

A toolkit for SHG Facilitator Revised 2023

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The Institute of Chartered Accountants of India

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New Delhi

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A toolkit for SHG Facilitator



Professional Development Committee
The Institute of Chartered Accountants of India
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Foreword

Professional Development Committee (PDC) was established in 1962 with the mission to explore and develop opportunities for the use of the professional talents and skills of Chartered Accountants in different sectors of business. Since then, concerted efforts are being made to tap all the potential opportunities for the Institute's members and also to ensure that existing opportunities of professional developments are fully utilised and maintained at equitable and growth-oriented levels.

It is heartening to note that the Professional Development Committee has brought out a revised publication titled '*A Tool Kit for SHG Facilitator*'. This revised publication brings to light various aspects on evolution of Self-Help Groups (SHGs), Institutional framework of National Rural Livelihood Mission (NRLM) programme, sources of funding, formats of the books required to be maintained by the SHG, among others. It is a sincere effort made by the Committee to include new chapters and revisions for bringing comprehensiveness to the given literature.

I would like to congratulate CA. Kemisha Soni, Chairperson, PDC; CA. Prasanna Kumar D, Vice-Chairman, PDC, and all members of the Committee who have made significant contribution in bringing out this publication.

I hope that this revised edition of the publication would be of immense value to the readers in their professional activities.

Date: February 03, 2023

Place: New Delhi

CA. (Dr.) Debashis Mitra
President, ICAI

Preface

Self-help Groups (SHGs) are formed following a unique approach and are supported usually by Individuals, NGOs and by Government agencies. SHGs have been crucial in promoting financial inclusion in rural communities. Rural people now have more financial influence within their families and in the neighborhood. SHGs have the necessary financial and social capital to hasten India's economic development.

This tool kit for SHG facilitator provides knowledge about Self Help Groups which brings light to various additional aspects like evolution of SHG, Institutional framework of National Rural Livelihood Mission (NRLM) Programme, Sources of funding for SHGs. The last section of this booklet -'Annexure' includes formats and samples of various documents which would be of immense utility to the users.

We would like to express our sincere thanks to CA. (Dr.) Debashis Mitra, President, ICAI and CA. Aniket Sunil Talati, Vice-President, ICAI for their able guidance and support in bringing out this publication.

We are thankful to CA. Subhash Mittal for providing expert inputs in revision of this publication and CA. Maryada Trivedi for reviewing the publication.

We commend the efforts made by Ms. Seema Gerotra, Secretary, PDC, Ms. Parul Goel, Assistant Secretary, PDC, CA. Neha Mittal, Ms. Priya Duggal and other team members for providing their support.

We are sure that this tool kit will be of great assistance to the facilitators in discharging their responsibilities for Self Help Groups (SHGs).

CA Kemisha Soni
Chairperson PDC

CA Prasanna Kumar D
Vice-Chairman, PDC

Place: New Delhi
Date: February 03,2023

Foreword

India is a country with rich cultural heritage where people of many different communities and religions live together with amicable and harmonious conduct. They remain together in thick and thin in a cohesive manner. With this positive quality of Indians, many individuals and NGOs, act as facilitator and come forward to become intermediaries to form group of people sharing common problems living in same locality. Self Help group (SHG) is a voluntary organization of people where people sit together and discuss problems faced by the members of the group and community and try to find out solutions to common problems. Sometimes, SHGs also indulge in basic financial activities such as providing loans to their members in need.

It is really heartening that the Committee for Cooperatives & NPO Sectors (CCONPO) of the Institute of Chartered Accountants of India (ICAI) has brought out 'A Tool Kit for SHG Facilitator'. This publication brings out all the aspects which are helpful for the facilitator in forming and facilitating the Group. The formats of the books required to be maintained by the SHG, documents required for opening bank account and availing loan facility from bank given in the form of annexure is a sincere and excellent effort taken by the committee.

I would like to congratulate CA. Vijay Kumar Garg, Chairman, CCONPO; CA. V. Murali, Vice-Chairman, CCONPO; other members and special invitees of the committee who have made significant contributions in bringing out this publication.

I hope and wish that this publication would be of immense value to the readers in their professional activities.

Date: Jan 15, 2013
Place: New Delhi

CA. Jaydeep Narendra Shah
President, ICAI

Preface

Self Help group represents a unique approach of forming a group of people from a common background sharing common problems. SHGs are formed and supported usually by individuals, NGOs and by Government agencies. They are seen to confer many development programmes, both social and economical.

This tool kit includes salient features of SHG, Book Keeping, credit facilities for SHG and do's and don'ts for SHG facilitator of will be helpful for the SHG and facilitator in managing efficient and smooth working of the SHG. The last section of this booklet 'Annexure' which includes formats of various documents would be of immense utility to the facilitator in record keeping and availing credit facilities.

I would like to take this opportunity to place on record my deep appreciation to Dr. Amit Kumar Agrawal, Secretary, Committee for Cooperatives & NPO Sectors who prepared the basic draft of this publication and CA Ashish Tiwari, Executive Officer, CA Aakansha Nigam & CA Deepika Agrawal, Management Trainees for the secretarial assistance rendered by them.

I wish to extend my sincere thanks to CA Badirath Rao, Special Invitee, CCONPO and CA Subhash Mittal, Special Invitee, CCONPO who were instrumental in giving final shape to this document.

I compliment the members of Committee for Co-operative & NPO sectors for their valuable suggestions and comments.

I also thank CA Jaydeep Narendra Shah President, ICAI and CA Subodh Kumar Agrawal, Vice President, ICAI for their able guidance.

I am sure that this tool kit will be of great help to the facilitators in discharging their responsibilities for Self Help Group (SHG).

Place: New Delhi
Date: 16-01-13

CA Vijay Kumar Garg
Chairman Committee for Cooperatives & NPO

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Chapter 1

Evolution of SHG Movement

Evolution of SHG Movement

Genesis: Microfinance as an instrument evolved during 1980s, mainly due to failure of banking and other credit agencies to penetrate the masses with credit & financial inclusion. These agencies also incurred large losses, losing credibility for expansion. At the time several experiments using two essential features of micro-finance, regular saving & easy credit, were being tried at different places. These included Dr Mohammed Yunus of Bangladesh, who led a very successful pilot project of lending to a group of women mostly belonging to landless families. The Grameen Bank which was started in 1984 as a small microfinance institution, today is a mammoth organisation. In 2020 it had 2568 branches, serving 9.34 million borrowers & their family members in 81,678 villages covering almost 93% of the country's landscape¹. Its success inspired similar projects in more than 64 countries around the world. The World Bank through a study concluded that women's access to microcredit empowers them through greater access to resources and control over decision making².

India's initial efforts to improve Financial Inclusion

In India, Government has been making regular efforts to reduce poverty through credit expansion to rural areas. Nationalisation of banks in 1969 gave boost to expansion of bank branches in rural areas, however the flow of credit to the rural areas in general and to the small & marginal farmers, etc. continued to remain low. Enactment of Regional Rural Banks Act 1976 resulted in a vast network of rural banks in the country with mandate of providing credit and other financial services to the rural areas in general, and particularly small and marginal farmers and other rural poor. By 1980s the government realised the need to make rural poor employable to reduce poverty, accordingly it introduced Integrated Rural Development Programme, which aimed to provide employment opportunities to the poor as well as

¹ Grameen Bank, Annual Report 2020

² Feiner, SusanF; Barker, Drucilla K. (Nov-Dec'2006) – Microcredit and Women's Poverty

opportunities to develop their skill sets, so as to improve their living conditions. In this programme, the banks were expected to participate by lending required credit to the poor at affordable rates. However due to various supply and demand side constraints, the banks could not deliver. In 1982, Govt of India decided to launch NABARD (National Agriculture and Rural Development Bank), an apex financing agency for the institutions providing investments and production credit in rural areas.

Legal & Regulatory Framework in India

RBI regulates all microfinance activities in the country. Accordingly it requires all MFIs (Micro Finance Institutions) to register themselves with the RBI and comply various requirements including of capital adequacy. To support microfinance activities amongst economically weak community, RBI allows NGOs (Section 8 companies) even if the NGO is not registered with RBI. Refer RBI's master circular RBI/2015-16/15 DNBR (PD) CC.No.052/03.10.119/2015-16.

To limit the activities of such section 8 companies, RBI has now limited such microfinance activities without registration only if total assets (loans) do not exceed Rs 100 crores (Refer Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022 dt 14-3-3022 – See excerpt Annexure 'U'). Thus microfinance activities are allowed in a limited way by NGOs, specifically section 8 companies.

The same circular further defines a Micro Finance Loan for a Not For Profit. As per para 9.1 of the circular, microfinance loans for 'not for profit' companies (registered under Section 8 of the Companies Act, 2013) is now aligned with the revised definition of microfinance loans viz., collateral-free loans to households with annual household income up to ₹3,00,000, provided the monthly loan obligations of a household does not exceed 50 per cent of the monthly household income. It may be noted that SHGs being 'for-profit' (their objective is to enhance income of their members, while in case of non-profits members cannot benefit from income of the Non-Profit entity) do not fall under the category of not for Profit.

Evolution of SHGs in India

Several NGOs in India, took the initiative in organising people into groups to provide them economic succour. While Self Employed Women's Association founded in 1972 was a pioneer organisation helping self-employed women in improving their economic and social conditions in Gujarat. Although formal

organising of SHGs can be traced to MYRADA, a NGO in south, when in 1985 it helped form around 300 SHGs in its project areas, after breakdown of a few large cooperatives³. Tamilnadu Govt in 1990, supported by multilateral agency IFAD, initiated a programme by incorporating SHG concept in its programme. Around this period, Govt of India also promoted SHGs by providing grants to a few NGOs, MYRADA in Tamilnadu through NABARD and PRADAN in Rajasthan through Ministry of Rural Development.

Experiences of these early efforts led in 1992 to a pilot project called SHG Bank Linkage Programme (SBLP) by NABARD and approved by RBI as an alternative to credit option.⁴ This SBLP programme was designed as a partnership model between three agencies viz, the SHG, Banks and NGOs. Generally an NGO helped nurture SHGs both in formation and its day to day operations. NGOs also helped link SHGs with banks for lending purposes. The program connected individual SHG members to formal financial services.

From 1993 RBI also allowed SHGs to formally open bank accounts in the name of the SHGs itself, earlier these were opened as joint account in the name of 2-3 members.

In 1999, GoI launched a Centrally Sponsored Scheme called Swarnajayanti Gram Swarozgar Yojna (SGSY), by amalgamating several poverty alleviation programmes, including IRDP. One of the objective of the programme included generation of Rs 2000/- monthly income for each member, so that they can come above poverty line within three years. Main strategy of implementation involved promotion of self-employment through SHGs. The Govt provided subsidy for formation and capacity building of SHGs and credit linkage for providing loans to SHGs / SHG members for undertaking self-employment. The scheme dis-incentivized SHGs by stopping further credit linkages if the recovery rate fell below 80% and provided 0.50% incentive to all those members who paid promptly. District Rural Development Agency (DRDA) was the nodal agency to implement the project at the District Level. There were committees at Block level, District levels, State level and the Central level to monitor and resolve implementing issues.

³ History and spread of the self-help affinity group movement in India by Aloysius P. Fernandez, Executive Director, Myrada

⁴ Role of NABARD in SHG – Bank Linkage programme, IJCRT <https://ijcrt.org/papers/IJCRT2010322.pdf>

In 2008 RBI instituted a Committee under the Chairmanship of C Rangarajan on Financial Inclusion. The report concluded that about 51% of the total households in the country did not have access to credit and that only 27% of the farm households were found borrowing from the formal sources. It concluded that the poorer the social group, the greater is the exclusion.

During 2010, SGSY Programme was evaluated by the Ministry of Rural Development. The results indicated impressive inroads that the programme had made in rural areas. However it also showed that after around 10 years the growth of the programme was in declining mode. The data showed that as at the end of FY 2010-11, 74.62 lakh SHGs saved funds to the tune of Rs 7016.3 crores with banks, while banks had disbursed to 11.96 lakh SHGs loans amounting to Rs 14,543.3 crores. Total cumulative loans outstanding by this period were Rs 31,221.17 crores to 47.87 lakh SHGs. While this data indicated large expansion both in savings as well as credit linkage under the programme. However it also showed that the growth rate of SHGs in percentage terms was declining from 22.21% in 2008-09 to -8.1% in 2012-13. Similarly amount of savings had a significant growth during 2008-09 (46.5%) but after this, it declined.

Chapter 2

NRLM Programme - Institutional Framework

NRLM - Introduction

After evaluation of SGSY programme, and based on recommendations of the Evaluation Committee, the programme was restructured during 2011 into a Mission Mode under the banner of National Rural Livelihood Mission (NRLM) - Aajeevika. In November 2015, the Programme was renamed as Deendayal Antayodaya Yojana – NRLM.

Some of the changes adopted under the rechristened scheme are that each State has been given autonomy to decide its fund requirements, based on each State's Perspective for Implementation Plans (SPIP). This plan has to be prepared for seven years alongwith Annual Action Plan for each year. Thus the new scheme gives a mid-term perspective to the State's requirement, rather than the annual allocation by the Centre earlier. Further NRLM has now adopted a participatory identification of poor instead of the earlier approach of identifying poor based on BPL lists of beneficiaries.

Subsequent to changes in the programme, there has been a marked improvement in all parameters. Number of SHG linked to banks has gone up from 11.05 lakh in 2006-07 to 18.61 lakh in 2017-18. High growth of SHGs has led to increase in the amount of credit from Rs 6570 crore in 2006-07 to Rs 47186 in 2017-18. The provision of credit through SHGs Bank Linkage Programme initiated by NABARD is considered as the fastest and largest network in providing formal financial service in rural areas. Achievements under the programme continue.

Latest Achievements under NRLM⁵: As on 30th November 2021, NRLM has its footprints in 6769 blocks of 706 districts in 30 states and 6 UTs. It has mobilised a total of 8.01 Crore women from poor and vulnerable communities

⁵ Key Initiatives and Achievements of Ministry of Rural Development during the year 2021, PIB, Ministry of Rural Development, Press Release dt 31-12-2021

<https://pib.gov.in/Pressreleaseshare.aspx?PRID=1786672>

into 73.19 lakhs SHGs and formed 4,24,189 Village Organisations and 32,406 Cluster Level Federations. These community institutions have been provided Capitalization Support fund in the form of Revolving Fund (RF) and Community Investment Fund (CIF) to the tune of Rs 15,661.13 Crore. DAY-NRLM has been able to facilitate a total of Rs. 4.35 lakh crore of Bank Loan to the SHGs from April 2013 till 30th November, 2021. The Non-performing Assets (NPA) is just 2.57% which shows the remarkable repayments culture amongst the SHG members and also the confidence of women in the program.

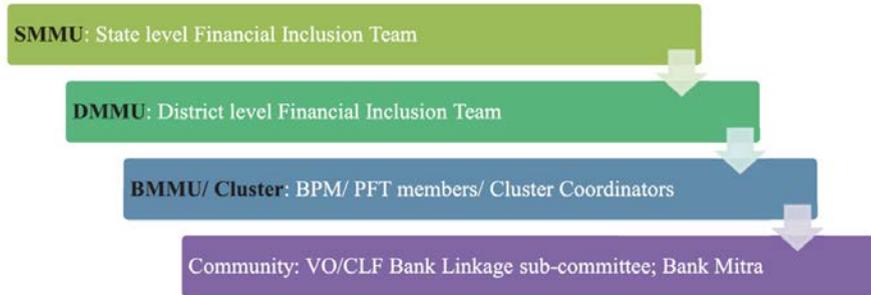
On Livelihood front, 1.44 crore women farmers have been covered under the scheme. A total of 182 Producer Enterprises/Farmer Producer Organisations have been formed for organized livelihoods. Further SHG members or their family members have been supported to start / initiate 1.78 lakh small enterprises under the Start-up Village Entrepreneurship Programme (SVEP), a sub-scheme of DAY-NRLM.

Institutional Framework under NRLM

NRLM architecture has given primacy to each State, and a Handbook on SHG suggests that each State should have following institutional framework in place.

State Mission Management Unit (SMMU): The primary role of the State Mission Management Unit is to facilitate, enhance, monitor and evaluate the SHG credit linkage in the State. The SMMU should put in place at least one Financial Inclusion professional as State Project Manager-Financial Inclusion (SPM-FI) to support and oversee SHG bank linkage and other FI tasks in the State. As outreach of the State Mission increases, additional staff would need to be hired, as per the requirements.

District Mission Management Unit (DMMU): Each DMMU should appoint at least one District Manager-FI to promote Financial Inclusion. The District Manager – FI may be supported by consultants, preferably retired bankers.



Institutional Architecture of NRLM

Block Mission Management Unit (BMMU): BMMU is the unit for implementing all financial inclusion related activities at the field level. However, at the BMMU, the FI tasks are to be shared by all cluster coordinators/community coordinators. The BPM is expected to take a lead role and coordinate all FI activities.

Community Level Architecture: Community institutions need to play an important role in the promotion of financial inclusion. Based on the successful experience of certain states, it is recommended that every BMMU promote:

- Bank linkage sub-committees in each Village Organization and Cluster federation; and
- Community cadres like – ‘Bank Sakhi’ or Bank Correspondents.

Bank Linkage Sub-Committee of Village Organization: Size, composition and functional responsibilities of bank-linkage sub-committees are outlined below:

- Size: 3-5 members
- *Eligibility criteria of sub-committee members:-*
 - Members should be from ‘Grade-A’ SHGs;
 - SHGs should have received at least one cycle of bank loan;
 - Members should have good credit history;
 - Members should be strong enough in follow-up with defaulting SHGs/ members;

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- Members should be willing to spare time for sub-committee tasks; and
- Preference may be given to literate members.
- **Management of the sub-committee:**

The sub-committee members should meet at least once a month (other than regular VO meeting). The local bank branch manager should be invited to the meeting.
- **Term of the sub-committee members:**

The members of the sub-committee should be changed at least once in two years.
- **Functions of the sub-committee are:**
 - Preparation of SHGs for bank linkage;
 - Provide support for bank linkage which in turn involves the SHGs should have received at least one cycle of bank loan;
 - Once a VO starts functioning in a village, the Committee should coordinate with the VO to have inventory of SHGs undertaken by it for all SHGs functioning under its jurisdiction. Inventory basically consists of the process of getting functioning SHGs data updated on NRLM portal. This facilitates NRLM to monitor on all SHGs, including their credit linkage.

Chapter 3

Sources of Funding for SHGs

Sources of Funding to an SHG

A SHG has a number of sources from which it can access the funds. First and foremost source, always remains regular savings of group members. Interest and any other income (say from any Income Generation activity) is another source of the Income.

Other two major sources remain NRLM funds and Banks.

NRLM FUNDS

An SHG eligible for NRLM fund, can access following funds:

Revolving Fund (RF): NRLM provides for a Revolving Fund of Rs 10,000 - Rs 15,000 per eligible SHG to catalyze the process of internal lending and to enable them to meet the immediate credit needs of the members.

Community Investment Fund (CIF) : NRLM provides for Community Investment Fund as a resource, in following forms, in perpetuity.

- *Seed Capital* (Rs 60,000 – Rs 110,000) is provided in perpetuity to Cluster Level Federation is for onward lending to SHGs micro-investment / micro-credit plan.
- *Vulnerability Reduction Fund* to Village Organization (the village level primary federation of SHGs) for meeting the special needs of the needy people on one hand and for addressing members' different vulnerabilities like food insecurity, malnutrition, health risks, high cost debts and emergencies, etc.
- *Livelihoods/Layering Fund* to the SHGs, their Federations and other collectives to support the deficit, if any, if the entity has clear feasible and viable business plans.

Bank Loan

The funding support from NRLM is intended to act as a catalyst for the SHGs to borrow larger amounts from the banks in a gradual manner such that in about 5-6 years, each SHG is able to access a credit of Rs 10 lakhs. The

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Master circular issued by RBI on 1st July 2017 in this regard recommends the following loan amounts:

Cash Credit Limit (CCL): In case of CCL, banks are advised to sanction minimum loan of Rs 5 lakhs to each eligible SHGs for a period of 5 years with a specified yearly drawing power (DP). The drawing power may be enhanced annually based on the repayment performance of the SHG. The drawing power to be calculated as follows:

- *DP for First Year:* 6 times of the existing corpus or minimum of Rs 1 lakh whichever is higher.
- *DP for Second Year:* 8 times of the corpus at the time review/ enhancement or minimum of Rs 2 lakh, whichever is higher
- *DP for Third Year:* Minimum of Rs 3 lakhs based on the Micro credit plan prepared by SHG and appraised by the Federations /Support agency and the previous credit History.
- *DP for Fourth Year onwards:* Minimum of Rs 5 lakhs based on the Micro credit plan prepared by SHG and appraised by the Federations /Support agency and the previous credit History.

Term Loan: In case of Term Loan, banks are advised to sanction loan amount in doses as mentioned below:

- *First Dose:* 6 times of the existing corpus or minimum of Rs 1 lakh whichever is higher.
- *Second Dose:* 8 times of the existing corpus or minimum of Rs 2 lakh, whichever is higher 17 A Handbook on SHG - Bank Linkage DAY – NRLM
- *Third Dose:* Minimum of Rs 3 lakhs based on the Micro credit plan prepared by the SHGs and appraised by the Federations /Support agency and the previous credit History
- *Fourth Dose:* Minimum of Rs 5 lakhs based on the Micro credit plan prepared by the SHGs and appraised by the Federations /Support agency and the previous credit History Banks should take necessary measures to ensure that eligible SHG are provided with repeat loans.

Further Banks are advised to work with DAY-NRLM to institutionalize a mechanism for online submission of loan application of SHGs for tracking and timely disposal of application.

Interest & Other Income

Bank interest, whether from Savings Bank A/c or Fixed Deposit would be a regular source of Income. Interest earned from members on any loans given would be yet another source of regular income.

Income Generation Activity: Sometimes Groups may receive other income such as income from any group Income Generation activity, say. running a small shop or mushroom breeding activity. In case Income Generation activity is for a select smaller Group within the Overall group, then separate accounts of the same should be kept. Any surplus or loss should be distributed amongst the smaller group as per agreed terms.

Other Income: A Group may get income from other sources, e.g. it may receive grants from other NGOs or even other govt agencies towards health or similar other activities. Sometimes it may generate some small miscellaneous income.

Chapter 4

Salient Features of Self-Help Group

SHG is a simple concept of coming together of the community to help each other. Basically SHG is a small group formed by likeminded people living in the same area and facing common problems. In its simplest form, the Group members pool together a small amount of money regularly as 'Savings'. This money is then used to lend to someone in the group who is in need of money. But as the Group matures, it can borrow from various lending agencies and lend it to their members, for enhancing their incomes. Several agencies also find that having a cohesive Group in a habitation is very useful for the Govt for education and health related interventions. Increasingly services of SHGs are being utilised for various other initiatives of the Govt.

Some salient features of SHG are:

1. Homogeneous gathering – It is a group generally formed by 15 - 20 people facing similar problems in order to undertake some common activity through mutual trust and help.
2. Moneylender – SHG acts like a moneylender or a development bank as it collects money from the members and lends the same to those in need. Interest is also charged on lending on monthly basis. Purpose of lending may be medical treatment of family members, marriage and higher education of children, etc.
3. Cooperative Agency – A Self Help Group is formed for the welfare of the members of the group. It is mainly concerned for the members and it is for the people and of the people.
4. Voluntary Agency – It is a voluntary agency of likeminded people of a region. Generally people with same financial background come together and form such a group. No one can be pressurized for joining the group. All members shall decide the functions of the SHG for their benefits and share work accordingly.
5. Women's Role – Since women are at the forefront of looking after the family members, most policy-makers rightly believe that involvement of women in a SHG group would have a vital role to play in SHG as they easily understand the problems faced by their family members.

6. One family, one member – Only one member can participate in a SHG from a family.
7. Registration – Registration of a SHG is not compulsory and it is also not required for opening a bank account.
8. Meetings – Meetings are conducted at regular intervals of weekly, fortnightly or monthly so that members can understand the problems of each other and freely interact for solving these problems.
9. Facilitator – A group can be formed with the help of a facilitator. The facilitator can be a person from the Group or an outsider. A facilitator can be an individual or an institution. NRLM's experience is that the states which have achieved significant progress in SHG-Bank linkage have used services of community level resource persons (also called as Bank Sakhis or Bank Correspondents), which has been found to be extremely useful. It may be noted that NRLM Handbook on SHG recommends that SHGs may appoint Bank Sakhis to help SHGs fulfil their responsibilities of dealing with banks and accessing bank linkages.
10. Record Keeping – The following records are required to be maintained by an SHG: Minutes Book, Savings Register, Loan Register, Weekly/monthly register of receipts and payments, etc. Someone from the group will be trained for this purpose.
11. Training – For smooth functioning of SHG training is required to be given to members who are literate and eligible to learn basic mathematics, writing books, basics of lending, borrowing, etc.
12. Joint Liability Groups (JLGs) within a SHG: A few members of a SHG may graduate faster to start or expand economic activities requiring much higher levels of loans than required by other SHG members. In such cases, the other members may not like to stand mutual guarantee for a few large sized loans. In such cases, a smaller "Joint Liability Group (JLG)" from members of an SHG may be created. The members of JLG will continue to remain members of SHG and continue to participate in its activities..
13. Transparency: In order to further strengthen the various stakeholders' confidence in financing of SHGs a third party assessment of SHGs' operations is desirable. Assessment, inter alia, should cover aspects like regularity in meetings, savings, internal lending process,

correctness of interest application, accounting for all receipts and payments, drawing out final accounts of SHGs, etc. Before a SHG is given credit or higher credit is being considered, these will need to undergo a formal Grading through predefined criteria. This assessment may be conducted by VO-level Business Facilitators, NRLM officials, Independent Auditors from NGOs or other agencies, which promote SHGs.

14. Management: For the management of the SHG, office bearers are elected democratically.

Chapter 5

Record Keeping

Record Keeping – For effective and smooth functioning of a SHG, following records are suggested to be maintained by a SHG: -

1. **Minutes Book** – The proceedings of SHG meetings are recorded in the Minutes Book. Annexure A gives a sample of the minutes of a meeting.
2. **Copy of Rules & Regulations** – The rules and regulations relating to the SHG are written here and updated as and when there are changes. Sample Rules & Regulations are given in Annexure B.
3. **Receipts and Payments Register** – Receipts and payments of cash as well as bank transactions of the SHG are to be maintained separately in this register which is accessed by the group members at every meeting. This sometimes is called Weekly Register, and weekly receipts & payments record us maintained in the same. For a sample Weekly Register see Annexures C & D.
4. **Member's Pass Book** – This is individual member's pass book in which loans and savings of the member are entered. Sample Member's Pass Book is set out in Annexure E.
5. **Membership Book** – This book shows the name, date of joining and address of the members of the group. Sample of a admission book is given in Annexure F.
6. **Application forms for membership** – A person seeking to become a member of a SHG should make an application containing complete details of the person. Sample of the application form is given in Annexure G.
7. **Attendance Register** – Attendance of members in the weekly meeting is noted in this book. Sample Attendance register is given in annexure H.
8. **Stock Register** – This is a record giving stock summary which showing the opening stock, goods inwards, goods outwards, closing stock, etc. Stock Register is given in annexure I. This will be applicable only if a SHG maintains stocks.
9. **Loan to Members Book** – The loan sanctioned to the members of the group is entered in this book. It consists of member's name, loan amount,

purpose of loan, amount of interest, etc. Sample Loan to Member's Book is set out in annexure J.

10. **Loan to SHG Book** - The loan sanctioned to the group by Bank or any member is entered in this book. It consists of the member's name, loan amount, purpose of loan, amount of interest, etc. Sample Loan to SHG Book is given in Annexure K.

11. **Members Savings Book** - Payments received from members of the SHG are required to be entered in this book. Sample Members Saving Book is given in Annexure L.

Chapter 6

SB Account & Credit Linkages for SHG

Linking the SHG with the bank is an essential pre-requisite for promoting financial inclusion. Apart from providing access to credit, bank linkage enables SHGs to utilize other government services such as funds under NRLM mission schemes, interest subvention and insurance services. Bank linkage also promotes the financial literacy of the members and contributes to prudent utilization of funds. The two key steps in promoting SHG-bank linkage are:

- Opening of SHG Saving Bank Account; and
- Facilitating Credit Linkage of SHG.

Opening of Savings Bank Account for SHG

Opening of savings bank account is the first step towards financial inclusion of a SHG. Benefits of a Bank Account are:

- It recognises SHG as a customer of the banking system and provides potential access to different financial services.
- It also helps SHG keep surplus cash with the bank for safe custody, which in turn contributes to trust building among members.
- An account provides an opportunity for the SHG to undertake financial transactions with the bank and contributes to the financial literacy of the members; and
- It facilitates introduction of all individual members of the SHG to the bank who could eventually become individual customers of the bank.

In view of the importance of opening of a Bank Account, a Facilitator should give top priority to getting a bank account opened for SHG at the earliest. It may be noted that NRLM recommends that SHG should open a SB A/c with the nearest Bank branch, ideally within two months of the formation of the Group.

The Reserve Bank of India has issued instructions to all banks permitting them to open SB accounts in the name of registered or unregistered SHGs. RBI Circular regarding opening of Bank Account in the name of SHG is

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reproduced as Annexure M. The following documents are required for opening a saving bank A/c

1. Resolution for opening a bank account: First step is to facilitate passing of a resolution by SHG to open a bank account in a suitable Branch (close as well as able to provide necessary services). Resolution should be signed by all the members. Sample resolution is given in Annexure N.
2. Resolution for authorization: As part of resolution, the SHG should authorize three Office bearers to operate the saving bank account with a condition that any two can transact with the bank. Sample resolution included in Annexure N covers such authorization. In case of any Change in authorized signatories, SHG would need to pass another resolution for Change in signatories for submission to Bank. A copy of the same is attached as Annexure O.
3. Application Form: The facilitator should guide the SHG in preparing an application to the branch manager with a request to open a savings bank account at the branch. The application should be signed by the office bearers named in the resolution. Sample Application Form is given in annexure P.
4. Rules and Regulations of SHG: Wherever available, rules and regulations of the SHG can also be attached with the application form. Though it is not a mandatory condition for opening a bank account or for loan sanction, however attaching formal Rules and Regulations of the SHG wherever available helps future difficulties in operation of the Bank a/c. Sample Rules and Regulations are given in Annexure B.

Facilitator should take care of some of the following issues:

- Before opening the SB A/c, the facilitator should orient the SHG members on the importance of opening saving bank account.
- Facilitator should meet the bank branch manager in advance and finalize the date on which the opening of the bank account would be taken up.
- The facilitator may ensure collection of the 'bank a/c opening form' and specimen signature card from the bank in advance.
- SB A/c should be opened in the name of the group and not in the name of any office bearer or member.

- Only members of the group should become the signatories to the bank a/c. No one other than a member should become a joint signatory of the group a/c.
- Facilitator should ensure that the SHG members going to the bank for opening of bank account have all the requisite documents, seal and photographs, etc.
- As a best practice, the facilitator could also persuade individual members to open bank a/cs in the Bank to promote universal financial inclusion.
- Efforts should be made to collect the saving A/c passbook & cheque book from the Bank on the same day of the opening of the bank account or within the time period specified by the bank.
- Passbook should be updated regularly, say at least once a month or if there are frequent transactions than even at a shorter interval.
- To enhance trust among office bearers and other members, SHG members should depute another member to accompany office bearers for operating the bank account.
- Passbook along with the cheque book should be kept in safe custody in the manner decided by SHG.

Credit Linkages of SHG

SHGs fulfilling the following criteria are eligible for availing first credit linkage:

- SHG should be in active existence at least since the last 6 months as per the books of account of SHG and not from the date of opening of S/B account.
- SHG should be practicing 'Panchasutras' i.e. Regular meetings, Regular savings, Regular inter-loaning, Timely repayment, and upto-date books of accounts.
- Qualified as per grading norms fixed by NABARD (Refer Annexure U for Table of Grading Criteria). As and when the federations of the SHGs come to existence, the grading exercise can be done by the Federations to support the Banks.
- The existing defunct SHGs are also eligible for credit if they are revived and continue to be active for a minimum period of 3 months.

Credit Linkage:

The following steps need to be adopted for preparing the documents required for SHG credit linkage.

- Check grading status of SHG, If grading not done, coordinate with NRLM officials / Federations for getting the SHG graded as per specified norms.
- For SHGs graded 'A', ascertain credit requirements from recently prepared MCP (Micro Credit Plan). In case MCP for the SHG has not been prepared, facilitate conduct of SHG meetings to determine their credit requirement of members.
- Facilitate passage of resolution authorizing sending of application for bank loan. (Resolution to be signed by all members).
- Guide the SHG to prepare loan application, signed by office bearers (Refer sample application).
- Facilitate preparation of 'inter-se agreement' and 'loan agreement form' by the SHG (Refer sample application).
- Ensure that all signatories/ office bearers have their photographs (colour and passport size-3 copies each) and a seal for the SHG is available.
- Guide the SHGs to visit the bank branch for completion of documentation formalities (only signatories/ office bearers are required to visit the bank branch with necessary books of accounts, passbook and application forms).

Following may be noted in regard to Loan sanctioned:

1. Loan is always advanced in the name of SHG and not in the name of individual members.
2. Loans granted by banks to the SHG would be purpose neutral as the SHG decides the purpose for which loan can be advanced to its members. As indicated by RBI in its circular (Ref: RPCD. FID. BC.No.06/ 12.01.001/ 2011- 12 dated 1 July, 2011) banks are expected to meet the entire credit requirements of SHG members for (a) income generation activities, (b) social needs like housing, education, marriage, etc., and (c) debt swapping, etc.
3. The group will be responsible for repayment of loan.

The documents required by banks for lending to SHG are: –

- Application form for applying for a Loan to the Bank is given at Annexure Q.
- Inter-se Agreement to be executed by members while applying for Bank Loan. Sample Agreement is given in Annexure R.
- Articles of agreement duly stamped for use by the bank while financing SHG. Sample resolution is given at Annexure S.

Chapter 7

Dos and Don'ts for SHG facilitator

Dos

1. Regularly visit the area where the Group's members reside.
2. Introduce yourself if people do not know you.
3. Visit families of your area and talk to them.
4. Interact with informal groups of people gathered around tea shops, bus stand, haat (market), water spots, etc. to make social contacts and also to understand ground realities of the community.
5. Observe and listen patiently their problems and note down for necessary action.
6. Become friendly with them.
7. Communicate with the members in their local language.
8. Give more emphasis on interaction with elders and women of the area and ascertain important issues of their families.
9. Carefully and patiently listen to questions asked by the members of the group during meeting.
10. Understand the community and their tradition.
11. Carefully evaluate the persons who can prepare and maintain accounts and records.
12. Explain the importance of working in a group with several examples.
13. Try to win the trust of the people.
14. Involve in the common activities of the area, help to identify groups, how people work in group, etc.
15. Collect information regarding credit needs, incomes, seasonality of earnings, availability of natural resources, skills & markets, etc.

Don't

1. Tell the families that you are advancing money under any scheme.
2. Promise any subsidy money.
3. Think that you know everything.
4. Deviate from the subject.
5. Exhibit hostility
6. Express any disbelief.
7. Start explaining your plans in the very first communication.

Annexures

Annexure 'A'

Draft Minutes of the _th Meeting of the SHG Held at _____
(Venue) on Date: _____

Members Present

Name	Designation	Signatures
1.	President	
2.	Secretary	
3.	Treasurer	
5.	Member	
6.	Member	
7.	Member	
8.	Member	

The meeting was commenced by the President at ----- PM,
_____, chaired the meeting.

The minutes of the previous meeting dated _____ were read and approved by all present.

The following points as per scheduled agenda were discussed and decided upon.

Previous Month's Financial Report

The Secretary (*Name*) _____ informed the members that an amount of Rs _____ (*Cash in Hand Balance*), was in hand as on _____ (*date*).

During the month _____ (*mention the month*) Savings contribution of Rs _____ (*amount of Savings rec'd*) and additional contribution of Rs _____ (*amount of Additional Contribution rec'd*) were received. The Secretary also informed all those who have contributed their contributions and those who have not contributed.

The Secretary also gave account of expenditure incurred on expenses. She presented a complete Receipt & Payment statement for the month, including amount deposited in the bank, alongwith deposit-slip. She submitted a Bank Reconciliation statement, alongwith the passbook copy. Bank balance was reconciled with the balance shown in the passbook.

S/he informed the members that the Cash in hand as at _____ was Rs _____

Loans Sanctioned:

The Secretary _____ informed the members that the following loan applications were received:

S.No.	Name	Amount (₹)	Purpose
1			Shop
2			Personal Need
3			Medical Emergency
4			Weaving unit
5			Vegetable garden

The Secretary _____ also informed the members that _____ and _____ were defaulters in savings contribution and _____ and _____ were irregular in their attendance at meetings. After a discussion based on the criteria for sanctioning loans the members unanimously decided to grant loans only to _____ and _____.

All the members exhorted _____ and _____ to deposit savings contribution regularly and _____ and _____ to attend meetings regularly for the better performance and growth of the group.

One Day Capacity Building Programme for Members :

The Secretary _____ informed the members that _____ planned to conduct a one day training programmes for all SHG members in their respective groups and had asked the group to choose any convenient date from _____. After detailed discussion on various alternative dates and places for the training programme, the group unanimously decided to have the One Day Training Programme on _____, at _____ at _____.

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also unanimously decided to collect an amount of ` ___ as extraordinary contribution from each member for refreshments.

Election of New Management Committee:

The President _____ informed the members that the term of office of the Management Committee had expired and that as per the rules and regulations of the group new members should be elected to the posts in rotation to give all the members a chance to hold office. After much discussion on various proposals, the following names were proposed and seconded before being voted on:

_____ proposed that _____ be the new _____ of the group and _____ seconded the proposal. _____ proposed that _____ be the Secretary of the group and _____ seconded the proposal. Both the proposals were passed by a majority of votes and Resolution was unanimously adopted.

Resolution for Election of New Management Committee

“RESOLVED that Mr/Ms. _____, and Mr/Ms. _____, cease to be _____ respectively, of _____ SHG w.e.f _____, and Further Resolved that in their place, Mr/Ms. _____, and Mr/Ms. _____, be and are hereby appointed _____ respectively, of the group, with effect from _____.”

Change of Signatory to the Bank Account:

The President informed the members that the names of the Past President and Secretary who are signatories to the savings Bank Account had to be replaced by the newly elected President and Secretary. The members therefore unanimously passed the resolution. See Annexure O for change of signatories.

Vote of Thanks to Outgoing President and Secretary:

Mr/Ms. _____ proposed a vote of thanks to Mr/Ms. _____ and Mr/Ms. _____, the outgoing President and Secretary for having managed the affairs of the group for a period of two years with dedication. The next meeting was scheduled to be held on _____, at _____ at _____.

Members present Thanked the chairperson for conducting the meetings successfully.

FOR _____ SHG

Date : _____

President / Secretary

SHG SEAL/ Full Address of SHG

Annexure 'B'

Specimen Rules & Regulations of the SHG

1. SHG shall not consist of more than 20 members
2. Membership – The conditions for becoming member of the Self Help Group are -
 - The person should be residing in the same area.
 - The person should have completed 18 years of age.
 - The person should not be of unsound mind.
 - The person should take interest in the working of the SHG.
 - The person should have faith and interest in the objects of the SHG.
 - Similar living standard/like minded people can form a group.
 - Only one member of a family can become a member of the SHG.
 - Members should have the same social and financial background.
3. Termination of membership – The membership of any member of the SHG shall be terminated from the group by passing a resolution in the meeting with consent of at least three fourth members present in the meeting. The following may be the reasons for termination -
 - Death
 - Resignation
 - For working against the interest of the SHG.
 - Persistent defaulters in making contribution.

The members whose membership is terminated in the aforesaid manner shall have the right to represent themselves in writing and same would be placed for decision in the next meeting and the majority decision on such representation would be final.
4. The group shall conduct a meeting every week or four meetings in a month. The meeting will generally be conducted after 8 PM at Night or

before 9 AM in the morning. In case majority agrees, meeting time can be shifted to other time suitable to majority of the members.

5. In every meeting the group shall discuss and try to find solutions to the problems faced by the members of the group.
6. The quorum of the meeting will be at least two thirds of the total members
7. Each member of the SHG should contribute an amount of Rs _____ as monthly contribution (Savings).
8. Loan can be granted to the members for emergency needs like illness in the family, marriage or for buying of assets for income generation, etc.
9. The saving funds should be used by the SHG for lending to its own members after saving for a minimum period of 2 to 3 months.
10. The group will discuss and decide about the purpose for which loans are to be given to its individual membe`
11. The group is collectively responsible for repayment of loans and under no circumstances the SHG should allow any of its members to default in payment of contribution and repayment of loans.
12. Proper accounts are to be kept by the group. Simple and clear books for all transactions are to be maintained.
13. For the smooth functioning of the SHG there will be three key positions viz. President, Secretary and Treasurer. The incumbents to these officials will be elected by majority with at least three fourths of the members present in the meeting.
14. The Rights and duties of the office bearers of the SHG –
 - A. President
 - To preside over the meetings.
 - To give the decision making vote in the event of equal votes on any issue.
 - To represent the SHG.
 - To sign agreements and other documents.

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- To sanction loans to the members of SHG as per recommendation of the group meeting.

B. Secretary

- To prepare annual budget.
- To amend or change in Bye-laws of the SHG with majority of at least 3/4 of the members present in the meeting.
- To convene meeting.
- To record proceedings and maintaining records.

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- To control the income and expenditures.
- To represent the SHG and sign on all legal documents.
- To correspond on behalf of the SHG.
- Admission of new members/termination of members.

C. Treasurer

- Ensuring safety of the properties of the SHG.
 - To prepare accounts.
 - To prepare daily accounts and maintain records.
 - To inform to the President/ Secretary about the budget/fund of the SHG.
 - To perform other works as may be assigned.
15. In case SHG is having surplus a specified amount as decided by the group is reinvested in corpus fund at the end of every financial year. After retaining profits in corpus, if any surplus is left with the group it is distributed among the members equally.
 16. In case the SHG is having Bad Debts, the issue will be discussed in the Group meeting. The amount of bad debt will be written off from the surplus earned at the end of the financial year and in case the SHG is not having any surplus members will equally bear the loss.
 17. If at the end of a financial year, the SHG is found to have incurred losses, the members of the group will have to contribute equally to recover the losses.

18. Upon election of New Office Bearers, the role, duties and responsibilities of the outgoing President, Secretary and Treasurer will automatically get transferred over to the new Office Bearers`

Date_____

President / Secretary

SHG SEAL/ Full Address of SHG

Annexure 'C'

Sample Record of Receipts & Payments of 'Cash' Transactions

Date	Particulars	Opening Balance (Rs)	Receipts (Rs)	Payments (Rs)	Closing Balance (Rs)	Remarks

General Remarks:

Date_____ President / Secretary SHG SEAL/

Full Address of SHG

Annexure 'D'**Sample Record of Receipts & Payments of 'Bank' Transactions**

Date	Particulars	Opening Balance (Rs)	Receipts (Rs)	Payments (Rs)	Closing Balance (Rs)

Date_____

President / Secretary

SHG SEAL/ Full Address of SHG

Annexure 'E'

Specimen of Member's Pass Book

Savings Pass Book

Member Name:

Date	Opening Balance (Rs)	Amount Saved (Rs)	Closing Balance (Rs)	Signature

Loan Pass Book

Member Name:

Date of sanction of Loan _____ Loan Amount _____

Purpose of Loan _____ Rate of Interest _____

Repayment Installment : Monthly/ Quarterly/ Half yearly/ Annual Rs _____

Date	Principal (Rs)	Interest (Rs)	Penalty (Rs)	Balance (Rs)	Signature

Date _____

President / Secretary

SHG SEAL / Full Address of SHG

Annexure 'F'

Specimen of Membership Book

S.No	Name of the member	Date of joining	Address

Annexure 'G'

Sample of Application Form for Admission

Name of the person _____

Address _____

No. of Members in the Family _____

No. of earning members in the family _____

Monthly Income of the Family _____

Details of the members in the family

S.No.	Name	Sex	Age	Education	Job	Monthly Income

Approved:

Not Approved

(State Reasons):

Date _____

President / Secretary

SHG SEAL/Full Address of SHG

Annexure 'H'

Sample of Attendance Register

Attendance of the _____ meeting of _____ Self Help Group held on _____ at _____.

S.No.	Name of the Member who Attended the Meeting	Signature/ Thumb Impression

Date _____

President / Secretary

SHG SEAL/ Full Address of SHG

Annexure 'J'

Specimen Loan to Members Book

Member's name _____ S.B.A/c No. _____

Loan A/c. No. _____ Purpose of loan _____ Loan
Amount _____ Rate of Interest _____ Repayment
Installment Monthly/ Quarterly/ Half yearly/ Annual ` _____

Date	Opening Balance		Repayment repaid		Balance		Signature of A/c holder/ Member
	Principal (₹)	Interest (₹)	Principal (₹)	Interest (₹)	Principal (₹)	Interest (₹)	

Date _____

President / Secretary

SHG SEAL/ Full Address of SHG

Annexure 'K'

Specimen Loan to SHG Book

Bank/Member's _____ S.B.A/c No. _____

Loan A/c. No. _____ Purpose of loan _____ Loan

Amount _____ Rate of Interest _____ Repayment Installment

Monthly/ Quarterly/ Half yearly/ Annual ` _____

Date	Opening Balance		Repayment repaid		Balance		Signature of A/c holder/ Member
	Principal (₹)	Interest (₹)	Principal (₹)	Interest (₹)	Principal (₹)	Interest (₹)	

Date _____

President / Secretary

SHG SEAL/ Full Address of SHG

Annexure 'M'

Opening of Savings Bank Accounts in the name of Self-Help Groups Circular issued by Reserve Bank of India

Central Office

Department of Banking Operations
& Development "Centre — I"

World Trade Centre, Cuffe Parade, Colaba, Mumbai - 400 005

Ref. DBOD. No. BC. 63/13:01:08/92- January 4, 1993

All Scheduled Commercial Banks
(Including Regional Rural Banks)

Dear Sir,

Please refer to para 3 (i) of our directive DBOD. No. Dir. BC. 151/C.347-85 dated 27th December 1985 in terms of which banks have been prohibited from opening of Savings bank accounts in the name of certain bodies/ organizations. The issue relating to opening of savings bank accounts by Self-Help Groups financed by banks under a pilot project launched by National Bank for Agriculture and Rural Development (c.f. circulars RPCD. No. Plan BC.13/PL-09.22/90-91 dated 24th July 1991 and No. DPD 104/DPD. FS.4631/92-A/91-92 dated 26th February 1992 issued by our Rural Planning and Credit Department and National Bank for Agriculture and Rural Development respectively) has been examined and it has been decided that such Self- Help Groups, registered or unregistered, may be allowed to open Savings Bank Accounts with Banks.

Please acknowledge receipt.

Yours faithfully

(B.D. Nitsure)

Deputy Chief Office

Note: The contents given above are only suggestive. Each bank has a specific A/c opening form.

Annexure 'N'

Specimen copy of Resolution by Self Help Group for Opening Savings Account

Name of SHG:

Address:

Date of Formation:

Total No. of Members:

Name of

Facilitating Agency:

Resolution for Opening Savings Bank Account

Today on (Date), at the meeting of (name of SHG) at..... (meeting place of SHG/ address) in presence of all its members, it is resolved that our (name of SHG) will open a savings bank a/c in Bank Branch. It has also been further resolved that Shri/Smt..... (Designation); Shri/Smt (Designation) and Shri/Smt (Designation) will sign all the necessary document related to the opening of Savings Account as representatives on behalf of (name of SHG). Transaction in the Savings a/c of the group will be done by joint signature of any two among the above mentioned representatives.

We, all members hereby agree to the above decision.

Sl. No.	Name of SHG members	Name of Father/Husband	Gender (Male/ Female)	Occupation	Sig Signature/ Thumb Impression
1					
2					
3					
4					
5					

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6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					

Signature/Thumb
Impression

Signature/ Thumb
Impression

Signature/ Thumb
Impression

(Designation) (Designation.....) (Designation)

Seal of Self Help Group

Annexure 'O'

Sample Resolution for change of Signatory to the Bank Account

“RESOLVED that the names of Mr/Ms_____, and Mr/Ms_____, signatories to Savings Account No. _____ in the name of ‘ _____ SHG, with State Bank of India, _____ Branch, be deleted and further Resolved that Mr/Ms._____, President and Mr/Ms_____, Secretary, be and are hereby authorized to operate the said account jointly and to borrow and conduct all transactions with the Bank with effect from_____.”

Certified as True Copy

Date

President/ Secretary

Place SHG

Annexure 'P'

Specimen Application for opening of Saving Bank A/C to be submitted by SHG to Bank Branch while applying for opening Saving Bank Account

Name of the Self-Help Group:

Address:

Formed/Established or Registered: Yes/No

If registered: give number and date and furnish true copy of the Certificate of Registration.

To:

The Branch Manager

_____ Bank

Branch

Dear Sir,

Sub:- Application for opening Bank Account

We the duly authorized representatives of the above SHG hereby apply for opening a saving bank account in the name of the _____ Self Help Group.

Copy of the Bank Resolution passed by the SHG Committee is attached for your record.

Yours faithfully,

1.

2. (Authorised representative)

Annexure 'Q'

Specimen application for loan 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 NGO/VA assisting the Group: if any,

The Branch Manager

Bank

Branch

Date

Dear Sir,

Application For Loan

We the duly authorised representatives of the above SHG hereby apply for a loan aggregating ` /- (Rupees__only) for on lending to our members. The financial particulars of the group as on are given in the enclosed sheet.

Repayment Schedule

1. We agree to repay the loan amount as per the repayment schedule as may be determined by the bank.
2. A copy of the Inter-se Agreement executed by all the members of the group authorizing us interalia to borrow on behalf of the SHG is enclosed.
3. We hereby declare that the particulars given above are true and correct to the best of our knowledge and belief.

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4. We hereby authorize 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

Source: A Handbook on Forming Self Help Groups (SHGs) published by NABARD

Annexure 'R'

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

THIS AGREEMENT made on this day of 20 BETWEEN

SI no	Members Name	Name of Father/Husband	Gender (Male/Female)	Age
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
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.

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WHEREAS all SHG members are residents of Village/
City.....in Block of District of
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 during the scheduled SHG meeting. The accumulated corpus of the SHG shall be given on loan to members based on their need and recovered along with interest as decided by the SHG members.
2. The SHG will take the responsibility for maintaining appropriate books of accounts to ensure transparency in transaction among SHG members
3. Each member shall strive for the success of the SHG and shall not act in any manner detrimental to the business interests of the SHG.
4. The SHG members shall be jointly and severally liable for all the debts contracted by the SHG.
5. 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 authorized by the Group and shall be kept at the place of business at which shall not be changed without consent of the SHG members.
6. The SHG members hereby duly elect and appoint Shri/Smt/Kum as, Shri/Smt/Kum.....as.....Shri/Smt/Kum..... as.....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 authorized representatives, may however, be removed at any time by majority vote of the members and new representatives elected.
7. Each of the SHG members hereby agrees to abide by and ratify all

such act, deeds and things as the authorized representatives may do in the interest of the said activities.

8. The authorized representatives shall take decisions in the day to day working of the SHG and each representative shall actively involve herself and co-operate in looking after the day-to- day affairs of the SHG activities in particular to attend to the following activities.
9. Every member of the SHG hereby authorizes 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 authorized representative may collect loan amounts from the bank on behalf of SHG, deposit the same in the savings account of the SHG for on-lending to members in accordance with the decision of the SHG and also deposit recovery of loan installment from members in the loan account/s of SHG with the bank.
10. The SHG members hereby specifically authorize the representatives:-
 - i. To open Savings, Fixed Deposits and other accounts in Branch of Bank approved by the SHG and operate the same under the joint signature of any two of the following authorized 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 thefull 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.
11. In the event of death of any of the members of the SHG, his/her legal heirs shall be entitled or the benefits and be liable for the obligations of the deceased member under this agreement.

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12. 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.

S.N.	Name of member of the SHG	Signature/s/Thumb of the impression
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		

WITNESSES:-

- 1.
- 2.

(Note: The SHG shall not consist more than 20 persons).

Financial Statement of(name of SHG) as on
.....(date)

Particulars	Amount (Rs)
Total Savings of members:	
Total interest and other incomes:	
Revolving Fund/ Grant Assistance received from project/ department/ other agencies	
Other Receipts (Specify)	
Total	

(Amount in Words)

We certify that the above statement is true and can be verified from the books of accounts maintained by our Self Help Group.

Signature

Signature

Signature

(Designation) (Designation) (Designation)

Seal of Self Help Group

Annexure 'S'

Specimen Articles of Agreement

The Articles of Agreement made on this day of _____ 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 _____,

(Designation)

(Name) _____

(Designation)

who are fully authorized by all the members of the SHG, (a copy of such Authorization 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, *inter alia*, 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 inter se 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 *` /- up to the limit of ` /- (Rupees only) for on lending to its members.

And whereas the Bank has agreed to grant the *loan/extend credit facility to the borrower on certain terms and conditions

And whereas the Bank and the borrower are desirous of reducing the agreed terms into writing. Now, therefore, this agreement witnessed 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 ` /- (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. It is clearly understood by and between the parties hereto that in the event of the borrower's failure to utilize 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.
5. 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.
6. The borrower should utilize the proceeds of the credit facility for the purpose of lending to is members to improve the socio-economic conditions of their members and their families.
7. 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 lending.

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8. The borrower shall be liable to repay credit 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 For Bank

(1) Authorised Representative

(2) Authorised Representative Manager

Source: A Handbook on Forming Self Help Groups (SHGs) published by NABARD

Annexure 'T'

Criteria for Grading of SHGs

SHG Life – Cycle Stage	Purpose of Grading	Grading Parameters	Who will Grade?
Before disbursal of RF (3-4 Months after formation of SHG)	For judging readiness/eligibility of SHG to receive RF	<ul style="list-style-type: none"> ▪ Pancha Sutra <ul style="list-style-type: none"> - <i>Regular meetings</i> - <i>Regular Savings</i> - <i>Internal loaning</i> - <i>Timely repayment</i> - <i>Proper book keeping</i> 	<ul style="list-style-type: none"> • In case VO is formed and the SHG is a member of VO, grading will be done by VO¹ • In case VO is not formed, or SHG is not a member of VO, grading will be done by an informal village level committee involving members from other SHGs facilitated by CRP/ Community cadres
Before disbursal of CIF (6-9 Months after formation of the SHG)	For judging readiness/eligibility of SHG to receive CIF	<ul style="list-style-type: none"> • MCP prepared • Pancha Sutra <ul style="list-style-type: none"> - <i>Regular meetings</i> - <i>Regular Savings</i> - <i>Internal loaning</i> - <i>Timely repayment</i> - <i>Proper book keeping</i> 	<ul style="list-style-type: none"> • In case VO is formed and the SHG is a member of VO, grading should be undertaken by VO sub-committee. • In case VO is not formed, or SHG is not a member of VO, grading should be done by block/ cluster level appraisal committee involving members from other SHGs facilitated by CRP/ Community cadres
Before credit linkage of SHG (first	For judging readiness/eligibility of SHG to	<ul style="list-style-type: none"> • MCP prepared (<i>not mandatory till 2nd linkage</i>) 	<ul style="list-style-type: none"> • In case VO is formed and the SHG is a member of VO, grading should be done by VO

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<p>linkage) – (6 months after the formation of SHG or before submission of application for credit linkage)</p>	<p>receive bank credit</p>	<ul style="list-style-type: none"> • Pancha Sutra - <i>Regular meeting</i> - <i>Regular savings</i> - <i>Internal loaning</i> - <i>Timely repayment</i> - <i>Proper book keeping</i> 	<ul style="list-style-type: none"> • In case VO is not formed, or SHG is not a member of VO, grading should be done by an informal village level committee involving members from other SHGs facilitated by CRP/ Community cadres • Branch Official/ Authorized representative of banks may also be involved for grading
<p>Before credit linkage of SHG (subsequent linkages) – (Within 2 Months of repayment of previous loan or before submission of application for bank loan)</p>	<p>For judging readiness /eligibility of SHG to receive Bank Credit</p>	<ul style="list-style-type: none"> • MCP prepared (<i>Mandatory from 3rd linkage onwards</i>) • Pancha Sutra - <i>Regular meeting</i> - <i>Regular Savings</i> - <i>Internal loaning</i> - <i>Timely repayment</i> • <i>Proper book keeping</i> Other parameters - Repayment to bank 	<ul style="list-style-type: none"> • In case, VO is formed and the SHG is a member of VO, grading should be undertaken by VO • In case VO is not formed, or SHG is not a member of VO, grading should be undertaken by an informal village level committee involving members from other SHGs facilitated by CRP/ Community cadres • Branch Official/ Authorized representative of banks may also be involved for grading

Source: A Handbook on Self Help Groups (SHGs) published by NRLM

Annexure 'U'



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA



www.rbi.org.in

RBI/DOR/2021-22/89 DoR.FIN.REC.95/03.10.038/2021-22

March 14, 2022

All Commercial Banks (including Small Finance Banks,
Local Area Banks and Regional Rural Banks) excluding Payments Banks
All Primary (Urban) Co-operative Banks/ State Co-operative Banks/
District Central Co-operative Banks All Non-Banking Financial
Companies (including Microfinance Institutions
and Housing Finance Companies)

Madam/ Dear Sir,

Master Direction – Reserve Bank of India (Regulatory Framework for
Microfinance Loans) Directions, 2022

Excerpt from the above circular

9. Exemption for 'Not for Profit' Companies engaged in Microfinance Activities

9.1 The definition of microfinance loans for 'not for profit' companies (registered under Section 8 of the Companies Act, 2013) is now aligned with the revised definition of microfinance loans viz., collateral-free loans to households with annual household income up to ` 3,00,000, provided the monthly loan obligations of a household does not exceed 50 per cent of the monthly household income.

9.2 Exemptions from Sections 45-IA that have asset size of ₹100 crore and above. 3, 45-IB4 and 45-IC5 of the RBI Act, 1934 have been withdrawn for those 'not for profit' companies engaged in microfinance activities

9.3 'Not for profit' companies that are not eligible for the exemptions mentioned at paragraph 9.2 above, are required to register as NBFC-MFIs and adhere to the regulations applicable to NBFC-MFIs. Such companies

shall submit the application for registration as an NBFC-MFI to the Reserve Bank within three months of the issuance of this circular. Those companies that currently do not comply with the regulations prescribed for NBFC-MFIs, shall submit a board-approved plan, with a roadmap to meet the prescribed regulations, along with their application for registration.

Acronyms

BMMU	Block Mission Management Unit
BPL	Below Poverty Line
BPM	Block Project Manager
CCL	Cash Credit Limited
CIF	Community Investment Fund
DAY	Deendayal Antoyada Yojana
DMMU	District Mission Management Unit under NRLM
DP	Drawing Power
DRDA	District Rural Development Agency
FI	Financial Inclusion
IFAD	International Fund for Agriculture Development, an International financial institution and a specialised agency of United Nations
MFI/s	Micro Finance Institution/s
NABARD	National Agriculture and Rural Development Bank
NGO	Non Government Organization
NPA	Non-Performing Asset
NRLM	National Rural Livelihood Mission
RBI	Reserve Bank of India
RF	Revolving Fund
SBLP	SHG Bank Linkage Programme
SGSY	Swaranjayanti Gram Swarojgar Yojana, a Centrally sponsored govt scheme to promote self-employment
SHG	Self Help Group
SMMU	State Mission Management Unit (under NRLM)

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SPIP	State Perspective for Implementation Plan, State-wise Action Plan under NRLM
SPM-FI	State project Manager – Financial Inclusion
SVEP	Start-up Village Entrepreneurship Programme
VO	Voluntary Organization