

RESERVE BANK OF INDIA
MUMBAI

Ref. No.RPCD.PI. BC./12/04.09.22/9S-99

July 24,1998

All Scheduled Commercial Banks (Excluding RRBs)

Dear Sirs,

Linking of Self-Help Groups with Banks.

Please refer to our circular RPCD.No.PLBC/120/04.09.22/9S-96 dated April2, 1996 on the above subject.

2. In his Budget Speech on June 1, 1998, Finance Minister made the following observations in regard to micro finance.

The problem of rural un-employment and underemployment is a massive one. This can only be solved through self-employment. There is no reason why even craftsman, artisan and weaver cannot become an entrepreneur and run his own little enterprise. A major bottleneck however has been lack of credit facilities. Earlier NABARD had launched a limited scheme for promotion of Self-Help Groups (SHGs) as a channel for the flow of funds to the micro enterprises. I am asking NABARD to great/y extend the scope and coverage of the scheme so that 2 lakh Self Help Groups covering 40 lakh families can be assisted over the next 5 years through this scheme of microcredit.10, 000 Self-Help Groups covering 2 lakh families will be assisted this year

3) NABARD is initiating action to increase the coverage of SHGs through promoting resource/nucleus NGOs, training, guiding and supporting small NGOs as also taking various other measures for propagating the concept of micro credit through Self-Help Groups.

4. Presently banks are extending credit support to SHGs to limited extent under the linkage programme. Coverage both in terms of activities and number of groups financed will have to be enlarged if the expectations announced by the Government as above are to be realized. For this purpose, coordinated efforts by the agencies involved in rural credit will be necessary. It may be recalled that the Working Group on NGOs and SHGs had recommended that the banks should treat the linkage programme as a business opportunity. Commercial banks may design area specific and group specific loan packages taking into account inter alia the potential, local needs, available talent/skills etc. You may issue appropriate guidelines in this regard.

5. The action taken in the matter may please be reported to us. Your Regional/ Zonal Offices may be advised to keep the concerned Regional Office of this department about the progress made from time to time.

Yours faithfully,

(C. Hari Kumar)
Executive Director