bank loans to Housing Finance Companies (HFCs), approved by NHB for their refinance, for on-lending for the purpose of purchase/construction/reconstruction of individual dwelling units or for slum clearance and rehabilitation of slum dwellers, subject to an aggregate loan limit of ₹10 lakh per borrower.

The eligibility under priority sector loans to HFCs is restricted to five percent of the individual bank's total priority sector lending, on an ongoing basis. The maturity of bank loans should be co-terminus with average maturity of loans extended by HFCs. Banks should maintain necessary borrower-wise details of the underlying portfolio.

**10.6** Outstanding deposits with NHB on account of priority sector shortfall.

## **11. Social infrastructure**

**11.1.** Bank loans up to a limit of ₹5 crore per borrower for building social infrastructure for activities namely schools, health care facilities, drinking water facilities and sanitation facilities including construction/ refurbishment of household toilets and household level water improvements in Tier II to Tier VI centres.

**11.2.** Bank credit to Micro Finance Institutions (MFIs) extended for on-lending to individuals and also to members of SHGs/JLGs for water and sanitation facilities will be eligible for categorization as priority sector under 'Social Infrastructure', subject to the criteria laid down in paragraph 19 of these Master Directions.

## **12. Renewable Energy**

Bank loans up to a limit of ₹15 crore to borrowers for purposes like solar based power generators, biomass based power generators, wind mills, micro-hydel plants and for non-conventional energy based public utilities *viz.* street lighting systems, and remote village electrification. For individual households, the loan limit will be ₹10 lakh per borrower.

## **13. Others**

**13.1.** Loans not exceeding ₹50,000/- per borrower provided directly by banks to individuals and their SHG/JLG, provided the individual borrower's household annual income in rural areas does not exceed ₹1,00,000/- and for non-rural areas it does not exceed ₹1,60,000/-.



**13.2.** Loans to distressed persons [other than farmers included under paragraph 6(6.1)(A)(v)] not exceeding ₹1,00,000/- per borrower to prepay their debt to non-institutional lenders.

**13.3.** Loans sanctioned to State Sponsored Organisations for Scheduled Castes/ Scheduled Tribes for the specific purpose of purchase and supply of inputs and/or the marketing of the outputs of the beneficiaries of these organisations.

#### 14. Weaker Sections

Priority sector loans to the following borrowers will be considered under Weaker Sections category:-

No.	Category
(i)	Small and Marginal Farmers
(ii)	Artisans, village and cottage industries where individual credit limits do not exceed ₹1 lakh
(iii)	Beneficiaries under Government Sponsored Schemes such as National Rural Livelihood Mission (NRLM), National Urban Livelihood Mission (NULM) and Self Employment Scheme for Rehabilitation of Manual Scavengers (SRMS)
(iv)	Scheduled Castes and Scheduled Tribes
(v)	Beneficiaries of Differential Rate of Interest (DRI) scheme
(vi)	Self Help Groups
(vii)	Distressed farmers indebted to non-institutional lenders
(viii)	Distressed persons other than farmers, with loan amount not exceeding ₹1 lakh per borrower to prepay their debt to non-institutional lenders
(ix)	Individual women beneficiaries up to ₹1 lakh per borrower
(x)	Persons with disabilities
(xi)	Overdrafts upto ₹5,000/- under Pradhan Mantri Jan-DhanYojana (PMJDY) accounts, provided the borrower's household annual income does not exceed ₹100,000/- for rural areas and ₹1,60,000/- for non-rural areas
(xii)	Minority communities as may be notified by Government of India from time to time.

In States, where one of the minority communities notified is, in fact, in majority, item (xii) will cover only the other notified minorities. These States/ Union Territories are Jammu & Kashmir, Punjab, Meghalaya, Mizoram, Nagaland and Lakshadweep.

## CHAPTER IV

### MISCELLANEOUS

#### 15. Investments by banks in securitised assets

(i) Investments by banks in securitised assets, representing loans to various categories of priority sector, except 'others' category, are eligible for classification under respective categories of priority sector depending on the underlying assets provided:

(a) the securitised assets are originated by banks and financial institutions and are eligible to be classified as priority sector advances prior to securitisation and fulfil the Reserve Bank of India guidelines on securitisation.

(b) the all inclusive interest charged to the ultimate borrower by the originating entity should not exceed the Base Rate of the investing bank plus 8 percent per annum.



*The investments in securitised assets originated by MFIs, which comply with the guidelines in Paragraph 19 of these Master Directions are exempted from this interest cap as there are separate caps on margin and interest rate.*

(ii) Investments made by banks in securitised assets originated by NBFCs, where the underlying assets are loans against gold jewellery, are not eligible for priority sector status.

#### **16. Transfer of Assets through Direct Assignment /Outright purchases**

(i) Assignments/Outright purchases of pool of assets by banks representing loans under various categories of priority sector, except the 'others' category, will be eligible for classification under respective categories of priority sector provided:

(a) the assets are originated by banks and financial institutions which are eligible to be classified as priority sector advances prior to the purchase and fulfil the Reserve Bank of India guidelines on outright purchase/assignment.

(b) the eligible loan assets so purchased should not be disposed of other than by way of repayment.

(c) the all inclusive interest charged to the ultimate borrower by the originating entity should not exceed the Base Rate of the purchasing bank plus 8 percent per annum.

*The Assignments/Outright purchases of eligible priority sector loans from MFIs, which comply with the guidelines in Paragraph 19 of these Master Directions are exempted from this interest rate cap as there are separate caps on margin and interest rate.*

(ii) When the banks undertake outright purchase of loan assets from banks/ financial institutions to be classified under priority sector, they must report the nominal amount actually disbursed to end priority sector borrowers and not the premium embedded amount paid to the sellers.

(iii) Purchase/ assignment/investment transactions undertaken by banks with NBFCs, where the underlying assets are loans against gold jewellery, are not eligible for priority sector status.

#### **17. Inter Bank Participation Certificates**

Inter Bank Participation Certificates (IBPCs) bought by banks, on a risk sharing basis, are eligible for classification under respective categories of priority sector, provided the underlying assets are eligible to be categorized under the respective categories of priority sector and the banks fulfil the Reserve Bank of India guidelines on IBPCs.

With regard to the underlying assets of the IBPC transactions being eligible for categorization under 'Export Credit' as per Para 8, the IBPC bought by banks, on a risk sharing basis, may be classified from purchasing bank's perspective for priority sector categorization. However, in such a scenario, the issuing bank shall certify that the underlying asset is 'Export Credit', in addition to the due diligence required to be undertaken by the issuing and the purchasing bank as per the guidelines in this regard.



## 18. Priority Sector Lending Certificates

The outstanding priority sector lending certificates bought by banks will be eligible for classification under respective categories of priority sector provided the assets are originated by banks, are eligible to be classified as priority sector advances and fulfil the Reserve Bank of India guidelines on Priority Sector Lending Certificates issued vide [Circular FIDD.CO.Plan.BC.23/04.09.001/2015-16 dated April 7, 2016](#).

## 19. Bank loans to MFIs for on-lending

(a) Bank credit to MFIs extended for on-lending to individuals and also to members of SHGs / JLGs will be eligible for categorisation as priority sector advance under respective categories viz., Agriculture, Micro, Small and Medium Enterprises, Social Infrastructure [mentioned in paragraph 11(11.2)] and Others, provided not less than 85 percent of total assets of MFI (other than cash, balances with banks and financial institutions, government securities and money market instruments) are in the nature of “qualifying assets”. In addition, aggregate amount of loan, extended for income generating activity, should be not less than 50 percent of the total loans given by MFIs.

(b) A “qualifying asset” shall mean a loan disbursed by MFI, which satisfies the following criteria:

(i) The loan is to be extended to a borrower whose household annual income in rural areas does not exceed ₹1,00,000/- while for non-rural areas it should not exceed ₹1,60,000/-.

(ii) Loan does not exceed ₹60,000/- in the first cycle and ₹100,000/- in the subsequent cycles.

(iii) Total indebtedness of the borrower does not exceed ₹1,00,000/-.

(iv) Tenure of loan is not less than 24 months when loan amount exceeds ₹30,000/- with right to borrower of prepayment without penalty.

(v) The loan is without collateral.

(vi) Loan is repayable by weekly, fortnightly or monthly installments at the choice of the borrower.

(c) Further, the banks have to ensure that MFIs comply with the following caps on margin and interest rate as also other ‘pricing guidelines’, to be eligible to classify these loans as priority sector loans.

(i) Margin cap: The margin cap should not exceed 10 percent for MFIs having loan portfolio exceeding ₹100 crore and 12 percent for others. The interest cost is to be calculated on average fortnightly balances of outstanding borrowings and interest income is to be calculated on average fortnightly balances of outstanding loan portfolio of qualifying assets.

(ii) Interest cap on individual loans: With effect from April 1, 2014, interest rate on individual loans will be the average Base Rate of five largest commercial banks by assets multiplied by 2.75 per annum or cost of funds plus margin cap, whichever is less. The average of the Base Rate shall be advised by Reserve Bank of India.

(iii) Only three components are to be included in pricing of loans viz., (a) a processing fee not exceeding 1 percent of the gross loan amount, (b) the interest charge and (c) the insurance premium.

(iv) The processing fee is not to be included in the margin cap or the interest cap.



(v) Only the actual cost of insurance i.e. actual cost of group insurance for life, health and livestock for borrower and spouse can be recovered; administrative charges may be recovered as per IRDA guidelines.

(vi) There should not be any penalty for delayed payment.

(vii) No Security Deposit/ Margin is to be taken.

(d) The banks should obtain from MFI, at the end of each quarter, a Chartered Accountant's Certificate stating, inter-alia, that the criteria on (i) qualifying assets, (ii) the aggregate amount of loan, extended for income generation activity, and (iii) pricing guidelines are followed.

## 20. Monitoring of Priority Sector Lending targets

To ensure continuous flow of credit to priority sector, the compliance of banks will be monitored on 'quarterly' basis. The data on priority sector advances has to be furnished by banks at quarterly and annual intervals as per the reporting formats prescribed vide [Circular FIDD.CO.Plan.BC.No.17/04.09.001/2016-17 dated October 6, 2016](#) on Priority Sector Lending – Revised Reporting System.

## 21. Non-achievement of Priority Sector targets

Scheduled Commercial Banks having any shortfall in lending to priority sector shall be allocated amounts for contribution to the Rural Infrastructure Development Fund (RIDF) established with NABARD and other Funds with NABARD/NHB/SIDBI/ MUDRA Ltd. , as decided by the Reserve Bank from time to time. The achievement will be arrived at the end of financial year based on the average of priority sector target /sub-target achievement as at the end of each quarter.

While computing priority sector target achievement, shortfall / excess lending for each quarter will be monitored separately. A simple average of all quarters will be arrived at and considered for computation of overall shortfall / excess at the end of the year. The same method will be followed for calculating the achievement of priority sector sub-targets. (Illustrative example given in Annex A)

The interest rates on banks' contribution to RIDF or any other Funds, tenure of deposits, etc. shall be fixed by Reserve Bank of India from time to time.

The misclassifications reported by the Reserve Bank's Department of Banking Supervision would be adjusted/ reduced from the achievement of that year, to which the amount of declassification/ misclassification pertains, for allocation to various funds in subsequent years.

Non-achievement of priority sector targets and sub-targets will be taken into account while granting regulatory clearances/approvals for various purposes.



## **22. Common guidelines for priority sector loans**

Banks should comply with the following common guidelines for all categories of advances under the priority sector.

### **(i) Rate of interest**

The rates of interest on bank loans will be as per directives issued by our Department of Banking Regulation from time to time.

### **(ii) Service charges**

No loan related and adhoc service charges/inspection charges should be levied on priority sector loans up to ₹25,000. In the case of eligible priority sector loans to SHGs/ JLGs, this limit will be applicable per member and not to the group as a whole.

### **(iii) Receipt, Sanction/Rejection/Disbursement Register**

A register/ electronic record should be maintained by the bank, wherein the date of receipt, sanction/rejection/disbursement with reasons thereof, etc., should be recorded. The register/electronic record should be made available to all inspecting agencies.

### **(iv) Issue of Acknowledgement of Loan Applications**

Banks should provide acknowledgement for loan applications received under priority sector loans. Bank Boards should prescribe a time limit within which the bank communicates its decision in writing to the applicants.



APPENDIX

LIST OF CIRCULARS CONSOLIDATED

S.No.	Circular No.	Date	Subject
1.	<a href="#">FIDD.CO.Plan.BC.No.17/04.09.001/2016-17</a>	October 6, 2016	Priority Sector Lending – Revised Reporting System.
2.	<a href="#">FIDD.CO.Plan.BC.No.14/04.09.001/2016-17</a>	September 1, 2016	Priority Sector Lending-Targets and Classification: Lending to Non-corporate Farmers - System Wide Average of last three years
3.	<a href="#">FIDD.CO.Plan.BC.No.10/04.09.001/2016-17</a>	August 11, 2016	Priority Sector Lending Status for Factoring Transactions.
4.	<a href="#">FIDD.CO.Plan.BC.No.8/04.09.001/2016-17</a>	July 28, 2016	PSL-Targets and Classification – Bank loans to MFIs for on-lending- Qualifying asset – Revised loan limit
5.	DBOD Mailbox clarification	March 28, 2016	Bank loans to proprietorship under Priority Sector
6.	DBOD Mailbox clarification	March 17, 2016	Eligibility of IBPC as Priority Sector Asset
7.	DBOD Mailbox clarification	November 27, 2015	Bank loans to SHGs/ JLGs- Processing Charges
8.	<a href="#">FIDD.CO.Plan.BC.13/04.09.01/2015-16</a>	November 18, 2015	Priority Sector Lending-Targets and Classification
9.	DBOD Mailbox clarification	November 3, 2015	Overdrafts upto ₹5000/- under PMJDY accounts
10.	DBOD Mailbox clarification	September 7, 2015	Calculation of shortfall/ excess
11.	DBOD Mailbox clarification	August 14, 2015	Social Infrastructure and Bank loans to MFIs for on-lending - Social Infrastructure
12.	<a href="#">FIDD.CO.Plan.BC.08/04.09.01/2015-16</a>	July 16, 2015	Priority Sector Lending –Targets and Classification
13.	DBOD Mailbox clarification	June 26, 2015	Outstanding deposits with MUDRA Ltd. on account of priority sector shortfall
14.	DBOD Mailbox clarification	June 12, 2015	Loans to Minority Communities
15.	DBOD Mailbox clarification	June 11, 2015	Loans to Custom Service Units
16.	<a href="#">FIDD.CO.Plan.BC.54/04.09.01/2014-15</a>	April 23, 2015	Priority Sector Lending-Targets and Classification



## Annex A

**Priority Sector Target Achievement- Calculation of shortfall / excess****Illustrative example:**

Tables No.1 and 2 below illustrate the method followed for computation of shortfall / excess in priority sector target achievement at the end of the financial year under the revised PSL guidelines.

(Table 1)			
Amount in ₹ thousands			
Quarter ended	PSL targets	Priority Sector Amount Outstanding	Shortfall / Excess
June	3296156032	3169380800	-126775232
September	3088265369	3119459969	31194600
December	3176948703	3192913269	15964566
March	3245609908	3213475156	-32134752
Total	12806980012	12695229194	-111750818
Average	3201745003	3173807299	-27937704

(Table 2)			
Amount in ₹ thousands			
Quarter ended	PSL targets	Priority Sector Amount Outstanding	Shortfall / Excess
June	3296156032	3279675252	-16480780
September	3088265369	3123780421	35515052
December	3176948703	3272257164	95308461
March	3245609908	3213153809	-32456099
Total	12806980012	12888866646	81886634
Average	3201745003	3222216661	20471658

In the example given in Table - 1, the bank has overall shortfall of ₹ 27937704 thousand at the end of the financial year. In Table – 2, the bank has overall excess of ₹ 20471658 thousand at the end of the financial year.

The same method will be followed for calculating the achievement of quarterly and yearly priority sector sub-targets.

**Note:** The computation of priority sector targets/sub-targets achievement will be based on the ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposures, whichever is higher, as at the corresponding date of the preceding year.



### **Acknowledgement**

(To be handed over to SHG after submission of the Application Form)

**Received the following Application form for loan**

<b>Name of SHG</b>	
<b>Address</b>	
<b>Application No</b>	
<b>Savings Account No</b>	
<b>Date of Receipt of Application by branch</b>	

**Signature**

**Branch**

**Bank**



<b>Bank's Name &amp; Logo</b>
-------------------------------

Form No		<b>For Official Use Only</b>	
Bank		Customer ID	
Branch		Loan A/c No	
		Loan Type (CC/TL)	Cash Credit  Term Loan
		Product code	
		Date of Sanction	
		Sanctioned Amount in Rs.	
		Loan Term	

## Self Help Group Loan Application Form

Name of the SHG			
Date of Formation		No of SHG members	
Address	Village/ City:..... GP:	Block	District:
SB A/C No			
Loan A/c No (if any)			
Supporting Agency (if any)			
Application for Loan Cycle			



### Self Help Group Loan Application Form

To:

The Branch Manager

\_\_\_\_\_ Bank  
\_\_\_\_\_ Branch

Dear Madam/Sir,

#### **Sub:-Application for credit linkage**

Affix passport Size photograph	Affix passport Size photograph	Affix passport Size photograph
Name :	Name:	Name:
Designation:	Designation:	Designation:
Address:	Address:	Address:
Mobile:	Mobile:	Mobile:

1. We, the duly authorized representatives of \_\_\_\_\_ (name of SHG) \_\_\_\_\_ village/city \_\_\_\_\_ Block \_\_\_\_\_ District hereby apply for a loan aggregating Rs. \_\_\_\_\_/- (Rupees \_\_\_\_\_ only) by way of Cash Credit (CC) / Term Loan (TL) for on-lending to our members. A copy of resolution taken by our Self Help Group in this regard is attached.
2. A copy of the member-wise requirement of loan is enclosed (*Compulsory from 3<sup>rd</sup> linkage onwards*)
3. We agree to repay the loan amount as per the repayment schedule which may be fixed by the Bank.
4. A copy of the Inter-se Agreement executed by all the members of the group authorizing us *inter alia* to borrow on behalf of the SHG is enclosed.
5. We hereby declare that the particulars given above are true and correct to the best of our knowledge and belief.
6. We hereby authorize the Bank to disclose all or any particulars or details or information relating to our loan accounts with the Bank, to any other financial institution including NABARD, Government or any agency as may be considered necessary or desirable by the Bank. It will be in order for the Bank to disqualify the SHG from receiving any credit facilities from the Bank and or recall the entire loan amount or any part thereof granted on this application, if any of the information pertaining to the group, furnished herewith is found incorrect and/or containing misrepresentation of facts.
7. A copy of the financial status of our SHG as on ..... (date) is attached.

Yours faithfully,

- 1.
- 2.
- 3

[Signature of Authorized Representatives of SHG with Seal]



## Specimen of Resolution by SHG for taking loan from bank

Name of SHG:  
 Address:  
 Date of Formation:  
 Total no of Members:

Name of Facilitating Agency:

### Resolution for taking loan from bank

Today on .....(Date), at the meeting of .....(name of SHG) at .....(meeting place of SHG/ address) in presence of all its members, it is resolved that our .....(name of SHG) will seek loan of Rs ....., (in words)..... from bank. It has also been further resolved that Smt.....(Designation .....); Smt..... (Designation .....) and Smt .....( Designation .....) will sign all the necessary document related to the loan application to bank on behalf of the .....(name of SHG).

We all members hereby agree to the above decision.

Sl No	Name of SHG members	Name of Father/Husband	Gender (Male/ Female)	Signature /Thumb Impression
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				

Signature  
 (Designation .....)

Signature  
 (Designation .....)

Signature  
 (Designation .....)

Seal of Self Help Group



**Details of Member wise Loan Requirement (As per Micro Credit Plan)**

(Compulsory from 3<sup>rd</sup> credit linkage onwards)

Name of the SHG:-

Date of formation:

Address

No. of Members:

**Member-wise details of proposed investment, sources of fund & resultant Net Surplus of the family**

S.N.	Name of member*	Purpose of investment	Amount of loan Required from SHG (Rs.)	Total Annual Income from various sources:- IGAs, Wages, Grants from Govt. etc. (Rs)	Total Annual Expenditure (Rs.)	Annual net income before repayment of loan installment (Rs.)	Annual repayment for the proposed loan & existing loan, if any (Rs.)	Annual Surplus (Rs.)
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
<b>Total</b>								

(\*) To be written in order of priority & rotation plan as decided in SHG meeting



## Specimen of INTER-SE AGREEMENT TO BE EXECUTED BY THE MEMBERS OF THE SELF HELP GROUP

THIS AGREEMENT made on this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_ BETWEEN

Sl no	Members Name	Name of Father/ Husband	Gender (Male /Female)	Age
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				

who are members of the \_\_\_\_\_ group, hereinafter referred to collectively as "The Self Help Group (SHG) Members" which expression shall, unless repugnant to the context or meaning, include every members of the said SHG and their respective legal heirs, executors and administrators.

WHEREAS all SHG members are residents of \_\_\_\_\_ Village/  
City.....in \_\_\_\_\_ Block of ..... District of  
.....State and are known to each other.

WHEREAS the SHG members above named have joined voluntarily together and formed the SHG with intent to carry on savings and credit and other economic activities for mutual benefit subject to the terms and conditions hereinafter appearing:

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT :-

1. Each member of the SHG shall save a sum of Rs. \_\_\_\_\_ (Rupees \_\_\_\_\_ only) or such sum as may be decided by the Group, on (weekly fortnightly/monthly) basis during the scheduled SHG meeting. The accumulated corpus of the SHG shall be given on loan to members based on their need and recovered along with interest as decided by the SHG members.
2. The SHG will take the responsibility for maintaining appropriate books of accounts to ensure transparency in transaction among SHG members
3. Each member shall strive for the success of the SHG and shall not act in any manner detrimental to the business interests of the SHG.



4. The SHG members shall be jointly and severally liable for all the debts contracted by the SHG.
5. All assets and goods acquired by the SHG shall be in the joint ownership of all the members of the SHG and shall ordinarily be in the constructive custody of such member as may be authorized by the Group and shall be kept at the place of business at \_\_\_\_\_ which shall not be changed without consent of the SHG members.
6. The SHG members hereby duly elect and appoint  
Shri/Smt/Kum. \_\_\_\_\_ as \_\_\_\_\_,  
Shri/Smt/Kum \_\_\_\_\_ as \_\_\_\_\_,  
Shri/Smt/Kum \_\_\_\_\_ as \_\_\_\_\_  
to look after and manage the day to day affairs of the SHG's activities and also act in their name and on their behalf in all matters relating thereto. The authorized representatives, may however, be removed at any time by majority vote of the members and new representatives elected.
8. Each of the SHG members hereby agrees to abide by and ratify all such act, deeds and things as the authorized representatives may do in the interest of the said activities.
9. The authorized representatives shall take decisions in the day to day working of the SHG and each representative shall actively involve herself and co-operate in looking after the day-to-day affairs of the SHG activities in particular to attend to the following activities.  
- Every member of the SHG hereby authorizes the representatives to apply for the loan on behalf of the SHG and execute necessary agreements/documents on behalf of the SHG for the purpose. The authorized representative may collect loan amounts from the bank on behalf of SHG, deposit the same in the savings account of the SHG for on-lending to members in accordance with the decision of the SHG and also deposit recovery of loan installment from members in the loan account/s of SHG with the bank.
10. The SHG members hereby specifically authorize the representatives:-
  - i. To open Savings, Fixed Deposits and other accounts in \_\_\_\_\_ Branch of \_\_\_\_\_ Bank approved by the SHG and operate the same under the joint signature of any two of the following authorized representatives:  
Shri/Smt/Kum \_\_\_\_\_  
Shri/Smt/Kum \_\_\_\_\_  
Shri/Smt/Kum \_\_\_\_\_
  - ii. To keep or cause to be kept proper books of accounts of the savings, made by the SHG Members, loans granted to them and the recoveries made from them and render every year the full accounts to the SHG members for their approval and adoption;
  - iii. To receive all payments due to the SHG and issue requisite receipts or acknowledgments for and on behalf of the SHG;
  - iv. To institute and defend on behalf of the SHG members any legal proceedings and safeguard the interests of each member of the said SHG and for this purpose engage or disengage any lawyer or advocate or agent and incur the necessary legal expenses in connection therewith.



11. In the event of death of any of the members of the SHG, his/her legal heirs shall be entitled or the benefits and be liable for the obligations of the deceased member under this agreement.

12. It is agreed that no new person shall be inducted as a member of the SHG without consent of all the existing members.

IN WITNESS WHEREOF the aforesaid members of the SHG have set their respective hands hereunto at the place \_\_\_\_\_ and on \_\_\_\_\_ day of \_\_\_\_\_ month \_\_\_\_\_ year first herein appearing.

S.N.	Name of member of the SHG	Signature/s/Thumb of the impression
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		

WITNESSES:-

1.

2.

(Note: The SHG shall not consist more than 20 persons).



**Financial Statement of .....(name of SHG) as on .....(date)**

Particulars	Amount (Rs)
Total Savings of members:	
Total interest and other incomes:	
Revolving Fund/ Grant Assistance received from project/ department/ other agencies	
Other Receipts (Specify .....)	
<b>Total</b>	

(Amount in Words .....)

We certify that the above statement is true and can be verified from the books of accounts maintained by our Self Help Group.

Signature  
(Designation .....)  
.....)

Signature  
(Designation .....)

Signature  
(Designation

Seal of Self Help Group



**For Official Use Only**



**Format 1: SHG Grading format for Fresh Linkage**

**A. Basic Information:-**

Name of the SHG:

Village: .....Gram Panchayat:.....Block:.....District:.....

Date of formation of the SHG:.....Date of opening of Bank S/B A/C:.....

Period considered for Grading: From.....to.....

(Usually last 6 months)

**B. Details of Grading /Evaluation Exercise:**

S.N.	Indicator	Allotted Marks	Formula for determining Marks	Marks obtained
1	<b>Regularity of Meeting:</b>			
(a)	Regularity of holding meetings by SHG	10	$\frac{\text{No. of meetings held} \times 10}{\text{No. of meetings required to be held as per rule of SHG}}$	
(b)	Regularity of Attendance of members in the meetings	10	$\frac{\text{Average no. of members attended the meetings} \times 10}{\text{Total no. of members of the SHG}}$	
2	<b>Regularity of Savings by members</b>	10	$\frac{\text{Amount of savings deposited by the members} \times 10}{\text{Amount of savings required to be deposited as per rule of SHG}}$	
3	<b>*Velocity of Lending to members from Group Corpus</b>	20	More than 1.5 :- 20 More than 1.0 up to 1.5:- 15 More than 0.5 up to 1.0:- 10 More than 0.2 up to 0.5:- 5 Up to 0.2:- 0	
4	<b>Regularity in Repayment of loan by members</b>	20	$\frac{\text{Amount of recovery against Demand} \times 20}{\text{Amount of Demand (required to be paid as per repayment schedule)}}$	
5	<b>Updated Record keeping:</b>			
a)	Resolution Book	4	Maintained up to date :- Full marks Maintained , but not up to date:- Half Marks Not maintained:- 0 (no Mark)	
b)	Cash Book	8		
c)	Savings Ledger	4		
d)	Loan Ledger	4		
e)	General Ledger	6		
f)	Individual Pass Book	4		
	<b>Total</b>	<b>100</b>		

\*Velocity of lending from Group Corpus=  $\frac{\text{Amount lent to the members from Group Corpus}}{\text{Average amount of Group Corpus}}$

- A Grade: 80 or more marks
- B Grade: 70-79 marks
- C Grade: 60-69 marks
- D Grade: less than 60 marks

Only A & B graded SHGs are to be considered for credit linkage

**Format 2: SHG Grading format for Repeat Linkage****A. Basic Information:-**

Name of the SHG:

Village: .....Gram Panchayat:.....Block:.....District:.....

Date of formation of the SHG:.....Date of opening of Bank S/B A/C:.....

Period considered for Grading: From.....to.....

(Usually last 6 months)

**B. Details of Grading /Evaluation Exercise:**

S.N.	Indicator	Allotted Marks	Formula for determining Marks	Marks obtained
1	<b>Regularity of Meeting:</b>			
(a)	Regularity of holding meetings by SHG	5	$\frac{\text{No. of meetings held} \times 10}{\text{No. of meetings required to be held as per rule of SHG}}$	
(b)	Regularity of Attendance of members in the meetings	5	$\frac{\text{Average no. of members attended the meetings} \times 10}{\text{Total no. of members of the SHG}}$	
2	<b>Regularity of Savings by members</b>	10	$\frac{\text{Amount of savings deposited by the members} \times 10}{\text{Amount of savings required to be deposited as per rule of SHG}}$	
3	<b>*Velocity of Lending</b> to members from Group Corpus	10	More than 1.5 : 10 More than 1.0 up to 1.5 - 7 More than 0.5 up to 1.0: 5 More than 0.2 up to 0.5: 2 Up to 0.2: 0	
4	<b>Regularity in Repayment of loan by members</b>	15	$\frac{\text{Amount of recovery against Demand} \times 20}{\text{Amount of Demand (required to be paid as per repayment schedule)}}$	
5	<b>Updated Record keeping:</b>			
a)	Meeting Resolution Book	4	Maintained up to date :- Full marks Maintained , but not up to date:- Half Marks Not maintained:- 0 (no Mark)	
b)	Cash Book	8		
c)	Savings Ledger	4		
d)	Loan Ledger	4		
e)	General Ledger	6		
f)	Individual Pass Book	4		
	<b>Operations in Cash Credit/ Term loan A/c and Credit history:</b>			
6	a) Number of transactions in last 12 months( Dr. & Cr.)	10	i) 12 or more:- 10	
			ii) 6 to less than 12 :- 6	
			iii) Less than 6 :- 0	
	b) Servicing of interest charged in CC A/c	10	i) Within 1 month :- 10	
			ii) Within 2 month:- 6	
			iii) After 2 months:- 0	
	c) Occasions of overdrawing in CC A/c due to charging of interest etc. during last 12 months	5	i) Never :- 5	
			ii) On 2 occasions :- 3	
			iii) On more than 2 occasions :- 0	
	<b>Total</b>	<b>100</b>		

\*Velocity of lending from Group Corpus=  $\frac{\text{Amount lent to the members from Group Corpus}}{\text{Average amount of Group Corpus}}$

- **A Grade: 80 or more marks**
- **B Grade: 70-79 marks**
- **C Grade: 60-69 marks**
- **D Grade: less than 60 marks**

Only A & B graded SHGs are to be considered for enhancement of CC limit / repeat dose of T/L



## Specimen of ARTICLES OF LOAN AGREEMENT FOR USE BY BANKS WHILE FINANCING SELF-HELP GROUPS

The Articles of Agreement made on this \_\_\_\_ day of \_\_\_\_\_ 20\_\_ at \_\_\_\_\_ By and  
Between M/s \_\_\_\_\_ [name of the SHG] an unregistered  
association of persons/individuals having its office at

\_\_\_\_\_ at  
represented by its authorized representative

Shri/Smt. \_\_\_\_\_ (Name) \_\_\_\_\_ (Designation);  
Shri/Smt. \_\_\_\_\_ (Name) \_\_\_\_\_ (Designation) and  
Shri/Smt. \_\_\_\_\_ (Name) \_\_\_\_\_ (Designation, who are

fully authorized by all the members of the SHG, ( a copy of such Authorization is  
annexed hereto and forms part of this agreement), hereinafter referred to as the "Borrower" which  
expression shall unless repugnant to the subject or context thereof, mean and include members of the  
unregistered association for the time being, their respective successors, legal heirs, administrators and  
assigns of the one part and \_\_\_\_\_ (name of the Bank) a body  
corporate constituted under the \_\_\_\_\_ Act, having its Head Office at  
\_\_\_\_\_ and the Branches, inter-alia, one at \_\_\_\_\_ here  
in after called "the Bank" which expression shall unless repugnant to the subject or context thereof  
mean and include its successors and assignees of the second part.

Whereas the borrower is an unregistered association of persons who have inter-se agreed to help each  
other as self-help group with a view to developing and ameliorating the socio-economic conditions of  
their members.

Whereas having formed the association as a Self Help Group, the Borrower as per application  
dated \_\_\_\_\_ made by the said  
Shri/Smt. \_\_\_\_\_ (Name) \_\_\_\_\_ (Designation);  
Shri/Smt. \_\_\_\_\_ (Name) \_\_\_\_\_ (Designation) and  
Shri/Smt. \_\_\_\_\_ (Name) \_\_\_\_\_ (Designation, duly  
authorized to borrow in terms of its resolution dated \_\_\_\_\_ [copy  
enclosed] requested the Bank to \*grant a Term Loan/extend Cash Credit facility\* of  
Rs. \_\_\_\_\_/- up to the limit of Rs. \_\_\_\_\_/-  
(Rupees \_\_\_\_\_ only) for on-lending to its members.

And whereas the Bank has agreed to grant the \* Term Loan /extend Cash Credit facility\* to the borrower  
on certain terms and conditions.(\* deleted whichever is not applicable)

And whereas the Bank and the borrower are desirous of reducing the agreed terms into writing.

Now, therefore, this agreement witnesses as follows:

1. The Bank has agreed to grant and the borrower has agreed to borrow by way of Term Loan  
Cash / Credit (clean) up to the limit of Rs. \_\_\_\_\_/- (Rupees \_\_\_\_\_-only)  
and the Bank has opened (SPECIFY THE KIND OF LOAN ACCOUNT) \_\_\_\_\_  
A/C No. \_\_\_\_\_ of date \_\_\_\_\_ - in the name of  
the Borrower in its book of accounts.



2. \*In case the facility availed is Cash Credit the Borrowers will operate the Cash Credit account satisfactorily and within the limit and the Borrower shall repay the outstanding liability in the account inclusive of interest and other charges debited from time to time on demand without demur.
3. \*In case loan availed is Demand Loan, without prejudice to the right of the Bank to recall the loan on demand the Borrower undertakes to repay the loan with interest and other within the period stipulated in terms of sanction.
4. \*In case the credit facility availed of by the borrower is a Term Loan the same shall be repayable in installments in the manner specified herein-below in the repayment schedule. (to be specified) Besides the borrower will pay interest at the rates that may be prescribed for such lending by RBI/NABARD from time to time.  
(\*Delete whichever is not applicable)
5. It is clearly understood by and between the parties hereto that in the event of the borrower's failure to utilize the proceeds of the credit facility for the purpose for which the same has been made available by the bank to the borrower, the borrower shall repay immediately on demand without demur together with interest without prejudice to Bank's right to initiate other legal action.
6. The borrower shall pay interest on the loans to be calculated on the daily balances in the loan account and be debited thereto at quarterly rests or as the Bank may decide.
7. The borrower should utilize the proceeds of the credit facility for the purpose of lending to its members to improve the socio-economic conditions of their members and their families. **That the loan will not be used for any Speculative purpose / activities prohibited by law.**
8. The borrower shall repay the credit facility availed of together with interest payable as per the interest rates that may be fixed by RBI/NABARD from time to time for such lending
9. The borrower shall be liable to repay the facility on demand together with the interest and other charges payable by the borrower to the bank in accordance with the rules of the Bank.

**REPAYMENT SCHEDULE:**

For Cash Credit:

Each withdrawal of principal loan from the C.C. A/C is to be repaid within 12 months of such withdrawal. Interest debited to a/c is to be repaid / deposited into the A/C promptly so that outstanding balance of the CC A/C does not exceed the sanctioned limit under no circumstances.

For Term Loan:

Principal loan is to be repaid in .....equal monthly / quarterly / half-yearly installments. Interest debited to the A/C is to be repaid / deposited promptly.

In witness where of the parties hereto have affixed their signature on the \_\_\_\_\_ date and the \_\_\_\_\_ month and \_\_\_\_\_ year first herein above written.

1) FOR THE BORROWER- SHG

2) FOR THE BANK

- 1.
- 2.
- 3.

[Signature of Authorized representatives  
office seal]

[Signature of Authorized representative (Office bearers) with  
(Branch Manager) with office seal



## Specimen of DEMAND PROMISSORY NOTE FOR USE BY BANKS WHILE FINANCING SELF-HELP GROUPS

Place.....

Date:.....

Rs.....

On demand we .....(name of the SHG) and the members jointly and severally promise to pay..... Bank or order at ..... the sum of Rupees.....with interest thereon at the rate of .....percent per annum (below / above/ at) Base rate / Lending Rate of the Bank which is at present .....% per annum with .....rests for value received.

Revenue  
stamp

[Signature of Authorized representatives of SHG with office seal]

Name of SHG:

Address of the SHG:

Street .....Village/ City.....Gram Panchyat.....

Block .....District.....Pin.....



## Specimen of Appraisal Note cum Sanction Order of Bank Branch for financing Self-Help-Group:

**\*Credit Linkage (CC / TL) / \*Renewal of CC limit / \*Enhancement of CC limit / \*Repeat TL**  
(\*Strike out which is not applicable)

### **Basic Details of SHG**

1. Name of the Bank:.....
2. Name of the Branch:.....
3. Name of the Processing / Inspecting Loan Officer:.....
4. Date of Processing/Inspection:.....
5. Name of the SHG:.....
6. Address of the SHG:.....
7. Date of formation of the SHG:.....
8. No. of members in SHG:.....
9. Facilitating Agency (if any):.....
10. S/B A/C No.....
11. CC A/C No. (in case of already CC-linked SHG):.....

### **Assessment of SHG**

1. Whether the SHG has completed 6 months from the date of formation / 12 months from the date of last sanction: Yes / No (\*Strike out which is not applicable)
2. Whether the SHG has been Graded /Evaluated: Yes / No (\*Strike out which is not applicable)
3. Whether the SHG has passed the Grading / Evaluation Exercise: Yes / No (\*Strike out which is not applicable)
4. % of Marks obtained in the Grading / Evaluation Exercise:.....
5. Financial position of the SHG( as on .....):

<b>Liabilities</b>		<b>Assets</b>	
<b>Particulars</b>	<b>Amount</b>	<b>Particulars</b>	<b>Amount</b>
Outstanding C/C of Bank		Cash in hand	
Outstanding T/L of Bank		Deposit with Bank	
Outstanding loan of VO/Federation		Deposit with Federation	
Savings of members		Loan outstanding from members	
Other Liabilities (Specify.....)		Other Assets (Specify.....)	
Surplus			
<b>Total</b>		<b>Total</b>	

Existing Corpus of SHG =Rs .....[ Total Assets – Outstanding loans (if any)]



**Assessment of eligibility CC Limit / TL to be sanctioned to the SHG:**

No. of dose of credit *	Eligibility	Eligible Amount (As per RBI guidelines)	Amount Proposed to be Sanctioned
Fresh Linkage (1 <sup>st</sup> dose)	a) Existing Corpus = Rs ..... b) Proposed savings for remaining part of the year = Rs..... Total Corpus = Rs .....[(a) + (b)]	6 time of total Corpus or minimum Rs 1,00,000 whichever is higher	Rs .....
2 <sup>nd</sup> Dose	a) Existing Corpus = Rs ..... b) Proposed savings for next 12 months = Rs..... Total Corpus = Rs .....[(a) + (b)]	8 time of total Corpus or minimum Rs 200,000 whichever is higher	Rs .....
3 <sup>rd</sup> Dose		Minimum Rs 3,00,000 as per Micro Credit Plan	Rs .....
4 <sup>th</sup> Dose		Rs 500,000- Rs 10,00,000 as per Micro Credit Plan	Rs .....

(\*Strike out which is not applicable)

**Terms of Sanction:**

Sanctioned a new Cash Credit limit / Renewed / Enhanced the existing Cash Credit limit / Repeat Term Loan for Rs.....Rupees.....only ) under the following terms & conditions:-

- (a) **Amount of CC limit / TL (New /Renewed/ Enhanced / Repeat) for .....(period in months):**  
Rs.....(Rupees ..... only)
- (b) **Documents to be obtained:**
  - i. Inter-se agreement
  - ii. Articles of loan agreement
  - iii. Demand Promissory Note
- (c) **Purpose of the credit facility:** On-lending to the members of the SHG
- (d) **Rate of interest:** .....% p.a.to be calculated on reducing balance method with monthly rest. The SHG will be eligible to get the benefit of interest subsidy if it fulfil the norms as specified by Government in this regard.
- (e) **Service charge:** Nil (Loan to SHG is treated as advance to weaker section).
- (f) **Repayment:**
  - i. For CC: Each withdrawal of principal loan from the C.C. A/C is to be repaid within.....(12-24) months of such withdrawal. Interest debited to the A/C is to be repaid / deposited promptly so that outstanding balance of the CC A/C does not exceed the sanctioned limit under no circumstances.
  - ii. For TL: Principal loan is to be repaid in .....equal monthly / quarterly / half-yearly instalments. Interest debited to the A/C is to be repaid / deposited promptly.



(g) Review / Evaluation of the C/C A/C will be done after 12 months.

.....

Signature of the Processing / Appraising Officer	Signature of the Branch Manager
Date:-	(With Office Seal) Date:-

We, on behalf of .....SHG hereby accept the aforesaid terms & conditions of the above-noted CC facility / Term loan sanctioned to our SHG by the above-mentioned Bank Branch.

- 1.
- 2.
- 3.

[Signature of Authorized representatives of the SHG with office seal]

Date:  
Place:



<b>Bank's Name &amp; Logo</b>
-------------------------------

<b>Form No.</b>
-----------------

**Self Help Group - Savings Bank Account Opening Form**

To:  
  
**The Branch Manager**  
\_\_\_\_\_ Bank  
\_\_\_\_\_ Branch

For Official Use Only	
SB A/c No	
Customer ID	
SHG Scheme Code (NRLM/Others)	
SHG Gender Code (Male/Female)	

**Sub:-Application for SHG-SB A/C opening**

Dear Madam/Sir,

1. We request you to open a Savings Bank Account in name of our Self Help Group. We agree to abide by the rules and regulation of the bank related to Savings Account.

Name of SHG				
Date of Formation		Number of Members		Name of Facilitating Agency (if any)
Address	Street .....Village/ City.....Gram Panchayat..... Block .....District.....Pin.....			

2. The Savings Account may be operated by joint signature of any two among the following representatives of our Self Help Group. A copy of resolution taken by our Self Help Group in this regard is attached.
3. Request for Cheque Book : Yes / No

Bank Verification

Affix passport Size photograph		Affix passport Size photograph		Affix passport Size photograph	
Name :		Name:		Name:	
Date of Birth:                      Age:		Date of Birth:                      Age:		Date of Birth:                      Age:	
Designation:		Designation:		Designation:	
Address:		Address:		Address:	
Mobile:		Mobile:		Mobile:	
KYC Documents Provided		KYC Documents Provided		KYC Documents Provided	
<input type="checkbox"/> Voter ID <input type="checkbox"/> Driving license <input type="checkbox"/> Aadhar Card <input type="checkbox"/> Job Card <input type="checkbox"/> PAN Card <input type="checkbox"/> Passport		<input type="checkbox"/> Voter ID <input type="checkbox"/> Driving license <input type="checkbox"/> Aadhar Card <input type="checkbox"/> Job Card <input type="checkbox"/> PAN Card <input type="checkbox"/> Passport		<input type="checkbox"/> Voter ID <input type="checkbox"/> Driving license <input type="checkbox"/> Aadhar Card <input type="checkbox"/> Job Card <input type="checkbox"/> PAN Card <input type="checkbox"/> Passport	
<input type="checkbox"/> Any other document accepted by Bank (specify) .....		<input type="checkbox"/> Any other document accepted by Bank (specify) .....		<input type="checkbox"/> Any other document accepted by Bank (specify) .....	
Specimen Signature/Thumb Impression		Specimen Signature/Thumb Impression		Specimen Signature/Thumb Impression	



## 4. Name and signature of SHG members

Sl No	Name of SHG members	Name of Father/Husband	Gender (Male/ Female)	Age	Signature /Thumb Impression
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					

5. We hereby declare that the above information is true and correct. We have agreed to the terms and conditions and also agree to abide by any amendments to the terms and conditions as may be stipulated by the Bank from time to time.

Yours faithfully,

1. \_\_\_\_\_ 2. \_\_\_\_\_ 3. \_\_\_\_\_

(Signature/Thumb Impression of SHG Representatives with Seal of SHG)

Date:

Place:

*Enclosure:*

- i. Copy of Resolution by Self Help Group to open Savings Account
- ii. Photographs of authorized representatives
- iii. Copy of ID and address proof of authorized representatives.

**For Bank Use Only**

1. The applicant has affixed his signature or thumb print, as the case may be, in my presence
2. I have explained the rules / regulations to the applicant \_\_\_\_\_
3. Account has been opened on \_\_\_\_\_
4. Cheque Book has been issued.

Date: \_\_\_\_\_ Officer \_\_\_\_\_



**Specimen copy of Resolution by Self Help Group for Opening Savings Account**

Name of SHG:

Address:

Date of Formation:

Total No. of Members:

Name of Facilitating Agency:

**Resolution for Opening Savings Bank Account**

Today on ..... (Date), at the meeting of ..... (name of SHG) at ..... (meeting place of SHG/ address) in presence of all its members, it is resolved that our ..... (name of SHG) will open a savings bank a/c in ..... Bank ..... Branch. It has also been further resolved that Shri/Smt..... (Designation .....); Shri/Smt..... (Designation .....) and Shri/Smt ..... (Designation .....) will sign all the necessary document related to the opening of Savings Account as representatives on behalf of ..... (name of SHG). Transaction in the Savings a/c of the group will be done by joint signature of any two among the above mentioned representatives.

We, all members hereby agree to the above decision.

Sl	Name of SHG members	Name of Father/Husband	Gender (Male/ Female)	Occupation	Sig Signature/Thumb Impression
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					

Signature/Thumb Impression

(Designation .....)

Signature/ Thumb Impression

(Designation .....)

Signature/ Thumb Impression

(Designation .....)

Seal of Self Help Group





## **DAY – NRLM**

**Deen Dayal Upadhyay Antyodaya Yojana – National Rural Livelihoods Mission**

Ministry of Rural Development, Government of India

6th Floor, Hotel Samrat, Kautilya Marg, Chanakyapuri, New Delhi - 110021