SELF HELP GROUPS BANK LINKAGE PROGRAMME

You are aware that Self Help Groups Bank Linkage programme is a national programme aiming at the women empowerment. As on date our Bank is servicing 62008 number of SHGs in the area of operation i.e., 5 districts – Anantapur, Kadapa, Kurnool, Nellore and Ongole.

In tune with the policy of Government of India/Government of Andhra Pradesh/Reserve Bank of India/NABARD and the direction of the Sponsor Bank to extend hassle free and adequate financial assistance to SHGs, Bank has been supporting the SHGs in the process of women empowerment and desires to develop the SHG portfolio as its second largest portfolio after the crop production loans and accordingly the expansion programme is envisaged both qualitatively & quantitatively. Branches are also responding actively, enthusiastically and implementing the programme on the desired lines.

Of late in view of the changes taken place and various approaches being adopted in each district by DCC/ Dist Administrations, clarifications are being sought by the branches / Area offices / Regional offices with regard to the implementation of the programme.

In light of the above a need / necessity has arisen to reiterate the norms to be followed in a comprehensive manner to be followed by the branches/AOs/ROs and they are as under:

1. ELIGIBILITY:

All SHGs promoted by Bank /DRDA/DWMA/ NGOs etc., are eligible to be considered for financial assistance under the SHG Bank linkage programme. However it shall be ensured that there is no multiple membership of the same SHG member in different groups.

2. CRITERIA:

a) All the groups which have completed six months of existence and are “A” rated basing on the Critical Rating Index Chart (CRI) are eligible to be considered for financial assistance under the programme.
b) Rating of the Fresh groups shall be by the promoters/SHGs themselves /Vos / Mandal Samakyas, but the validation of rating shall be by the branches.

c) The rating of the repeat groups (groups availing 2nd dose or subsequent doses of finance) can be by the branch itself. Branch need not insist for rating by the promoters etc;

3. RECKONING OF SIX MONTHS:

Normally six months period to consider financial assistance under SHG Bank linkage programme shall be reckoned from the date of opening of the account in the bank by the group.

Where proper records are produced to the satisfaction of the bank with proper reasoning for non opening of the bank account immediately after formation of the group, the six months period can be reckoned from the date of the formation of the group as per the records of the promoters/VO/Mandal Samakya etc.,

For any valid reasons the group/promoters have decided to switch over from other Bank to our Bank and produces suitable resolution to that effect, the period of six months can be reckoned from the date of the account opening in bank from which the group has switched over.

4. QUANTUM OF FINANCE:

a) The quantum of finance is generally linked to the savings/corpus ranging 1:1 to 1:4. (Corpus = Savings + Revolving Fund + Interest + Fine + Penalty and other income) But in view of the clarification by NABARD that it is not mandatory for the banks to strictly adhere to the 1:4 ratio while considering financial assistance to SHGs and given the operational freedom to exceed the ratio in deserving cases. In the light of the experience gained by the Bank and the positive response of the various partners in the programme implementation the following criteria be followed in extending the financial assistance.

a) Fresh Finance (1st Dose)

i) All the ‘A’ rated Fresh groups shall be considered a minimum financial assistance of Rs.30,000/- as 1st dose, provided the group seeks the assistance to that extent.
ii) Where the group deserves in the opinion of the Branch Manager higher financial assistance as first dose keeping in view the quality of the group, Micro Credit Plan, Rating, Credit Absorption Capacity, Book Keeping Practices, Risk Taking Ability, a loan upto Rs.50,000/- can be considered with the permission of Area Manager/Regional Manager. In case the limit of Rs.50,000/- falls within the 1:4 ratio of savings/corpus to credit, the same can be considered by the Branch Manager without any reference to Area Office/Regional Office. In otherwords permission of AM/RM is not necessary in such cases.

iii) Where the group is qualifying for higher amount for 1st dose i.e., beyond Rs.50,000/- Keeping in view the criteria referred under a (ii), the Branch Manager shall seek permission of Regional Office to extend financial assistance beyond Rs.50,000/- subject to a maximum of 1:4 ratio.

b. REPEAT FINANCE:

i) 2nd dose and subsequent doses shall be considered by the Branch Manager upto the discretionary powers vested with him/her based on the Micro Credit Plan of the group, credit absorption capacity, Book keeping practices, risk taking ability and the quality of the group etc.,

ii) Before considering financial assistance basing on Micro Credit Plan the branch shall critically review the Micro Credit Plan and satisfy about the need / genuinty of the plan submitted and the capacity to handle the respective activities proposed successfully by the individual members in the group.

iii) Where the requirement of Micro Credit Plan is beyond the discretionary powers of the Branch Manager and the Branch Manager is satisfied about the MCP and the capacity of the group to handle the same, the branch shall not restrict the quantum of loan to the extent of discretionary powers, but shall forward to the Regional Office duly recommending the proposal. This is to ensure that the good groups are not denied their genuine requirements and they all facilitated with adequate/need based finance to carry on their income generating activities to improve their economic status.

iv) Subject to the above Maximum limits, the decisions taken in the respective DCC Meetings may be implemented by the Regional Managers by issuing suitable instructions to the branches in their respective area of operation.
v). Special projects if any, to be implemented for the SHGs beyond the above, shall be as per the instructions that are issued/will be issued by the HO from time to time. Branches/AOs/may refer to Head Office through ROs if any, special projects proposed to be taken up through SHGs for consideration.

5. MARGIN:
Upto Rs.3.00 Lakhs of the project cost no margin need be insisted. Above Rs.3.00 lakhs 5% of the project cost shall be insisted as margin. Project cost is the total requirements of the group as per the group resolution and Micro Credit Plan submitted by the group.

Where the loan to the group is under any Govt. Sponsored Scheme like SGSY etc., the margins referred above are not applicable.

6. SECURITY
Upto Rs.5.00 Lakhs of the loan only group and/or guarantee or assets created out of the loan as primary security.

For the loan above Rs.5.00 Lakhs in addition to the primary security as above, other collateral security of adequate value (to the extent of amount exceeding Rs.5.00 Lakhs) in the form of insurance policy, other marketable security, mortgage of property etc., shall be taken.

Net loan limit after deducting margin or subsidy if any from the project cost shall be reckoned for the purpose of deciding for obtaining security.
Where the loan to the group is under any Govt. Sponsored Scheme like SGSY etc., the above security norms are not applicable.

1. RELEASE SCHEDULE:
To avoid interest burden on the groups loan amount may be released depending upon the requirements of the group in lumpsum or instalments by way of credit to the SHG SB a/c.

8. RATE OF INTEREST:
10% Per Annum irrespective of the loan amount
9. REPAYMENT SCHEDULE:
A repayment period of Minimum 24 Months to be fixed to enable the groups to repay the loans in easy instalments.

Where the quantum of loan is above Rs.1.00 Lakh the repayment period may be fixed upto 50 Months depending upon the repayment capacity.

In case the groups intend to repay the dues in higher amounts than the instalment fixed the same can be accepted without any hindrance. However it may be advised against the repayment by way of outside borrowings.

10. PROCESS FEE:
No Process/Inspection charges are to be charged.
However, where the loan to the group is under Govt. Sponsored Scheme like SGSY etc., the process fee/inspection charges shall be as per the existing guidelines in vogue i.e. as per circular No:59-2006-BC-ACCTS, Dt.28.8.2006

11. DOCUMENTATION:
- AF - 76 - Application to be submitted by SHGs along with MCP
- AF - 77 - Critical Rating Index Chart
- AF - 80 - Inspection Report
- ADN- 17 - Resolution, Inter-se Agreement, Articles of Agreement

12. Stamp Duty
As per GO Ms.No.398, dated 03.07.2002 Stamp Duty in full is exempted on loan documents to be executed by the Self Help Groups under Self Help Group Bank Linkage Scheme in favour of Banks and other financial institutions for obtaining loans.

13. FINANCING TO THE DEFAULTERS:
There may be instances of defaulters among the SHG members for the loans availed by them individually from the Bank. To ensure that the group do not suffer because of such members, Branch can consider financial assistance to SHG where the defaulters in the group are not exceeding 2 to 3. However an undertaking letter shall be obtained from the said group that the default members will not be considered for Bank loan portion untill the respective dues to Bank are cleared by the said members. Branches shall workout their own system of verifying the adherence of the undertaking by the groups.
SHG member in a personal capacity and a Self Help Group are two distinct legal entities. Therefore there is no bar in extending Bank loan to individual women who have availed Bank loan earlier in group mode. The individual account and group account shall not be combined for the purposes of determining the terms and conditions of either loans. The individual loan shall be as per the terms and conditions of the scheme/guidelines governing the same.

Branch can consider financial assistance under direct SHG Bank linkage programme to the groups which have availed loans under SGSY etc., earlier and the said loan is outstanding also, provided the loan amount outstanding is equal or less than the subsidy reserve fund. The loan amount outstanding need not be reckoned for the purpose of arriving at the quantum of loan/liabilities for the purpose of excersing the discretionary powers vested with them for the sanction.

**14. RECOVERY: - Single point transaction**

All the recoveries shall routed through SB accounts. There shall be single point transaction of all the remittances by the SHGs. In otherwords, the savings, loan repayment, any other payments by the SHG shall be through the SB account of the group only.

The loan instalment shall be recovered by debiting to the SB account of the group and credited to the group loan accounts on the due dates. A mandate shall be obtained from the group at the time of arranging the loan to that effect, as part of documentation. (However, in the new agreements under print this clause is also getting included). This aspect shall be informed to the SHG at the time of arranging the loan.

To ensure easy accounting, a common date for the transfer of loan instalment from the SB a/c to the loan a/c may be decided by the branch. If necessary this may be decided in consultation with the Mandal Samakya under information/knowledge of the group.

**Community Based Recovery Mechanism.**

The success/quality and long sustainability of the SHG portfolio/programme depends upon the repeat borrowings by the SHGs. This is possible only when the repayment culture is maintained and improved. To ensure this CBRM is developed and DRDAs are advised to circulate the guidelines in the matter to all the participating partners in the programme. Branches are advised to follow the same to ensure building up healthy SHG portfolio.

A detail circular will be issued by the Bank also in this regard.
15. DISCRETIONARY POWERS:

Credit sanctioning powers of various functionaries of Bank to consider loans to SHGs are as under.

<table>
<thead>
<tr>
<th>Bank Linkage</th>
<th>Under SGSY (including Subsidy)</th>
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</thead>
<tbody>
<tr>
<td>Managers in Scale - I</td>
<td>Rs. 1.00 Lakh.</td>
</tr>
<tr>
<td>Managers in Scale - II</td>
<td>Rs. 2.00 Lakhs.</td>
</tr>
<tr>
<td>Managers in Scale - III</td>
<td>Rs. 5.00 Lakhs.</td>
</tr>
<tr>
<td>Regional Manager</td>
<td>Rs. 10.00 Lakhs.</td>
</tr>
<tr>
<td></td>
<td>Rs.1.50 Lakhs.</td>
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<td>Rs.3.00 Lakhs.</td>
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<td></td>
<td>Rs.5.00 Lakhs.</td>
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<td>Rs.10.00 Lakhs.</td>
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</table>

16. TAKING NOTE OF THE SANCTIONS BY Regional Offices.
   (In the case of loans under direct Bank Linkage)

- Managers in Scale – I shall submit the individual process notes where the sanction exceeds Rs.1.00 Lakh. (This situation arises where the sanction/release is based on the specific permission granted to consider beyond one lakh by the competent authority)
- Managers in Scale – II shall submit the individual process notes where the sanction exceeds Rs.1.50 Lakhs.
- Managers in Scale – III shall submit the individual process notes where the sanction exceeds Rs.2.50 Lakhs.

17. MANDAL SAMAKYA MEETINGS

Manager/Officer (Adv) shall ensure attending the Mandal Samakya meetings by rotation and discuss the business development aspects and appraise various products of the Bank in general and discuss SHG portfolio in particular. During the meeting the branches shall bring to the notice of the Mandal Samakya the deficiencies observed in the functioning of the groups, the remedial steps necessary to be taken up etc., among other things.
18. "PAVALAVADDI" SCHEME

Branches shall extend their cooperation to IKP officials and provide them the necessary data to enable them to consider and sanction the reimbursement of the ‘Interest’ to the eligible groups under ‘Pavala vaddi Scheme’. It may be suggested that the ‘interest reimbursement received’ by the group is appropriated to the individual member proportionately based on the quantum of interest paid by the individual member to the loan account. The possibilities may be explored to get the interest reimbursement under the scheme credited to the individual SB A/c of the SHG member by VO/SHG.

19. REVISIT TO THE REQUIREMENTS OF THE GROUP

It is represented by the authorities that at some places/branches the groups are not considered adequate finance, though eligible thereby they are suffering from paucity of adequate funds to carry on their activities.

**Branches are advised to examine such requests of the groups and revisit their requirements and consider the financial assistance as a one time measure subject to the above guidelines provided the group closes their earlier loan account.**

20. STATEMENTS/RETURNS

The various statements/returns to be submitted by branches/Regional Offices and Regional Offices to Head Office are enumerated in the annexure to this Circular.

Clarifications, if any, required to this circular, may be sought from Chariman’s Secretariat, Women Development Cell, Head Office: Kadapa.

(M.OBULESU)
CHAIRMAN

A. Statements to be submitted by branches to Regional Office.

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Statement Code No.</th>
<th>Description</th>
<th>Due Date</th>
<th>Department/Office</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td><strong>Monthly</strong></td>
<td></td>
<td></td>
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<tr>
<td>1</td>
<td>ARM-7</td>
<td>SHG loans arranged during the month (sanctioned by branch/RO/HO)</td>
<td>5&lt;sup&gt;th&lt;/sup&gt; of Succeeding month</td>
<td>Regional Office</td>
</tr>
<tr>
<td>2</td>
<td>ARM –11</td>
<td>List of overdue SHG accounts as at the end of the month</td>
<td>5&lt;sup&gt;th&lt;/sup&gt; of Succeeding month</td>
<td>Regional Office</td>
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<td></td>
<td><strong>Quarterly</strong></td>
<td></td>
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<tr>
<td>1</td>
<td>ARQ – 7</td>
<td>Ground lever Credit under SHG Bank linkage during the Quarter ended June/September/December/March</td>
<td>5&lt;sup&gt;th&lt;/sup&gt; of Succeeding Quarter</td>
<td>Regional Office</td>
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<td><strong>ANNUAL</strong></td>
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<tr>
<td>1</td>
<td>ARA – 5</td>
<td>Ground level Credit under SHG Bank linkage during the year as on 31&lt;sup&gt;st&lt;/sup&gt; March.</td>
<td>5&lt;sup&gt;th&lt;/sup&gt; of April Every Year</td>
<td>Regional Office</td>
</tr>
<tr>
<td>2</td>
<td>ARA - 6</td>
<td>SHG Bank linkage Programme – outstanding loans and status of NPAs as on 31&lt;sup&gt;st&lt;/sup&gt; March</td>
<td>5&lt;sup&gt;th&lt;/sup&gt; of April Every Year</td>
<td>Regional Office</td>
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B. Statements to be submitted by Regional Office to Head Office.

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<tr>
<th>Sl. No.</th>
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<tr>
<td></td>
<td></td>
<td><strong>Monthly</strong></td>
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<tr>
<td>1</td>
<td>ARM-113</td>
<td>Loans sanctioned to SHGs under RMs discretionary powers</td>
<td>5&lt;sup&gt;th&lt;/sup&gt; of Succeeding month</td>
<td>Chairman’s Secretariat</td>
</tr>
<tr>
<td>2</td>
<td>ARM -114</td>
<td>Details of loans disbursed to SHGs by branches during the month</td>
<td>5&lt;sup&gt;th&lt;/sup&gt; of Succeeding month</td>
<td>Chairman’s Secretariat</td>
</tr>
<tr>
<td>3</td>
<td>ARM-115</td>
<td>Refinance statement of Self Help Groups disbursed during the month</td>
<td>10&lt;sup&gt;th&lt;/sup&gt; of Succeeding month</td>
<td>Chairman’s Secretariat</td>
</tr>
<tr>
<td>4</td>
<td>ARM - 116</td>
<td>Self Help Groups OD accounts as at the end of the month</td>
<td>10&lt;sup&gt;th&lt;/sup&gt; of Succeeding month</td>
<td>Chairman’s Secretariat</td>
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<td><strong>Quarterly</strong></td>
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<tr>
<td>1</td>
<td>ARQ - 104</td>
<td>Branch-wise Ground level credit to SHGs – Under Bank linkage during the quarter ended June/September/December/March</td>
<td>8&lt;sup&gt;th&lt;/sup&gt; of the Succeeding Quarter</td>
<td>Chairman’s Secretariat</td>
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<td><strong>Annual</strong></td>
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<tr>
<td>1</td>
<td>ARA - 103</td>
<td>Ground Level Credit under SHG bank linkage – During the year as on 31&lt;sup&gt;st&lt;/sup&gt; March.</td>
<td>8&lt;sup&gt;th&lt;/sup&gt; of April every year</td>
<td>Chairman’s Secretariat</td>
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<tr>
<td>2</td>
<td>ARA - 104</td>
<td>District – wise status of outstanding SHG loans and status of NPAs under SHGs as on 31&lt;sup&gt;st&lt;/sup&gt; March</td>
<td>8&lt;sup&gt;th&lt;/sup&gt; of April every year</td>
<td>Chairman’s Secretariat</td>
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</table>
(MOHAMMAD KHAN)
SENIOR MANAGER