



राष्ट्रीय कृषि और ग्रामीण विकास बैंक
NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
सूक्ष्म ऋण नवप्रवर्तन विभाग
MICRO CREDIT INNOVATIONS DEPARTMENT (mCID)

Ref.No.NB.mCID / 1289/ SHG – 1 /(Policy) / 2006-07
Circular No. 175 / MCID 5 / 2006

20 October 2006

All Scheduled Commercial banks (including Regional Rural banks)
All State Co-operative banks

Dear Sir,

**Scheme for financing matured SHGs for Farm Production and Investment activities -
Clarifications**

Please refer to our Circular No.86/MCID 3/2006 (Ref.No.NB.MCID/ 364 / SHG – 1(Policy)/ 2006-07 dated 17 June 2006 on the captioned subject. The clarification on some of the queries received by us are as under :

- 1. Objective :** The objective of the scheme is to facilitate members of matured SHGs to meet their credit requirements for farm production and investment activities. However the scheme is not meant to be substituted for normal crop loans or agricultural loans given to individual borrowers. If the bank is satisfied that a significant portion of the loan sought by the matured SHGs is for agricultural or allied purposes, such loan sanctioned to matured SHGs may be treated as loan for "farm production".
- 2. Assessment of quantum of credit:** The scheme is meant for matured SHGs, which are in existence for three years or have already availed bank loan for two cycles. While the quantum of credit given to the group should be in proportion to the group corpus, the loan to matured SHGs could exceed more than 1 : 4 depending on the grading of the SHG by the bank.
- 3. Margin and Security norms:** In terms of RBI Circular No.RPCD. NO.PL.BC.120/ 04.09.22/ 95-96 dated 02 April 1996, margin and security norms are relaxed in the case of loans to SHGs.
- 4. Rate of Interest and Eligibility Criteria for refinance:** The refinance from NABARD would be available on the same terms and conditions as is applicable to loans to SHGs.
- 5. Reporting Purposes / Activity in refinance application:** In order to facilitate easy categorisation of loan granted to matured SHGs, it has been decided that such loans may be categorised into two main purposes i.e. "Agriculture" and "Activities allied to Agriculture". The activity column prescribed in our drawal application for refinance, therefore, stands withdrawn.

Yours faithfully

(A Ramanathan)
Chief General Manager