

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

No. NB.mCID/H-1626/SHG-1/1999-2000
28 February 2000

All Scheduled Commercial Banks/
Regional Rural Banks/ State Cooperative Banks

Dear Sir

**SHG-Bank Linkage Programme -
Assessing SHGs for Bank Finance**

Under the SHG-Bank Linkage Programme, banks are expected to finance such SHGs which show certain minimum level of group dynamics, financial management capabilities and behavioural discipline. As more and more NGOs and Govt agencies are adopting the SHG concept in their programmes, proper selection of SHGs, which are mature enough for credit linkage, will go a long way in ensuring the quality of loans.

2. NABARD had earlier, vide circular No. NB.DPD.FS.4631/92-A/1991-92 dated 26 February 1992, indicated to the banks some broad criteria for selection of SHGs for the purpose of lending. Such criteria envisage active existence of SHGs for atleast six months, successful savings and credit operations from own resources, democratic working, maintenance of proper accounts/records, homogeneity and affinity among members and support from NGO SHPI in the grooming of SHGs. Based on these indicative criteria and on their own field level experience in promotion and financing of SHGs, certain banks/ other agencies are found to have developed their own detailed but easy-to-use norms for identification of mature SHGs for credit linkage. Such norms not only help in assessing the maturity level of SHGs in an objective manner, but also throw up weak areas of their functioning requiring urgent attention. Four sets of such norms developed by various banks/agencies are enclosed for the purpose of illustration.

3. In case your bank has not developed so far such norms for identification of SHGs, you may consider working out such norms for the use and benefit of your branches. It may be mentioned here that assessing an SHG by means of such norms may be undertaken by the branch officials after attending some meetings of the SHGs.

4. A copy of the norms developed by your bank may please be sent to us for information. Should you require any assistance in this regard, you may please contact us or any of our Regional Offices.

Please acknowledge receipt.

Yours faithfully

(Prakash Bakshi)
Chief General Manager
Encls: As above

Assessing of Self Help Groups under SHG Bank Linkage Programme

Sr.No.	Category	Indicators	Rating
i.	Number of members	Less than 10	02
		Between 10-15	03
		from 16 and upto 20	05
ii.	Composition	Target group only	05
		Having 1 to 5 TargetGroup member	03
		Having more than 5 non-target group member	01
iii.	Age of the SHG	more than 2 years	10
		1-2 years	07
		6 months to 1 year	05
iv.	Monthly meetings during last six months	Four and above	05
		Two to three	03
v.	Attendance of members in the group meetings	More than 90%	10
		70% to 90%	05
		Less than 70%	02
vi.	Participation of members at group meetings (should be ascertained through interview)	High	05
		Medium	03
		Low	02
vii.	Savings: a) Regularity	If default rate is	
		Upto 10%	10
		Upto 25%	07
		Upto 50%	05
		But default is met during succeeding month	
viii.	b)Quantum of savings (through members only)	More than Rs.5000/-	10
		Between Rs.2000/- and Rs.5000/-	07
		Below Rs.2000/-	05
viii.	Group's Internal Loaning a) Utilisation of savings by grants of internal loans	Above 90%	10
		51% to 90%	07
		30% to 50%	05

	b) Interest rate on group's internal loans	Depending upon purpose 18% to 30% Less than 18%	05 03 02
	c) Group's internal loan Recovery Rate	100% Between 80% to 95% Between 70% to 80%	10 07 05
	d) Members benefitted out of group's internal loaning	More than 50% Between 25%-50% Less than 25%	05 03 02
ix.	Awareness among members; knowledge of SHG rules, functions, procedure of meeting, maintenance of books and records,etc	Known to all members Known to 50% or more Known to less than 50%	05 03 02
x.	Education level	If 25% or more members read, write, speak and sign read and sign sign only	05 03 02
xi.	Rotation of group leaders	Once in two years Between 1-2 years Every year	03 04 05
xii.	Maintenance of books and Records	Without <u>outside assistance</u>	With <u>outside assistance</u>
	a)Attendance Register	1	1
	b)Minute Book	4	2
	c)Loan Ledger	4	2
	d)Savings Ledger	4	2
	e)Internal Pass Book	2	1

Selection criteria of SHGs for linkage

SCORING

Status for Selection

I.	SHG scoring more than 90 points	Selection without any reservation
II.	SHG scoring 60-89 points	Selection with caution
III.	SHG scoring less than 60 points	Not suitable for linkage

Illustrative Set No.2

Assessing of Self Help Groups under the SHG Bank Linkage programme

Category	Indicators	Rating	Key
Compos- ition	a) Membership is homogeneous	10	The rating is based on the judgement of assessing official
	b)No homogeneity in membership	5	
Age of the group	a) One year and above	10	There is no need to evaluate an SHG if it is less than six months old (ignore marginal shortfall upto 1 month)
	b) Six months and above but less than a year	5	
Group Meeting	a) Four meetings per month	10	The total number of meetings conducted during the last 3 months may be divided by 3 to arrive at average number of group meetings
	b) 2-3 meetings per month	8	
	c) 1 meeting per month	5	
Attendance	a) More than 90%	10	*Note: See explanation 1 at the end
	b) between 70% to 90%	5	
	c) less than 70%	3	
Minutes book	a) written in detail	10	Peruse minutes book pertaining to meetings held during the last 3 months
	b) Maintained but not in detail	5	
Participation in group discussion	a) participation by only a few members	5	1. Peruse minutes book (if rating is 10 for item 5) 2. Observe during a couple of group meetings. 3. Interact with members
	b) participating by majority of members	10	

Savings (Frequency)	a) 4 times a month (by majority members)	10	Step 1 : Take the average number of members making savings during last 3 months. Step2: Compare this with the total number of members. Step 3 : Majority means 60% Step4: Compare this with the total number of members. Step5: Majority means 60% Step 6: For average number of meetings follow rating given for item 3 above. *Note: Please see explanation 2 at the end.
	b) 4 times a month (but not by majority mebers)	8	
	c) 2-3 times a month (by majority members)	8	
	d) 4 times a month (but not by majority members)	8	
	e) 2-3 times a month (by majority members)	8	
	f) 2-3 times a month (by not by majority members)	3	
	g) 1 time a month (by majority members)	5	
Savings and loan recovery(mod e of collection)	a) Collected in groups meetings	10	Ascertain from group leaders and members in this regard. Also peruse minutes book.
	b) House to house collection	05	
Style of functioning and group decisions	a) democratic and transparent b) decisions taken by few dominant members/group leaders	10 00	Peruse minutes book Interact with members. Observe in few group meetings. Ascertain whether periodical elections are conducted for the leadership and whether all decisions are in group meetings and on democratic lines.
Sanction and disbursement of loans	a) Selection of borrowers in group meetings	2	a)Ascertain the position from group leaders/members. b) Peruse minutes book (each item will get marks shown against it, if the conditions are satisfied)
	b) sanction and disbursement of loans in group meetings	2	
	c) loan terms and conditions discussed in group meetings and recorded in minutes	2	
	d) utilisation of loans reviewed regularly in group meetings.	2	
	e)recovery of loans reviewed regularly in group meetings.	2	
Interest on SHG loans	I. a) Uniform rate irrespective of source of funds	5	Peruse loan registers Ascertain from group leaders/members Persue loan register Ascertain from group leaders/members.
	b)Different rates depending on source of funds	3	
	II.a) interest rates vary according to the purpose of loan	5	
	b) uniform interest rate for all purposes	3	

Utilisation of savings for loaning	a) above 80%	10	Compare savings outstanding on a given date with loans outstanding on the same date to obtain the percentage. No marks for utilisation of savings below 50%
	b) above 50% and upto 80%	5	
Recovery of loan	a) dues not recovered in respect of 10% or less of total number of loan accounts	10	Even one instalment unpaid without authorisation by the groups is treated as dues not recovered. Count such accounts and compare them with total number of loan accounts also pursue minutes book for authorisation for non payments
	b) Dues not recovered between 10% and 30% of total number of loan accounts	5	
Books of accounts	a) attendance cum minutes book	3	Each record/register if maintained properly and uptodate will get marks shown against each
	b) savings register	3	
	c) loan ledger	3	
	d) bank passbook	1	
Byelaws /group rules	a) known to all members	10	Ascertain from the members through interaction
	b) known to most of the members	05	
	c) not known to many members	00	
Total marks		150	

Selection criteria of SHG for linkage to bank loan

1. SHG scoring more than 120 marks out of maximum of 150 marks can be chosen for linkage.
2. SHG scoring less than 120 marks will have to be further developed before linkage. The areas of improvement may be appraised to group leaders and members. Evaluation may again be taken after 3 months.

***Note :**

Explanation 1 Please use the following formula

$$\frac{\text{Total number of members attending meeting during last three months} \times 100}{(\text{Total no. of members in the groups}) \times (\text{No. of meetings held during the last 3 months})}$$

Explanation 2

Example 1. 12 meetings during last three months the membership of SHG is 18. The respective number of members who saved in each meetings is 12,14,9,7,15,17,12,13,14,9,8 and 15 and the average number of savers works out to (145 divided by 12) 12, the group scores 10.

Example 2. In the groups the number of members saved in each meeting is 6,8,4,9,10,5,3,4,7,5,4,7 and the average number of savers works out to (72 divided by 12) 6 the group scores 9.

Illustrative Set No.3**Assessing of Self Help Groups under the SHG Bank Linkage programme**

Sr. No	Category	Indicators	Rating
1	Sangha Size	a.members less than 10 b.members from 10 to 15 c.members from 15 to 20	5 8 10
2	Composition	I a.Target group only b.Having 1-5 non-target group c.Having more than 5 non-target group II a.Homogeneous b.Mixed group	10 5 0 10 8
3	Meeting	I.Monthly 4 meetings 2-3 meetings 1 meeting II. a.Irregular b.Regular III. Timings a.Night or after 6.p.m. b.Evening (between 3 and 6 p.m.) c.Morning (between 7 and 9 p.m.) d. Other timings	10 8 5 5 10 10 5 8 3
4	Attendance of members	More than 90% 70% to 90% Less than 70%	10 8 3
5	Participation	High Medium Low	10 8 3

6	Savings	<p>I. Frequency-Monthly</p> <p>4 times 8</p> <p>3 times 5</p> <p>2 times 3</p> <p>1 time</p> <p>10</p> <p>II. Regular 8</p> <p>Irregular</p> <p>10</p> <p>III. Fixed (Rate) 8</p> <p>Optional(Rate)</p> <p>IV. Interest on Sangha Loans</p> <p>Nil 0</p> <p>More than 36% 5</p> <p>24 to 36% 8</p> <p>10</p> <p>Depending upon the purpose</p> <p>10</p> <p>V Full Utilisation 8</p> <p>Less utilisation 1</p> <p>No Utilisation</p>	
7	Loan Recovery	<p>a. Dues recovered</p> <p>More than 90% 10</p> <p>70% to 90% 8</p> <p>Less than 70% 5</p> <p>Nil recovery since no loan was given for more than 6 months 3</p>	
8	Documentation (Maintenance, upkeep,custody etc.) (General)	<p>a. Good 10</p> <p>b. Medium 8</p> <p>c. Bad 3</p>	
9	Accumulated Savings	<p>a. More than Rs.5000 10</p> <p>b. Rs.3000 to Rs.5000 8</p> <p>c. Rs.2000 to Rs.3000 5</p> <p>d. Less than Rs.2000 3</p>	

10	Accounts & other records of Sangha (specific)	a. Attendance register b. Minutes Book c. Loan Register d. Savings ledger e. Cash Book f. General Ledger g. Bank pass book(group) h. Receipts voucher file i. Payments voucher file j. Visitors book	1 1 1 1 1 1 1 1 1 1
11	Sangha rules and Knowledge of Sangha functions	If known to all members If not known to members	10 5
12	Educational level	If 20% or more members having functional literacy If less than 20%	10 3
13	Awareness about Government programmes by members and banking procedures	a. If all are aware b. If partially aware c. If not aware	10 5 0

Selection criteria

1. SHGs scoring more than 150 points can be selected without any reservation
 2. SHGs scoring less than 150 but more than 100 points can be selected with caution.
 3. SHGs scoring less than 100 points need not be considered.
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Illustrative Set No. 4**Assessing of Self Help Groups under the SHG Bank Linkage programme**

Sr.No.	Category	Indicator	Rating
1	Feeling of Homogeneity/Solidarity	Very Strong	3
		Moderate	2
		Not very much	1
2	Feeling on Relevance of group formation	Very Strong	3
		Moderate	2
		Not very much	1
3	Awareness about objective of group formation	Very Strong	3
		Moderate	2
		Not very much	1
4	Regularity in Meeting	<50%	1
		50-75%	2
		>75%	3
5.	Attendance in Meeting	<50%	1
		50-75%	2
		>75%	3
6.	Regularity in Saving	<50%	1
		50-75%	2
		>75%	3
7.	Regularity in repayment of loan	<50%	1
		50-75%	2
		>75%	3
8.	The group has elected executive members/ follows opinion of leaders	Has elected members	3
		A mix of both	2
		Follows only opinion of leaders	1
9.	Record keeping/Book keeping etc	By newly literate member	3
		By upper class member (not elected)	2
		By animator/others	1
10.	Operation of Bank account and other dealings with Bank	By elected members	3
		By upper class member (not elected)	2
		By animator/others	1

11.	Awareness about loan rules and bank loan details among the members (in case no credit activity)	50%	1
		50%-75%	2
		>75%	3
12.	Percentage of members availing loan to total members	<30%	1
		30-60%	2
		>60%	3
13.	Decision on loan taken during	Meeting by all	3
		By elected leaders	2
		By opinion leaders or others	1
14.	Awareness about bye-laws and Whether they are written or oral	Written and Strong awareness	3
		Oral but Strong awareness	2
		Oral and not aware	1
15.	Participation in discussion and Group Functioning by members	<50%	1
		50%-75%	2
		>75%	3
16.	Creation of Emergency/core fund	Yes	1
		No	0
17.	Has the group been able to stand up against the constraints		
		Yes	3
		Still continuing moderate extent	2
			1
		No	0
18.	Imposition of sanctions and enforcement of bye-laws		
		strongly enforced	2
		sometimes	1
		Not at all	0

Decisions: When for all 18 parameters ranking is given, total ranking/score may be calculated. Based on the total ranking, decision to credit link immediately or to wait for further improvement, can be taken.
