

**Reserve Bank of India  
Rural Planning & Credit Department  
Central Office  
Fort , Mumbai - 400 001**

RPCD. No. PL.BC.120/04.09.22/95-96

April 2, 1996

Chaitra 13, 1918 (Saka)

All Scheduled Commercial Banks  
(Excluding RRBs)

Dear Sir,

**Linking of Self Help Groups with banks-Working Group on NGOs and SHGs -  
Recommendations - Follow-up**

Please refer to our circular letter RPCD. No. Plan.BC.13/PL-09-22/90-91 dated 24 July 1991 advising banks to actively participate in the pilot project launched by NABARD for linking 500 SHGs with banks. Pursuant to this, NABARD vide its circular letter No. NB.DPD.FS.4631/92-A /91-92 dated 26 February 1992 issued detailed operational guidelines to banks for implementation of the project. Beginning from 255 SHGs linked with banks during 1992-93, it reached 620 SHGs in 1993-94 and 2122 SHGs by 1994-95 and upto 31 December 1995, around 2700 SHGs were linked and the amount of bank loan disbursed to SHGs was about Rs. 332 lakhs. In all, 26 commercial banks and 46 RRBs have participated in the linkage programme. The quick studies conducted by NABARD in a few states to assess the impact of the linkage project have 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% recovery performance, significant reduction in the transaction costs for both the banks and the borrowers etc, besides leading to gradual increase in the income level of the SHG members. Another significant feature observed in the linkage project is that about 85% of the groups linked with the banks are formed exclusively by women.

2. With a view to studying the functioning of SHGs and NGOs for expanding their activities and deepening their role in the rural sector, the Governor, RBI had in November 1994 constituted a Working Group comprising eminent NGO functionaries, academicians, consultants and bankers under the Chairmanship of Shri S.K. Kalia, Managing Director, NABARD. The members of the Working Group visited a number of NGOs and SHGs, held widespread discussions and studied several issues concerning SHGs and NGOs through a sample of 171 SHGs, 49 NGOs and 97 banks branches. The Working Group has since submitted its report.

**Important Recommendations**

3. The Working Group is of the view that the linking of SHGs with the 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. It 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 cost 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 their linking with the banks and in this regard, the banks have a major role to play. The Group has recommended inter alia, that the banks treat the linkage programme as a business opportunity for reaching the rural poor and making it a part of their corporate strategy, the programme be made a part of Service Area Approach and LBR reporting system and regular training curriculum of banks, lending of banks to SHGs being made a separate segment under the priority sector, introducing review and monitoring of SHGs linkage programme, etc. Simultaneously, the Group has suggested for capacity building of NGOs, training of their staff, etc. The recommendations of the Working Group have since been examined and generally accepted by us.

### **Follow-up Action**

#### **SHG Lending as Normal Lending Activity**

4. As the efficacy of the SHGs as an effective mode for rural savings mobilisation and credit delivery to the poor has been demonstrated in the pilot phase and since the linkage of targeted 500 SHGs has already been achieved, it has been decided to extend the SHGs linkage programme beyond the pilot phase as a normal business activity of banks to improve the coverage of the rural poor by the banking sector. Accordingly, the banks 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.

#### **Separate Segment under priority sector**

5. In order to enable the banks to report their SHG lending without difficulty on account of divergent purposes in ground level disbursements from SHGs to members, it has been decided to incorporate an additional segment under the priority sector advances. Accordingly, the banks should report their lending to SHGs and /or to NGOs for onlending to SHGs/members of SHGs/discrete individuals or small groups which are in the process of forming into SHGs under the new segment. viz., 'Advance 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.

#### **Inclusion in Service Area Approach**

6. The scope for lending to SHGs in a particular area may depend upon the extent of poverty, presence and availability of support from NGOs and above all upon the need and desire among the poor to form groups for mutual benefit. Banks may identify branches having potential for linkage and provide necessary support services to such branches and include SHG lending within their Service Area Plan. Keeping in view the potential realisability, the Service Area Branches may fix their own programme for lending to SHGs as in the case of other activities under the priority sector. With a view to enabling the bank branches to get the benefit of catalytic services of NGOs, the names of NGOs dealing with the SHGs will be indicated on a block-wise basis in the "Background Paper for Service Area Credit Plans". The Service Area branch managers may have constant dialogue and rapport with the NGOs

and SHGs of the area for effecting linkage. If a NGO/SHG feels more confident and assured to deal with a particular branch other than Service Area branch and the particular branch is willing to finance, such a NGO/SHG may at its discretion deal with a branch other than the Service Area branch. The lending to SHGs by banks should be included in the LBR reporting system and reviewed, to start with at SLBC level. However, it has to be borne in mind that the SHG linkage is a credit innovation and not a targeted credit programme.

### **Opening of Savings Bank A/c**

7. In terms of RBI circular letter DBOD. No. BC. 63/13.01.89/92-93 dated 4 January, 1993, banks were allowed to open savings bank accounts of SHGs financed under pilot project. In order to facilitate promotion of SHGs and their eventual credit linkage with banks, it has been decided that SHGs which are engaged in promoting the savings habit among their members, may be allowed to open savings bank accounts. It is clarified that SHGs need not necessarily have already availed of credit from the banks before opening of saving bank accounts.

### **Margin and Security Norms**

8. As per operational guidelines of NABARD, SHGs are sanctioned savings linked loans by the banks (varying from a saving to loan ratio of 1:1 to 1:4). Experience has shown that group dynamics and peer pressure have brought in excellent recovery from members of the SHGs. The flexibility allowed to the banks in respect of margin, security norms, etc under the pilot project vide RBI circular letter dated 24 July 1991 referred to above will continue to be operational under the linkage programme even beyond the pilot phase.

### **Rate of Interest**

9. NABARD would continue to provide refinance support to the banks under the linkage project. The present interest rate structure stipulated by NABARD at different levels under the SHG - Bank Linkage Programme is as under:

NABARD to Banks (Refinance)	- 6.5%
Banks to SHG	- 12.0%
Banks to NGOs/VAs	- 10.5%
NGOs/VAs to SHGs	- 12.0%
SHG to Members	- As decided by SHG

\*exclusive of Interest Tax wherever applicable.

Banks may charge interest on the finance provided to the Groups/NGOs for on-lending to SHGs at the rates indicated by the National Bank from time to time. Further, the groups will be free to decide on the interest rate to be charged to its members provided the rate of interest is not excessive.

### **Documentation**

10. Keeping in view the nature of lending and status of borrowers, the banks may prescribe simple documentation for lending to SHGs. The Working Group has suggested a set of documents for use of banks while lending to SHGs directly or through NGOs to SHGs. The

documents are inter-se agreement to be executed by the members of the SHGs, a loan application to be submitted by SHGs, model loan agreement, sponsorship letter from NGO/SHPI for loan assistance for onlending to SHGs and loan agreement for lending to NGOs. The same are enclosed as Annexure I to VI. The banks may adopt these documents in consultation with their Law Department.

### **Presence of defaulters in SHGs**

11. The 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 default to it. However, the bank loan may not be utilized by the SHG for financing a defaulter member to the bank.

### **Training**

12. An important step in the Linkage Programme would be training of the field level officials and sensitization of the controlling and other senior officials of the bank. After the launching of the Pilot Project, NABARD has conducted a series of training programmes for the field level officials of the banks and also their trainers. Programmes on SHG- Bank Linkage are also being conducted at CAB, Pune. Considering the need and magnitude of training requirements of bank officers/staff both at field level and controlling office level, the banks may initiate suitable steps to internalise the SHGs linkage project and organise 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. In the matter of training of their faculty, the training facilities available at Bankers Institute of Rural Development (BIRD). Lucknow could be utilised.

### **Monitoring and Review of SHG Lending.**

13. Having regard to the emerging potential of the SHGs and the related non-familiarity of the bank branches with lending to SHGs, banks may have to closely monitor the progress regularly at various levels. Further, the progress of the programme may be reviewed by the banks at regular intervals. A Progress report may be sent to both RBI (RPCD) and NABARD (DPD-NFS), Mumbai in the format as per Annexure VII, 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.

### **Operational Guidelines**

14. The Working Group has also endorsed the operational guidelines issued by NABARD to banks under the pilot project vide their circular letter No. NB.DPD.FS.4631/92-A/91-92 dated 26 February 1992. Further, modifications/amendments as and when required will be advised to banks.

15. We shall be glad if necessary action is initiated by the banks to step up their credit to the unreached rural poor by extensively utilising the SHG route. A copy of the instructions issued to your branches may please be forwarded to us and NABARD. Please acknowledge receipt of this circular letter to the Chief General Manager, Rural Planning and Credit

Department, Reserve Bank of India, Central Office, Mumbai and the Chief General Manager,.  
National Bank for Agriculture and Rural Development, DPD-NFS, Head Office, Mumbai.

**(J.R. Prabhu)**  
**Executive Director**

Encls : As above

- i) Model set of documents
- ii) Format for the progress report.

**ANNEXURE-I**

[TO BE STAMPED AS A GENERAL POWER OF ATTORNEY]

**INTER-SE AGREEMENT TO BE EXECUTED  
BY THE MEMBERS OF THE SELF HELP GROUP**

THIS 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.  
.  
.  
.  
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 nay 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 \_\_\_\_\_  
\_\_\_\_\_ 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 hereself 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 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.

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.

Name of member SHG

Signature/s/Thumb of the impression

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,

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**APPLICATION FOR LOAN**

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)

**2. REPAYMENT SCHEDULE**

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 \_\_\_\_\_

<b>Sr. No.</b>	<b>Particulars</b>	<b>Amount (in Rs.)</b>
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 \_\_\_\_\_ (Name) \_\_\_\_\_ (Designation)

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.  
(\* 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 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

1) AUTHORISED REPRESENTATIVE

2) AUTHORISED REPRESENTATIVE  
MANAGER

FOR BANK

## **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.

<b>Sl.No.</b>	<b>Name of the SHG</b>	<b>No. of members</b>	<b>Loan required</b>
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

### Specimen of application to be submitted by VA/SHPI to Branch while applying for loan assistance for on-lending to SHGs

Name of the Voluntary Agency/Self-Help Promoting Institution:-

Address :

Formed/Established on :

Registration No.  
(Furnish true copy of  
certificate of registration)

Type of activities undertaken:

To

The Branch Manager

\_\_\_\_\_ Bank

\_\_\_\_\_ Branch

Date:

Dear Sir,

#### APPLICATION FOR LOAN

We hereby apply for a loan of Rs. \_\_\_\_\_/- (Rupees \_\_\_\_\_ only) required by us for the purpose of onlending to the Members of \_\_\_\_\_(No). Self Help Groups as per list enclosed.

#### 2. REPAYMENT SCHEDULE

We agree to repay the loan amount as per the repayment schedule which may be fixed by the bank.

3. Particulars of loans extended to SHGs and existing liabilities from other financial institutions/agencies along with audited balance sheet for the last three years 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 institutions including NABARD, government or any agency as may be considered necessary or desirably by the Bank. It will be in order for the Bank to disqualify our organisation from receiving any further credit facilities from the Bank and/or recall the entire loan amount or any part thereof granted on this application in case any information furnished herewith is found incorrect and/or containing misrepresentation of facts.

Yours faithfully

(PRESIDENT)

(Also affix official stamp of the Agency)

(SECRETARY)

NAME OF THE VA/NGO/ SELF HELP PROMOTING INSTITUTION:

**Particular of SHGs proposed to be assisted**

Name of the SHG	Address	Date of formation	Number of members	
			Female 4(a)	Male 4(b)
(1)	(2)	(3)		
1.				
2.				
3.				
4.				

Total Savings	Total lending outstanding	Recovery percentage	Remarks if any against members
(5)	(6)	(7)	(8)
1.			
2.			
3.			
4.			

(SECRETARY)

(PRESIDENT)

## ANNEXURE-VI

(To be stamped as an Agreement)

### **FORMAT OF ARTICLES OF AGREEMENT FOR USE WHILE FINANCING SELF HELP GROUPS THROUGH VOLUNTARY AGENCY/SHPI (SELF HELP PROMOTION INSTITUTION) SOCIETY/CHARITABLE TRUST REGISTERED UNDER THE RESPECTIVE ACTS**

The Articles of Agreement on this \_\_\_\_\_ day of \_\_\_\_\_ 199\_\_ at \_\_\_\_\_  
By and between M/s \_\_\_\_\_ voluntary agency registered as a society/a  
Charitable Trust under the Societies Registration, Act 1860 \_\_\_\_\_ Trusts  
Act, \_\_\_\_\_ having its office at \_\_\_\_\_ represented by  
its \* President/Trustee

Shri/Smt \_\_\_\_\_

\*and its Secretary

Shri/Smt \_\_\_\_\_

who are duly authorised and empowered under the Rules and by-laws to execute contracts on behalf of the society/Trust, hereinafter called the "borrower" which expression shall, unless repugnant to the subject or context thereof, mean and include their successors, and assigns of the one part and (name of the Bank) a body corporate constituted under the (name of the Bank) \_\_\_\_\_ Act \_\_\_\_\_ having its office at \_\_\_\_\_ and \_\_\_\_\_ and the branches inter alia one at \_\_\_\_\_ hereinafter called "Bank" which expression shall, unless repugnant to the subject of context thereof, mean and include its successors and assignees of the second part.

Whereas, the borrower is a registered society/trust which has undertaken to promote and help the self-help groups (SHGs) with a view to developing and ameliorate Socio-economic conditions of the members of the SHG and their families.

Whereas the Borrower has requested the Bank for \*grant of a loan/extending credit facility of Rs. -----/- upto the limit of Rs. -----/- (Rupees only) for onlending to the self-help groups (SHGs) for meeting the credit requirement of their members as per the SHG's request.

And whereas the Bank has agreed to extend credit facility to the borrower represented by its President and Secretary as per the by-laws of society/trust on certain terms and conditions.

And whereas the Bank and the borrower have agreed to charge interest at different levels/rates as hereunder:

- i) Bank to VA/SHPI
- ii) VA/SHPI to SHG
- iii) SHG to members - As decided by SHG and/or as may be fixed from time to time by RBI/NABARD.

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

(\*Delete whichever is not applicable)

Now, therefore, this agreement witnesseth as follows:

1. The Bank has agreed to grant and the borrower has agreed by way of terms loan/cash credit (clean) upto 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 charges 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 here below in the repayment schedule./ (to be specified). Besides the borrower will pay interest at the rates that may be fixed from time to time by RBI/NABARD for such lendings along with other costs/charges as may be levied by the bank.

5. It is 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 demure 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 onlending to SHGs 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 at the rate that may be fixed by the RBI/NABARD from time to time for such lending. The borrowers shall be liable to pay interest on overdue interest in the event of failure to repay the facility availed in the stipulated manner.

9. The borrower shall be liable to repay the loan on demand together with the interest and other charges payable by the borrower to the bank, without any demur. The borrower is not permitted/has no right to defer payment of the dues herein on the ground that he has not been able to receive/release the dues from its debtors for any reasons whatsoever.

**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 (name of the Voluntary Agency (VA) or Self Help Promoting Institute (SHPI)

a registered society/trust under society's/trust's Registration Act

1) PRESIDENT

FOR BANK

2) SECRETARY

MANAGER

## Annexure- VII

### Statewise progress report of credit linkage of SHGs for the half year ended 30th Sept / 31 March

Rs lakh

Name of the State	No. of SHGs linked during the half year		No. of SHGs linked as at the end of the half year (cumulative)		Amount of loans issued to SHGs/ NGOs for on-lending during the half year	Amount of loans issued to SHGs/ NGO for onlending as at the end of the half year (cumulative)	Recovery % of loans given to SHGs/ NGOs	Remarks if any
	Total	Of which Women	Total	Of which women				
1	2	3	4	5	6	7	8	9

NB. One copy of the statment to be sent to the

i) Chief General Manger, RBI, RPCD, Central Office, Mumbai - 400 001

ii) Chief General Manager, DPD-NFS, NABARD, Head Office, Poonam Chamber, Worli-400 018 so as to reach them within one month of the relative year.

While the financing by banks will include both SHGs already financed and the new ones, the data under Col 2 and 3 will relate to respect numbers in respect of new SHGs only.