

**NATIONAL BANK FOR AGRICULTURE AND  
RURAL DEVELOPMENT  
MUMBAI**

No. NB. DPD. FS / 940 /IDA.33/2000-01

25 June 1992

All scheduled commercial banks

Dear Sir,

**Procedure for drawal of refinance for  
pilot project for linking banks with SHGs**

Please refer to our letter No. NB. DPD.FS.4631/92-A/91-92 dated 26 February 1992. The procedure for drawal of refinance has been simplified and kept flexible. The terms and conditions of the refinance are given as **Annexure -I** to this letter.

The format for drawal of refinance has been given in **Annexure-II**.

Yours faithfully

(Y.C. Nanda)  
General Manager

## **Annexure I**

Terms and conditions for financing SHGs under the pilot project.

### **1. Refinance**

Refinance would be provided at 100% for loans disbursed to SHGs.

### **2. Rate of Interest**

The rate of interest on the refinance will be determined by the National Bank from time to time. At present the rate of interest on refinance will be 6.5% pa and the loans to SHGs will carry an interest rate of 11.5% p.a. The SHG would be free to decide the rate of interest to be charged to its members provide the rate of interest is not excessive.

### **3. Purposes**

The purposes for which group will lend to the members will be left to the group.

### **4. Repayment period**

Depending upon the negotiations with the group, the bank may prescribe an appropriate repayment period for the loans granted to SHG. In case the bank decided to fix a longer repayment period, depending on the rolling over of funds by the SHG, the bank may like to prescribe collection of interest on the loan at shorter intervals and appropriate instalments of the loan. However, SHG would be free to prescribe appropriate repayment period and terms for loans to members as determined by the group. It is however, suggested that the repayment period could be so fixed in consultation with SHG that the SHG is able to service the debt without having any depletion of its resources built up with owned funds and the borrowed amount from the bank. The refinance provided by the National Bank should normally be covered by bank's outstandings with SHGs and voluntary agencies at any point of time.

As regards repayment of refinance, the banks may repay the refinance over a period of 3 to 10 years depending upon the requirements of each case.

### **5. Eligibility Criteria**

Under this pilot project, banks would be exempt from the eligibility criteria.

### **6. Security**

The SHGs might not be in a position to offer any collateral security other than savings mobilised by the group. The Reserve Bank of India has relaxed the security norms under the pilot project for linking banks with SHGs.

## **Annexure II**

### **Format for drawal of refinance**

National Bank for Agriculture and Rural Development

Regional Office

dear Sir

#### **Refinance for loans relaxed under the Pilot Project for linking banks with Self Help Groups**

Please refer to your letter NO. NB. DPD. FS/4631/92A/91-92dated 26 February 1992. We hereby convey our general acceptance to participate in the captioned pilot project. We confirm having disbursed Rs..... (Rupees.....) to the Self Help Groups, details of the same are given in the Annexure. We request, you to sanction and release refinance of Rs.....(Rupees.....)to our bank. We agree to abide by the terms and conditions.

Yours faithfully

Signature of the authorised official

