

# SEVEN STEPS TOWARDS EXCELLENT LOAN PORTFOLIO

STEP 1 - FORM AND ENCOURAGE GOOD SHGs

STEP 2 - GIVE THEM LOANS

STEPS 3 TO 7 - **RELAX !!**



## Banking with SELF HELP GROUPS How & Why?

A HANDBOOK FOR BRANCH LEVEL BANKERS



**National Bank For Agriculture and Rural Development**

## ABOUT THIS HANDBOOK

This handbook is specially prepared for you, working at the branch level of a bank.

If you are already extending savings and credit facilities to SHGs, this book answers many of your day-to-day doubts.

If you are new to the concept of SHGs, this book helps you to understand the subject in a simple way.

Copies of relevant instructions from the Reserve Bank of India (RBI) and NABARD are given in the annexure to this book.

Some simple formats of the minimum requirement of account registers, membership registers, minutes book, etc., which are generally used by SHGs are given, for guidance.

The formats of the documents to be made, while sanctioning loans to SHGs are also given as annexure to this handbook.



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# GENERAL INFORMATION ON SELF HELP GROUPS



- What are SHGs?
- What is the relevance of SHGs?
- What is the policy of RBI and NABARD on SHGs?
- Who forms the SHGs?

## What are Self Help Groups?

Self Help Groups (SHGs) are small groups of poor people.

The members of an SHG face similar problems.

They help each other, to solve their problems.

SHGs promote small savings among their members. The savings are kept with the bank. This is the common fund in the name of the SHG.

The SHG gives small loans to its members from its common fund.

After six months, if the SHG satisfies the bank as per the check list for quality, bank can give loans to the SHG.

## How is an SHG relevant to you as a banker?



- Very poor people can save small amounts.
- Like the little drops of water making an ocean, their savings will slowly grow into large sums. In some branches, such savings have become lakhs of rupees.

### Let it grow in your branch also!

- Maintaining large number of small savings accounts is difficult for your branch. It is also difficult to keep very small loan accounts. By opening an account for the group, you allow about 20 persons to save in a single account. Your costs are less and time is saved.
- The members of SHGs realise that like their savings, the bank loan is also their own money. The Group as a whole commits repayment of the loan to the bank. Moral pressure is exerted on the borrowing members for repayment of loan. Because of this, the repayment of loans by the SHGs is almost cent percent.
- Banking with a larger number of people enables banks to gain goodwill.
- SHGs provide good business opportunities to banks.
- They provide better margins to the banks.

## Is it officially recognised to bank with informal groups?

- Yes. RBI and NABARD have approved banking with SHGs.
- RBI has classified loans to SHGs as priority sector lending.
- NABARD gives cent percent refinance to banks for loans to SHGs.
- Many commercial banks, RRBs and coops. give loans to SHGs.  
They realise that SHGs are good business.
- Lending to SHGs fulfill social commitment of banks.

As on 31 March 2002, banks gave more than Rs. 1,000 crore loans to 4.6 lakh SHGs. This amount was only Rs. 57 crore as at March 1999! This itself shows that more and more banks have accepted SHG banking as a part of their normal business during the past three years. Banks availed Rs. 797 crore as refinance from NABARD as on 31 March 2002.

## Who helps to form SHGs?

A reasonably educated and helpful local person has to initially help the poor people to form groups. He or She tells them about the benefits of thrift and the advantages of forming groups.

This person is called an '*animator*' or '*facilitator*'.

Usually, the animator is a person whom you already know.

Any of the following persons can be a successful animator:

- ◆ Retired school teacher or a retired government servant, who is well known locally.
- ◆ A health worker/a field officer/staff of a development agency or department of the State Government.
- ◆ **YOU** yourself! (*The field officer or a staff member of a commercial bank/regional rural bank or a field staff from the local co-operative bank or society can also help the poor in forming groups.*)
- ◆ A field level functionary of an NGO.
- ◆ An unemployed educated local person, having an inclination to help others.

- ◆ A member/participant in the Vikas Volunteer Vahini (VVV) Programme of NABARD.
- ◆ Woman animators can play more effective role in organising women SHGs.

The animator cannot organise the groups all alone. He or she will need guidance, training, reading material, etc.

Usually, one of the following agencies help:

- (i) A voluntary agency or Non Governmental Organization (NGO).
- (ii) The development department of the State Government.
- (iii) The local branch of a bank.

### What does the animator do?

- The animator talks to people in the village or at their homes.
- He or she explains the benefits of thrift and group formation.
- No promise of bank loan is given to anyone.
- He or she helps the group members to hold one or two initial meetings.
- The group finds a group leader, for holding meetings, keeping books, etc.
- The animator guides and encourages the leader and the group members.



## FUNCTIONING OF SHGs

- Size of SHG/Membership
- Keeping of accounts by SHG
- Major functions of SHG

Let us now look at the SHGs a little more closely.

### 1. Size of the SHG

- ◆ The ideal size of an SHG is 10 to 20 members.  
*(Advantage: In a bigger group, members cannot actively participate. Also, legally it is required that an informal group should not be of more than 20 people.)*
- ◆ The group need not be registered.

### Membership

- ◆ From one family, only one person can become a member of an SHG.  
*(More families can join SHGs this way.)*
- ◆ The group normally consists of either only men or of only women. Mixed groups are generally not preferred.
- ◆ Women's groups are generally found to perform better.  
*(They are better in savings and they usually ensure proper use of loans.)*
- ◆ Members should have the same social and financial background.  
*(Advantage: This makes it easier for the members to interact freely with each other. If members are both from rich as well as poor class, the poor may hardly get an opportunity to express themselves.)*



## Some Common factors for Membership in an SHG

- ◆ Women/men from very poor households.
- ◆ Those who depend on moneylenders even for daily necessities.
- ◆ Those with a per capita income not exceeding Rs. 250 per month.
- ◆ Those having dry land holding not exceeding 2.5 acres.

## Common living conditions for the Group Members

1. Living in *kutchha* houses
2. Having no access to safe drinking water
3. Having no sanitary latrine
4. Those who have only one or no one employed in the family
5. Presence of illiterate adults in the family
6. Presence of an alcoholic or drug addict in the family or a member suffering permanently from prolonged illness
7. Presence of children below five years in the family
8. Family eating two meals or less a day
9. Scheduled Caste or Scheduled Tribe families

*If a family has at least four of the above 9 common living conditions, it can be considered poor, and one member of that family can be encouraged to become a member of an SHG.*

**(These are only examples. You can also use locally important conditions to decide whether a family is poor.)**

## Meetings:

- ◆ The group should meet regularly. Ideally, the meetings should be weekly or at least monthly. *(Advantage: They become closer, if they meet regularly. This helps them to understand each other's difficulties better.)*

- ◆ Compulsory attendance: Full attendance in all the group meetings will make it easy for the SHG to stabilise and start working to the satisfaction of all.
- ◆ Membership register, minutes register etc., are to be kept up to date by the group by making the entries regularly. *(Advantage: This helps you to know about the SHG easily. It also helps to build trust among the SHG members.)*

### Keeping of Accounts by the SHG:

- ◆ Simple and clear books for all transactions to be maintained.
- ◆ If no member is able to maintain the books, the SHG may take outside help. *(It has been seen that a boy or a girl from the village with some educational qualification does this job enthusiastically. After some months, the group can even consider giving him or her a small reward for this job.)*
- ◆ Animator can also help.
- ◆ All registers and account books should be written during the course of the meeting. *(Advantage: This creates confidence in the minds of members who are unable to read and write.)*

## 2. What are the books kept by an SHG?

### i. Minutes Book:

The proceedings of meetings, the rules of the group, names of the members etc. are recorded in this book.

### ii. Savings and Loan Register:

Shows the savings of members separately and of the group as a whole.

Details of individual loans, repayments, interest collected, balance, etc. are entered here.

### iii. **Weekly /Fortnightly/Monthly Register:**

- Summary of receipts and payments.
- Updated in every meeting.

### iv. **Members' Passbooks:**

Individual members' pass books in which individual's savings and loan balance outstanding is regularly entered. (*Advantage: this encourages regular savings.*)

## 3. **Major Functions of an SHG**

### a. **Savings and Thrift:**

- All SHG members regularly save a small amount. The amount may be small, but savings have to be a regular and continuous habit with all the members.
- “*Savings first — Credit later*” should be the motto of every SHG member.
- SHG members take a step towards self-dependence when they start small savings. They learn financial discipline through savings and internal lending. (*Advantage: This is useful when they use bank loans.*)

### b. **Internal lending:**

- The SHG should use the savings amount for giving loans to members.
- The purpose, amount, rate of interest, schedule of repayment etc., are to be decided by the group itself.
- Proper accounts to be kept by the SHG.

(*Specimen formats given as an Annexure at the end of this book.*)

**c. Discussing problems:**

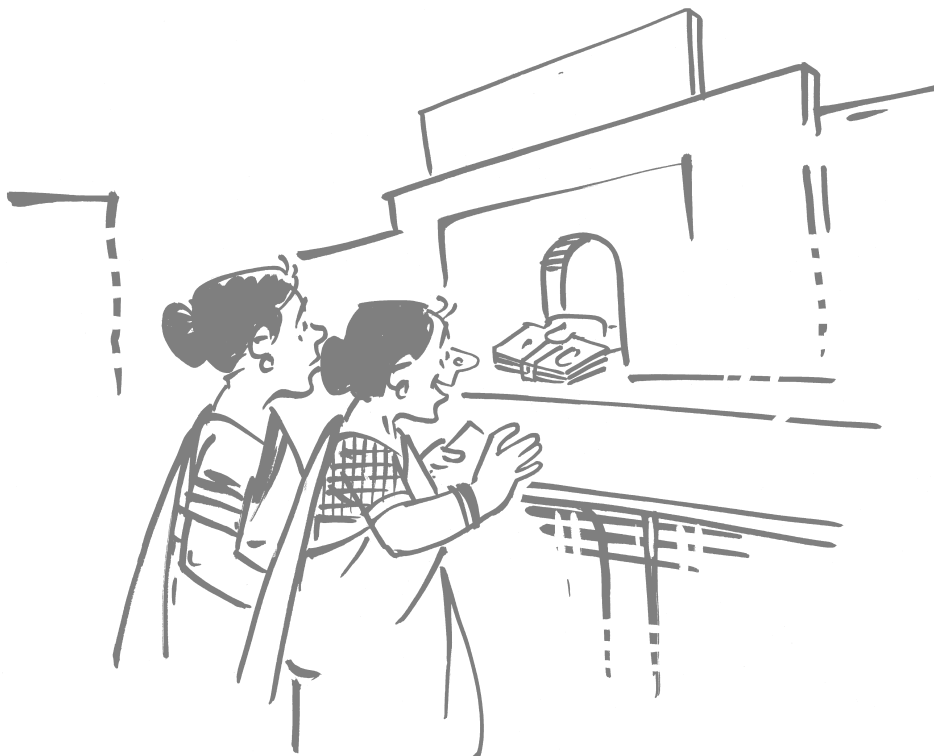
In every meeting, the SHG should be encouraged to discuss and try to find solutions to the problems faced by the members of the group. Individually, the poor people are weak and lack resources to solve their problems. When the group tries to help its members, it becomes easier for them to face the difficulties and come up with solutions.

**d. Taking bank loan:**

**The SHG takes loan** from the bank and gives it as loan to its members. *(Details may be seen in the next chapter)*



## LINKING OF SHGs TO BANK



- Opening of savings bank account
- Internal Lending by the SHG
- Assessment of the SHG
- Checklist for assessment of SHG
- Sanction of credit to the SHG
- Repayment of loans by the SHG

Soon after an SHG is formed and one or two meetings held where the savings are collected, a savings bank account can be opened in the name of the SHG.

The following steps will explain to you how this can be done.

## Step 1 – Opening of S/B Account for the SHG

### Check list for opening SB A/c in the name of an SHG:

*Official instructions:* The Reserve Bank of India has issued instructions, permitting banks to open SB a/cs of registered or unregistered SHGs. (RBI circular given as Annexure to this book.)

SB A/c in the name of SHG could be opened after obtaining from the group the following documents:

#### ◆ Resolution from the SHG:

The SHG has to pass a resolution in the group meeting, signed by all members, indicating their decision to open SB A/c with the bank. This resolution should be filed with the bank.

#### ◆ Authorisation from the SHG:

The SHG should authorise at least three members, any two of whom, to jointly operate upon their account. The resolution along with the filled in application form duly introduced by the promoter may be filed with the bank branch.

#### ◆ Copy of the rules and regulations of the SHG:

This is not a must. If the group has not formulated any such rules or regulations, loans can be sanctioned without them.

*A savings bank account passbook* may be issued to the SHG. This should be in the name of the SHG and not in the name of any individual/s.

## Step 2 – Conduct of internal lending by the SHG

- After saving for a minimum period of 2 to 3 months, the common savings fund should be used by the SHG for lending to its own members.
- The purpose, terms and conditions for lending to its members, rate of interest etc., may be decided by the group through discussions during its meeting. *(RBI and NABARD have permitted the members to decide on these aspects.)* The interest is usually kept as 2 or 3 rupees per hundred rupee per month. Please remember that interest per month is better understood in villages, than annual interest).
- Simple and clear books of account of savings and lending should be kept by the SHG.

*(Specimen formats of books to be kept by the SHGs are annexed to this book.)*

**Through internal lendings, the members of the SHG will learn to properly manage, utilise and repay their SHG loans. This will be of help, when they later borrow from the bank.**

## Step 3 – Assessment of SHGs

We need to know whether the SHG has been functioning well. *(We will need this information as a bankers, before deciding on extending credit facilities to the SHG.)*

- The check list given below will help us to assess each SHG in a simple, but effective manner.

## CHECK LIST FOR THE BANK TO ASSESS THE PERFORMANCE OF AN SHG

Sr. No.	Factors to be checked	Very good	Good	Unsatisfactory
1.	Group Size	15 to 20	10 to 15	Less than 10
2.	Type of members	Only very poor members	2 or 3 not very poor members	Many not poor members
3.	Number of meetings	Four meetings in a month	Two meetings in a month	Less than two meetings in a month
4.	Timings of meetings	Night or after 6 p.m.	Morning between 7 and 9 a.m.	Other timings
5.	Attendance of members	More than 90%	70 to 90%	less than 70 %
6.	Participation of members	Very high level of participation	Medium level of participation	Low level of participation
7.	Savings collection within the group	Four times a month	Three times a month	Less than three times a month.
8.	Amount to be saved	Fixed amount	Varying amounts	—
9.	Interest on internal loan	Depending upon the purpose	24 to 36 %	More than 36%
10.	Utilisation of Savings amount by SHG	Fully used for loaning to members	Partly used for loaning	Poor utilisation
11.	Loan recoveries	More than 90%	70 to 90%	Less than 70%
12.	Maintenance of books	All books are regularly maintained and updated	Most important registers (minutes, savings, loans, etc) are updated	Irregular in maintaining and updating books
13.	Accumulated savings	More than Rs. 5000/-	Rs. 3000-5000/-	Less than Rs. 3000/-
14.	Knowledge of the Rules of the SHG	Known to all	—	Not known to all
15.	Education level	More than 20 percent of members can read and write	—	Less than 20 per cent know to read and write
16.	Knowledge of Govt. programs	All are aware of Govt. programs	Most of the members know about Govt. programs	No one knows

### Important:

1. SHGs with **12 to 16 "very good" factors** may be granted loans immediately.
2. SHGs with **10 to 12 "very good" factors** — may be given **3 to 6 months' time to improve**, before loan is given.
3. SHGs with rating of **less than 10 "very good" factors need not be considered for loan.**



## Step 4 – Sanction of Credit Facility to the SHG

### ■ In whose name is the loan issued?

The loan is always sanctioned and issued in the name of the group. *(Not in the name of the individual members.)*

### ■ What is the quantum of loan? How is the quantum decided?

The amount of loan to the SHG can be to the tune of 1 to 4 times of its savings, *(You can consider higher ratio, if you are satisfied about the SHG's health.)*

### ■ What constitutes the savings of the group?

- ◆ The group's balance in the SB A/c.
- ◆ Amount held as cash with the authorised persons.
- ◆ Amount internally lent amongst the members.
- ◆ Amount received as interest on the loans.
- ◆ Any other contributions received by the group like grants, donation, etc.

### ■ What are the purposes for which the loan can be given to the SHG?

Loan may be granted by the SHG for various purposes to its members. The bank does not decide the purposes for which the SHG gives loans to its members. The purpose can be emergency needs like illness in the family, marriage, etc. or buying of assets for income generation acquisition of assets. The group will discuss and decide about the purpose for which loans are to be given to its individual members by the SHG.

### Who makes the repayment?

The SHG makes the repayment to the bank. *(The group is collectively responsible for the repayment of the loan.)*

## What is the collateral security for the bank?

RBI/ NABARD rules stipulate that no collateral security should be taken from SHGs. Collateral security is not necessary for the loans sanctioned to SHGs because

- ◆ The members of SHGs know that the bank loan is their own money like savings.
- ◆ They are aware that they are jointly responsible for the repayment.
- ◆ Therefore, they exert moral pressure on the borrowing members for repayment.
- ◆ Because of this, the bank gets a much better repayment from the SHG.

### ■ Can the bank hold the SB A/c balance of the SHG as a security?

No. This will prevent the SHG from lending from its internal savings.

### ■ What is the rate of interest to be charged for the loans granted to SHG by the bank?

- ◆ The Reserve Bank of India has allowed the banks freedom to decide on the interest rates to be charged to the SHGs.
- ◆ You will receive instructions from your controlling office in this regard.
- ◆ *What is the rate of interest to be charged by the SHGs to its members?*

The rate of interest to be charged by the group to its members should be left to the group. This is usually 2 or 3 rupees per hundred rupees of loans.

## List of documents for lending to SHGs

- i. Inter-se Agreement to be executed by all the members of the Self Help Group. *(This is an agreement by the members with the bank, authorising a minimum of three members to operate the group's account with the bank.)*

- ii. Application to be submitted by SHG to bank branch while applying for loan assistance. *(This includes details of the purposes for which the SHG gives loan to its members.)*
- iii. Articles of Agreement for use by the bank while financing SHGs.  
*(This contains the duly stamped agreement between the bank and the SHG wherein both the parties agree to abide by the terms and condition set thereon.)*

■ **Additional documents for bulk loans to NGOs, to enable them to lend to SHGs**

- i. Sponsorship letter from NGO.
- ii. Application to be submitted by the NGO to branch while applying for loan assistance for onlending to SHGs *(purposes for lending to SHGs will be listed in this).*
- iii. Articles of Agreement for use by the bank while financing the NGO.  
*(This contains the duly stamped agreement between the bank and the NGO wherein both the parties agree to abide by the terms and condition set thereon.)*  
*(All the above formats are given as annexures to this book.)*

■ **How are the loans disbursed?**

The authorised functionary of the SHG withdraws money from the bank by way of cash or by cheque. The loan amount is handed over to the individual borrowers in the group's meeting.

## Step 5 – Repayment of loan by the SHG

- A repayment schedule is drawn up with the SHG, and the loan is to be repaid regularly. Small and frequent instalments will be better than large instalments covering a long period.

### ■ What about defaults?

The group using their collective authority discourages defaults. Every member is made to realise that the money belongs not only to him, but also to the other members of the Group.

The group members are collectively responsible for the repayment of loans to the bank. It has been the experience of bankers who lend to SHGs that the repayments from SHGs are far better when compared to individual accounts.



## SPREADING THE MESSAGE OF SHGs

- Advantages of banking with SHGs
- Quality control of SHGs
- Spreading the Message

### 1. Advantages of banking with SHGs

#### ◆ Transaction costs are reduced

Only one SB A/c is required for a 20-member group. If 100 SHGs have SB A/cs in your branch, you are servicing 2,000 customers through just 100 accounts!

#### ◆ Increase in the deposit base

Though the amounts are very small, it pays to have such small savings with us. Over a period of time, you will find that SHG financing will become big business.

*Little drops of water makes the ocean, after all!*

#### ◆ Very little cost for appraisal and monitoring of the loan

The moral authority of the group members on the borrowing member is an effective means of control over both proper utilisation and repayment of loan amount.

#### ◆ Increase in the social base in rural area

Through banking with the SHGs, your branch will get social recognition and command good will of people. This will also help in developing your business with the development of the village.

## 2. Quality Control of the SHG

It is necessary for an SHG to maintain its high quality.

Please attend a meeting of the SHG during your field visit.

Speak to its members.

What are your observations on the following points?

- ◆ Are all the members comfortable with each other?
- ◆ Do they share a sense of belonging to the SHG?  
Do ask some of them.
- ◆ Does the Group have a person to write the books of account and maintain all the books?
- ◆ Are they heavily dependent on the animator or any one person for all these?
- ◆ What are the alternatives for them?

**Can one member of the group be trained right now, though there may not be any immediate need?**

Please have a look at their books to see the quality.

- ◆ Was the group formed only with the intention of availing of bank credit? Has someone given them any false promises in the matter? Is there any chance of the SHG degenerating into an undesirable political forum or a religious forum?
- ◆ Please interact with the SHG members yourself, so that you get a correct impression.

Please take steps to correct mistaken practices or attitudes, with the help of the animator and the group leader.

### 3. Spreading the Message

How can you, as a member of the large banking network, spread the message of SHGs?

You can involve effectively in formation, nurturing and linking the SHGs to your bank. NABARD has formulated supportive policies to help banks to become Self Help Promoting Institutions (SHPIs).

Please get in touch with our regional office in your State, who will be happy to provide you with all information and support in this regard. The address of our Regional Offices is given on page No. 32.

## ANNEXURE – I

[TO BE STAMPED AS A GENERAL POWER OF ATTORNEY]

INTER-SE AGREEMENT TO BE EXECUTED  
BY THE MEMBERS OF THE SELF HELP GROUPTHIS AGREEMENT made \_\_\_\_\_ this \_\_\_\_\_ day  
of \_\_\_\_\_ 19\_\_\_\_\_.

BETWEEN

1. Shri/Smt/Kum. \_\_\_\_\_ Son/Wife/Daughter  
of \_\_\_\_\_, aged \_\_\_\_\_ years.  
residing at \_\_\_\_\_; and
2. Shri/Smt/Kum. \_\_\_\_\_ Son/Wife/Daughter  
of \_\_\_\_\_, aged \_\_\_\_\_ years.  
residing at \_\_\_\_\_; and
3. Shri/Smt/Kum. \_\_\_\_\_ Son/Wife/Daughter  
of \_\_\_\_\_, aged \_\_\_\_\_ years.  
residing at \_\_\_\_\_; and
- 4.
- 5.
- .
- .
- 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 in \_\_\_\_\_ taluka of the \_\_\_\_\_ 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 which shall be deposited with the authorised member of the group.
2. 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.
3. The SHG members shall be jointly and severally liable for all the debts contracted by the SHG.
4. 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 authorised by the Group and shall be kept at the place of business at \_\_\_\_\_ which shall not be changed without consent of the SHG members.
5. The SHG members hereby duly elect and appoint Shri/Smt/Kum. \_\_\_\_\_ as \_\_\_\_\_, Shri/Smt/Kum. \_\_\_\_\_ as \_\_\_\_\_, Shri/Smt/Kum. \_\_\_\_\_ as \_\_\_\_\_

[by whatever name designated] 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 authorised representatives, may however, be removed at any time by majority vote of the members and new representatives elected.



6. Each of the SHG members hereby agrees to abide by and ratify all such act, deeds and things as the authorised representatives may do in the interest of the said activities.
7. The authorised representatives shall take decisions in the day to day working of the SHG and each representative shall actively involve herself or himself 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 authorises 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 authorised representative may collect loan amounts from the bank on behalf of SHG, deposit the same in the savings account of the SHG for onlending to members in accordance with the decision of the SHG and also deposit recovery of loan instalment from members in the loan account/s of SHG with the bank.
8. The SHG members hereby specifically authorise the representatives:-
  - (i) To open Savings, Fixed Deposits and other accounts in (.....) bank approved by the SHG and operate the same under the joint signature of any two of the following authorised 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 acknowledgements 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.
9. In the event of death of any of the members of the SHG, his/her legal heirs shall be entitled for the benefits and be liable for the obligations of the deceased member under this agreement.
10. 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.

<i>Name of member SHG</i>	<i>Signature/s/Thumb of the impression</i>
(1) _____	_____
(2) _____	_____
(3) _____	_____
(4) _____	_____
.	
.	
20) _____	_____

WITNESSES :

(1) _____	_____
(2) _____	_____

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

## ANNEXURE – II

Specimen of application to be submitted by SHG to Bank  
Branch while applying for loan assistance

Name of the Self-Help Group :

Address :

Formed/Established on

Registered : Yes/No

If registered : give number and date and  
furnish true copy of the Certificate of Registration.

Number of members in the Group :

Name of SHPI/NGO/VA assisting the Group : if any,

To:

Date

The Branch Manager

\_\_\_\_\_ Bank

\_\_\_\_\_ Branch

Dear Sir,

### APPLICATION FOR LOAN

We the duly authorised representatives of the above SHG hereby apply for a loan aggregating Rs. \_\_\_\_\_/- (Rupees \_\_\_\_\_ only) for on lending to our members. The financial particulars of the group as on \_\_\_\_\_ are given in the enclosed sheet.  
(date)

### REPAYMENT SCHEDULE

2. We agree to repay the loan amount as per the repayment schedule which may be fixed by the bank.
3. A copy of the Inter-se Agreement executed by all the members of the group authorising us interalia to borrow on behalf of the SHG is enclosed.
4. We hereby declare that the particulars given above are true and correct to the best of our knowledge and belief.
5. We hereby authorise 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.

Yours faithfully,

1. \_\_\_\_\_

2. \_\_\_\_\_

[Authorised representatives]

### SELF HELP GROUP

Financial Particulars as on

Sr. No.	Particulars	Amount (in Rs.)
1.	Savings from Members	
2.	Seed Money from SHPI [NGO/VA], if any	
3.	Borrowings Outstanding : (Please specify source)	
4.	Loan outstanding against members	
5.	Amount in default, if any, against members	
6.	Recovery percentage	
7.	Cash/bank balance	

## ANNEXURE – III

### FORMAT OF ARTICLES OF AGREEMENT FOR USE BY BANKS WHILE FINANCING SELF-HELP GROUPS

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

represented by its authorised representative Shri/Smt. \_\_\_\_\_  
(Name)

\_\_\_\_\_ and Shri/Smt \_\_\_\_\_  
(Designation) (Name)

who are fully authorised by all the members of the SHG, (a copy of such Authorisation 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 \_\_\_\_\_ have its Head Office at \_\_\_\_\_ and the Branches, interalia, one at \_\_\_\_\_ hereinafter 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 interse 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)

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

duly authorised to borrow in terms of its resolution dated \_\_\_\_\_ [copy enclosed] requested the Bank to \*grant a loan/extend credit facility of \*Rs. \_\_\_\_\_/- up to the limit of Rs. \_\_\_\_\_/- (Rupees \_\_\_\_\_ only) for onlending to its members.

And whereas the Bank has agreed to grant the \*loan/extend credit facility to the borrower on certain terms and conditions.

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

Now, therefore, this agreement witnesseth as follows:

1. The Bank has agreed to grant and the borrower has agreed to borrow by way of term loan/cash credit (clean) upto 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 (\*Delete whichever is not applicable) 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 instalments in the manner specified herebelow 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.
5. It is clearly understood by and between the parties hereto that in the event of the borrower's failure to utilise 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 utilise 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.
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 lendings.
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

Please specify

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

FOR SHG

FOR BANK

(1) AUTHORISED REPRESENTATIVE

(2) AUTHORISED REPRESENTATIVE  
MANAGER

## ANNEXURE – IV

### SPONSORSHIP LETTER FROM NGO/SHPI'

To,

The Branch Manager

\_\_\_\_\_ Bank

\_\_\_\_\_

**Subject :** Linking of SHG with bank Submission of proposals — reg.

Dear Sir,

We forward herewith the loan proposals from the following SHGs for availing credit facilities from your bank under the SHG-Bank Linkage programme.

Sl. No.	Name of the SHG	No. of members	Loan required
1.			
2.			

Kindly consider the request and do the needful at your earliest.

With regards

Yours sincerely

(                    )

\*To be used when NGO/SHPI is sponsoring SHGs loan application to bank for direct linkage.

## ANNEXURE – V

\_\_\_\_\_ SELF HELP GROUP

### Saving Bank A/c

A/c No. \_\_\_\_\_

Member's name \_\_\_\_\_

Address \_\_\_\_\_  
 \_\_\_\_\_

Date	Particulars	Debit/withdrawal		Credit/Deposit		Balance		Initials
		Rs.	Ps.	Rs.	Ps.	Rs.	Ps.	

\_\_\_\_\_ SELF HELP GROUP

### Loan A/c

Member's name \_\_\_\_\_ S.B.A/c No. \_\_\_\_\_

Loan A/c. No. \_\_\_\_\_

Purpose of loan \_\_\_\_\_

Repayment Instalment Monthly/Quarterly/Half yearly/Annual Rs. \_\_\_\_\_

Date	Particulars	Loan Amount	Interest	Amount repaid		Balance		Signature of A/c holder/ Member
				Principal	Interest	Principal	Interest	

## ANNEXURE – VI

\_\_\_\_\_ SELF HELP GROUP

### Cash Book

Date	Particulars	Cheque No.	Debit	Credit	Balance		Total	Signature
					Cash	Bank		

## ANNEXURE – VII

RESERVE BANK OF INDIA  
CENTRAL OFFICE  
DEPARTMENT OF BANKING OPERATIONS  
& DEVELOPMENT “CENTRE — I”  
WORLD TRADE CENTRE, CUFFE PARADE,  
COLABA, MUMBAI 400 005

Ref. DBOD. No. BC. 63/13:01:08/92-93

January 4, 1993  
Pausa 14, 1914 (S)

All Scheduled Commercial Banks  
(including Regional Rural Banks)

Dear Sir,

### **Opening of Savings Bank Accounts in the name of Self-Help Groups**

Please refer to para 3 (i) of our directive DBOD. No. Dir. BC. 151/C.347-85 dated 27<sup>th</sup> December 1985 in terms of which banks have been prohibited from opening of Savings bank accounts in the name of certain bodies/ organizations. The issue relating to opening of savings bank accounts by Self-Help Groups financed by banks under a pilot project launched by National Bank for Agriculture and Rural Development (c.f. circulars RPCD. No. Plan BC.13/PL-09.22/90-91 dated 24<sup>th</sup> July 1991 and No. DPD 104/DPD. FS.4631/92-A/91-92 dated 26<sup>th</sup> February 1992 issued by our Rural Planning and Credit Department and National Bank for Agriculture and Rural Development respectively) has been examined and it has been decided that such Self-Help Groups, registered or unregistered, may be allowed to open Savings Bank Accounts with Banks.

Please acknowledge receipt.

Yours faithfully

**(B. D. Nitsure)**  
Deputy Chief Officer.



## Regional Offices of NABARD

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**ARUNACHAL PRADESH**  
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