

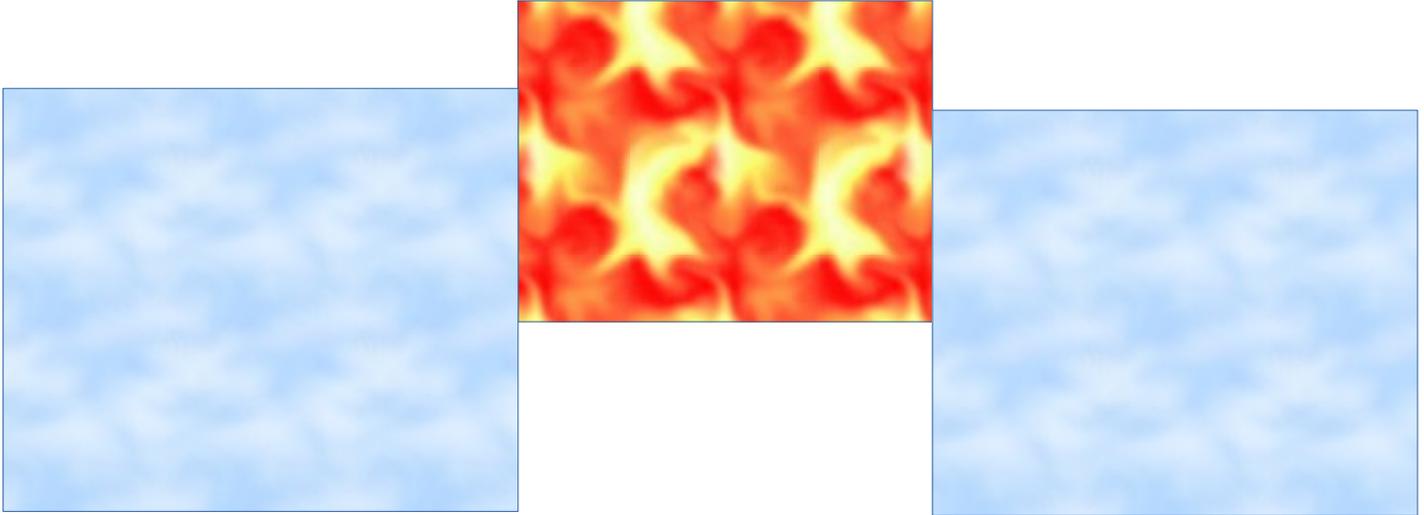
Citizensupport.in



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A Citizensupport Initiative

www.citizensupport.in



Have you holding a business idea?

Have you interested on social business?

Is your locality resource rich?

Are you having courage, confidence and hard working mentality?

If yes; here the way to start an SHG or small scale business.....

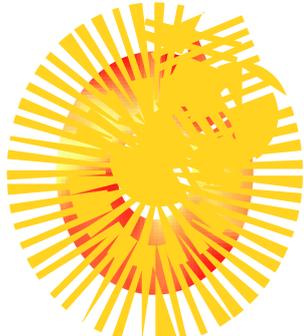
Before starting any business, you should have knowledge about basics and the market. Here we aimed to bring a chronological order of requirements to start an SHG or a small scale industrial unit.

Introduction

Small and Medium scale business enterprises are the backbone of Indian economy. Since Last four decades it has been grown dynamically and contributed major share of employment opportunities to sustain economic condition of our country. MSME sector emergence uprooted rural industrialization, minimized regional imbalance and facilitates more equitable distribution of wealth and income perspectives. Fast paced socio-economic movements and policy activism stems the small-medium industries into a new height. It evolves the need for readiness and alertness to refix the existing structure and awareness about global trends and quick market behaviour.

Self Help Group[SHG]

Self help group is a method of organising the poor people and the marginalized to come together to solve their individual problem. The poor collect their savings and save it in banks. In return they receive easy access to loans with a small rate of interest to start their micro unit enterprise.

- 
- **Size : 10-20 members**
 - **Registration: Not required**
 - **Gender: Either only Women or Only Men**
 - **Background: Members have similar social & financial background.**
 - **Meetings: Regular & attendance compulsory**
 - **Accounts: Simple book keeping. Daily transactions should be recorded.**
 - **Minutes Book: Proceedings of meetings, the rules of the group, names of the members, etc. are recorded in this book.**
 - **Savings & Loan register: Shows the savings of members separately**
 - **weekly Register: Summary of receipts and payments on a weekly basis.**
 - **Member passbook: Record all transactions related to the member, should be kept by the member.**

Functions

In every regular meeting, the group will discuss and try to find solutions to the problems faced by the members of the group.

Step 1

Opening of S/B Account for the SHG: The Reserve Bank of India has issued instructions to all commercial banks and regional rural banks, permitting them to open SB A/cs of registered or

unregistered SHGs. SB A/c in the name of SHG could be opened after obtaining from the group the following documents:

Resolution from the SHG : The SHG has to pass a resolution in the group meeting, signed by all members, indicating their decision to open SB A/c with the bank. This resolution should be filed with the bank.

Authorisation from the SHG : The SHG should authorise at least three members, any two of whom, to jointly operate upon their account. The resolution along with the filled in application form duly introduced by the promoter may be filed with the bank branch.

Copy of the rules and regulations of the SHG : This is not a must. If the group has not formulated any such rules or regulations, loans can be sanctioned without them. A savings bank account passbook may be issued to the SHG. This should be in the name of the SHG and not in the name of any individual/s.

Step 2

Conduct of internal lending by the SHG " After saving for a minimum period of 2 to 3 months, the common savings fund should be used by the SHG for lending to its own members. The purpose, terms and conditions for lending to its members, rate of interest etc., may be decided by the group through discussions during its meeting. (RBI and NABARD have permitted the members to decide on these aspects.) The interest is usually kept as 2 or 3 rupees per hundred rupee per month. Please remember that interest per month is better understood in villages, than annual interest. " Simple and clear books of account of savings and lending should be kept by the SHG. Through internal lendings, the members of the SHG will learn to properly manage, utilise and repay their SHG loans. This will be of help, when they later borrow from the bank.

SHG Finance

Objective: To meet the credit needs of the poor by combining flexibility, sensitivity and responsiveness of the informal credit system with the strength of technical and administrative capabilities and financial resources of the formal credit institutions.

- 1) To build mutual trust and confidence between the bankers and the rural poor.

2) To encourage banking activity both on thrift as well as credit side in a segment of the population that the formal financial institutions usually find difficult to cover.

- Eligibility:**
1. atleast 6 months of experiance after seting up
 2. proper account maintainance
 3. democratic style of selection, working pattern.
 4. SHG should be active

Security Documents:

- **Inter se Agreement by all members.**
- **Articles of Agreement by authorized members.**



Repayment

- Bank prescribes appropriate repayment period in negotiation with the Group which may range from 3 to 7 years. Repayment may normally be in regular monthly installments or as determined at the time of loaning based on local conditions, activities undertaken by members etc. Loans from SHGs to members could be repaid in appropriate installments which may be daily, weekly or market days fortnightly, monthly etc.

RBI Instructions

NBFC-MFI: An NBFC-MFI is defined as a non-deposit taking NBFC (other than a company licensed under Section 25 of the Indian Companies Act, 1956) with Minimum Net Owned Funds of Rs.5 crore (for NBFC-MFIs registered in the North Eastern Region of the country, it will be Rs. 2 crore) and having not less than 85% of its net assets as “qualifying assets”.

→ processing charges that a NBFC-MFI can levy on its customers

Processing charges by NBFC-MFIs shall not be more than 1 % of gross loan amount. Processing charges need not be included in the margin cap. Further, NBFC-MFIs shall recover only the actual cost of insurance for group, or

livestock, life, health for borrower and spouse. Administrative charges where recovered, shall be as per IRDA guidelines.

→ Charge of differential rate of interest

Yes, an NBFC-MFI can charge a differential rate of interest to its customers but the variance for individual loans between the minimum and maximum interest rate cannot exceed 4 per cent.

→ charges that a customer is supposed to pay for the loan that he takes from an NBFC-MFI

A customer needs to know that there are only three components in the pricing of a loan viz. the interest charge, the processing charge and the insurance premium (which includes the administrative charges in respect thereof). An NBFC-MFI cannot levy any more charges apart from the three mentioned above.

→ What should a customer keep in mind when he/she takes a loan from an NBFC-MFI?

The customer must keep in mind the following

a. The NBFC-MFI is fair and transparent in its dealings with the borrower. Pl see *Master Circular on Fair Practices Code, DNBS(PD)CC No.340/03.10.042/2013-14, dated July 1, 2013*, and updated each year.

b. No security deposit/ margin/collateral is required to be kept by the borrower with the NBFC-MFI.

c. The borrower should ensure that he gets a loan card from the NBFC-MFI reflecting:

(i) the effective rate of interest charged;

(ii) all other terms and conditions attached to the loan;

(iii) information which adequately identifies the borrower;

(iv) acknowledgement by the NBFC-MFI of all repayments including installments received and the final discharge;

d. All entries in the Loan Card should be in the vernacular language.

e. The interest charged to customer is calculated on a reducing balance basis.

f. NBFC-MFI does not levy penalty on delayed payment

→ How can a borrower find about the current interest rate being charged by the NBFC-MFI?

RBI has made it mandatory for the NBFC-MFIs to prominently display in all its offices and in the literature issued by it and on its website, the effective rate of interest being charged by it.

→ Is there any prepayment penalty that can be levied by an NBFC-MFI?

For loan amounts above Rs. 15,000, an NBFC-MFI cannot levy any prepayment penalty.

→ Is there any cap on an individual membership with SHG/JLG and/or number of MFIs from whom a SHG/JLG/an individual can borrow?

A borrower can be a member of only one SHG/JLG or borrow as an individual. He can borrow from NBFC-MFIs as a member of a SHG or a member of a JLG or borrow in his individual capacity. Further, a SHG or JLG or individual cannot borrow from more than 2 MFIs.

→ Minimum moratorium period applicable in case of NBFC-MFIs

There must be a minimum period of moratorium between the grant of the loan and the due date of the repayment of the first installment. The moratorium shall not be less than the frequency of repayment. For example, in the case of weekly repayment, the moratorium shall not be less than one week.

→ There have been a lot of issues related to methods of recovery used by the MFIs. How has RBI addressed this problem?

Taking into cognizance, the alleged coercive methods of recovery adopted by MFIs, RBI has mandated that NBFC-MFIS shall ensure that a Code of Conduct and systems are in place for recruitment, training and supervision of field staff, incorporating the Guidelines on Fair Practices Code issued for NBFCs vide circular CC No.266 dated March 26, 2012 as amended from time to time. Also, Recovery should normally be made only at a central designated place. Field staff shall be allowed to make recovery at the place of residence or work of the borrower only if borrower fails to appear at central designated place on 2 or more successive occasions.

→ Is there a difference in the asset classification and provisioning norms that are applicable to the NBFC- MFIs and other NBFCs?

Yes, there is a difference in the norms applicable to the NBFC-MFIs. For NBFC-MFIs non-standard asset would mean an asset for which, interest / principal payment has remained overdue for a period of 90 days or more, and

for which provisions of 50 percent of the aggregate loan instalments which are overdue for more than 90 days and less than 180 days or 100 percent of the aggregate of loan instalments which are overdue for a period of over 180 days is to be made.

➔ **Role of a Self Regulatory Organization (SRO)**

The industry associations (SROs in this case) are expected to be responsible in ensuring compliance by the Non-Banking Financial Companies that are engaged in microfinance (NBFC-MFIs) with the regulations and code of conduct and in the best interest of the customers of the NBFC-MFIs. The membership of NBFC-MFIs in the industry association/SRO will be seen by the trade, borrowers and lenders as a mark of confidence and removal from membership will be seen as having an adverse impact on the reputation of such removed NBFC-MFIs.

➔ **Responsibility of a SRO with regard to the Microfinance sector**

The SRO holding recognition from the Reserve Bank will have to adhere to a set of functions and responsibilities, such as formulating and administering a Code of Conduct recognized by the Bank, having a grievance and dispute redressal mechanism for the clients of NBFC-MFIs, responsibility of ensuring borrower protection and education, monitoring compliance by NBFC-MFIs with the regulatory framework put in place by the Reserve Bank, surveillance of the microfinance sector, training and awareness programmes for the members, Self Help Groups, etc and submission of its financials, including Annual Report, to the Reserve Bank. Membership to the SRO is not mandatory. However, NBFC-MFIs are encouraged to voluntarily become members of at least one SRO.

Master_Circular on SHG-Bank Linkage Programme [RBI]

The Reserve Bank constituted four informal groups in October 2002 to examine various issues concerning micro-finance delivery. Linking of SHGs with banks have been emphasized in the Monetary policy of Reserve Bank of India and Union Budget announcements from time to time and various guidelines have been issued to banks in this regard. To scale up the SHGs linkage programme and make it sustainable, banks were advised that they may consider lending to SHGs as part of their mainstream credit operations both at

policy and implementation level. They may include SHG linkage in their corporate strategy/plan, training curriculum of their officers and staff and implement it as a regular business activity and monitor and review it periodically.

1. Separate Segment under priority sector: In order to enable the banks to report their SHG lending without difficulty, it was decided that the banks should report their lending to SHGs and/or to NGOs for on-lending to SHGs/members of SHGs under the new segment, viz. 'Advances to SHGs' irrespective of the purposes for which the members of SHGs have been disbursed loans. Lending to SHGs should be included by the banks as part of their lending to the weaker sections.

2. Opening of Savings Bank A/c: The SHGs registered or unregistered which are engaged in promoting savings habits among their members would be eligible to open savings bank accounts with banks. These SHGs need not necessarily have already availed of credit facilities from banks before opening savings bank accounts. KYC verification of all the members of SHG need not be done while opening the savings bank account of the SHG as KYC verification of all the office bearers would suffice. Further, it is clarified that since KYC would have already been verified while opening the savings bank account and the account continues to be in operation and is being used for credit linkage, no separate KYC verification of the members or office bearers is necessary at the time of credit linking of SHGs,

3. SHG lending to be a part of planning process: Bank lending to SHGs should be included in branch credit plan, block credit plan, district credit plan and state credit plan of each bank. While no target is being prescribed under SHG bank linkage programme, utmost priority should be accorded to the sector in preparation of these plans. It should also form an integral part of the

bank's corporate credit plan.

4. Margin and Security Norms: As per operational guidelines of NABARD, SHGs may be sanctioned savings linked loans by banks (varying from a saving to loan ratio of 1:1 to 1:4). However, in case of matured SHGs, loans may be given beyond the limit of four times the savings as per the discretion of the bank. Experience showed that group dynamics and peer pressure brought in excellent recovery from members of the SHGS. The flexibility allowed to the banks in respect of margin, security norms, etc. under the pilot project continues to be operational under the linkage programme even beyond the pilot phase.

5. Documentation: A simple system requiring minimum procedures and documentation is a precondition for augmenting flow of credit to SHGs. Keeping in view the nature of lending and status of borrowers, banks should strive to remove all operational irritants and make arrangements to expeditiously sanction and disburse credit by delegating adequate sanctioning powers to branch managers. The loan application forms, procedures and documents should be made simple. It would help in providing prompt and hassle-free credit.

6. Presence of defaulters in SHGs: The defaults by a few members of SHGs and/or their family members to the financing bank should not ordinarily come in the way of financing SHGs per se by banks provided the SHG is not in default to it. However, the bank loan may not be utilized by the SHG for financing a defaulter member to the bank.

7. Capacity Building and Training: An important step in the Linkage Programme would be the training of the field level officials and sensitization of the controlling and other senior officials of the bank. Considering the need

and magnitude of training requirements of bank officers/staff both at field level and controlling office level, the banks may initiate suitable steps to internalize the SHGs linkage project and organize exclusive short duration programmes for the field level functionaries. In addition, suitable awareness/sensitization programmes may be conducted for their middle level controlling officers as well as senior officers.

8. Monitoring and Review of SHG Lending: Having regard to the potential of the SHGs, banks may have to closely monitor the progress regularly at various levels. In order to give a boost to the ongoing SHG bank linkage programme for credit flow to the unorganized sector, banks were advised in January 2004 that monitoring of SHG bank linkage programme may be made a regular item on the agenda for discussion at the SLBC and DCC meetings. It should be reviewed at the highest corporate level on a quarterly basis. Further the progress of the programme may be reviewed by the banks at regular intervals. A progress report may be sent to NABARD (Micro Credit Innovations Department), Mumbai, on a half-yearly basis, as on 30 September and 31 March each year so as to reach within 30 days of the half-year to which the report relates.

9. Encourage SHG Linkage: Banks should provide adequate incentives to their branches in financing the Self Help Groups (SHGs) and establish linkages with them, making the procedures absolutely simple and easy while providing for total flexibility in such procedures to suit local conditions. The group dynamics of working of the SHGs may be left to themselves and need neither be regulated nor formal structures imposed or insisted upon. The approach to financing of SHGs should be totally hassle-free and may include consumption expenditures.

10. Interest rates: The interest rate applicable to loans given by banks to Self Help Groups/member beneficiaries would be left to their discretion.

11. Total Financial Inclusion and Credit Requirement of SHGs: Banks have been advised to meet the entire credit requirements of SHG members, as envisaged in the Paragraph 93 of the Union Budget announcement made by the Honourable Finance Minister for the year 2008-09 where in it was stated as under: "Banks will be encouraged to embrace the concept of Total Financial Inclusion. Government will request all scheduled commercial banks to follow the example set by some public sector banks and meet the entire credit requirements of SHG members, namely, (a) income generation activities, (b) social needs like housing, education, marriage, etc. and (c) debt swapping".

FAIR PRACTICE CODE FOR NBFC's DIRECTED BY NABARD

To help borrower/customer to understand how NABFINS's financial products and services work by:

- ➔ Ensuring that the customer is given clear information about NABFINS's products and services, the terms and conditions and interest rates/ service charges, which apply to them in the loan application form;
- ➔ Keeping customer informed about changes in the interest rates, charges, terms and co
- ➔ To act fairly and reasonably in all dealings with the customer by,
- ➔ Meeting the commitments and standards in this Code for products and services offered by NABFINS.
- ➔ Making sure that products and services meet relevant principles of integrity and transparency.

- Informing customer about the time limit by which loan application will be processed and informing them of the status at regular intervals
- Handling customer complaints promptly.
- Informing customers about the process to take their complaints forward to higher authorities.
- To treat personal information of customers as private and confidential.

a) NABFINS would not discriminate on grounds of sex, caste and religion in the matter of lending. However, this does not preclude the Company from participating in credit linked schemes for the weaker sections of the society and in respect of schemes formulated by NABARD/ other Government Agencies, implemented through NABFINS.

b) NABFINS will take recourse / actions only through legally permissible remedies as per the terms and conditions of loan agreement entered into with the borrower.

c) Only written request from customers for transfer of liabilities will be evaluated by the Company and written confirmation/ rejection will be intimated to the customer within 21 days after due diligence. Such transfer shall be as per transparent, contractual terms in consonance with the law.

d) Any agency to whom various activities are outsourced/ entrusted will have to be short listed and empanelled as per the Company policies issued from time to time.

e) The company shall be liable and accountable for the inappropriate staff behavior and shall ensure timely redressal of any complaints.

f) Efforts shall be taken to ensure that prior debts are settled/factored which providing loans and company shall ensure that the borrower are not over indebted due to the loan.

g) The company shall comply with the KYC guidelines of RBI. Due diligence shall be carried out.

h) NABFINS shall ensure that the procedure for loan application is not

cumbersome and the loan disbursements are done as per the pre-determined time structure.

i) NABFINS shall refrain from interference in the affairs of the borrower except for the purpose provided in terms and conditions of the loan agreement (unless new information not earlier disclosed by the borrower has come to the notice of NABFINS).

j) NABFINS shall treat customer information as private and confidential.

k) The information shall be parted by the NABAFINS only in the following circumstances:

i) Information required to be given under law or as demanded or required by statutory authorities.

ii) Information is given with customer's specific written permission.

l) Disclosures in loan agreement / loan card The company shall have a Board approved, standard form of loan agreement. The loan agreement shall preferably be in vernacular language. In the loan agreement the following shall be disclosed. All the terms and conditions of the loan,

a) That pricing of the loan and the various components viz; principal, interest charge, the processing fee and service tax on processing fee.

b) That there will be no penalty charged on delayed payment,

c) That no Security Deposit / Margin is being collected from the borrower,

d) That the borrower cannot be a member of more than one SHG / JLG,

e) The moratorium between the grant of the loan and the due date of the repayment of the first instalment(as guided by the NBFC-MFIs(Reserve Bank) Directions, 2011),

f) An assurance that the privacy of borrower data will be respected.

The loan card shall contain the following details

- a) The effective rate of interest charged
- b) All other terms and conditions attached to the loan
- c) Information which adequately identifies the borrower
- d) Acknowledgements by the company of all repayments including instalments received and the final discharge.
- e) The loan card shall prominently mention the grievance redressal system set up by the company and also the name and contact number of the nodal officer
- f) Non-credit products issued shall be with full consent of the borrowers and fee structure shall be communicated in the loan card itself.
- g) All entries in the Loan Card shall be in the vernacular language.

Collection of Dues

- a) In the matter of recovery of loans, NABFINS shall not resort to undue harassment viz., persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc.
- b) All sanctioning and disbursement of loans shall be done only at a central location which is convenient to SHG/JLG etc in the presence of members of the SHG/JLG.
- c) NABFINS's collection policy shall be built on courtesy, fair treatment and persuasion. Efforts will be made in building customer confidence and long-term relationship.
- d) The staff deputed to make recovery calls shall identify themselves and shall provide details with regard to outstanding claims to the customer.

Complaints, Grievances and Feedback

- a) Complaint register would be maintained. If complaint is received in writing or over phone, complaint number would be given which would be referred to in future.

b) NABFINS will endeavor to sort out the matter within 15 days of receipt of a complaint.

c) In case the complaint requires more time, then, the same would be informed to the customer. Customer would be updated at regular intervals regarding the status of the same.

d) The grievance redressal mechanism within the organisation will be explained to the customer to resolve any dispute, such a mechanism would ensure that all disputes arising out of decisions of NABFINS' functionaries are heard and disposed off at least at the next higher level.

e) A complaint of misconduct against an official of the NABFINS shall be redressed by the next level of authority.

f) The officials of NABFINS shall ensure that the grievances of the borrowers are brought to the notice of the Board. A consolidated report will be submitted to the Board on a quarterly basis.

To be entitled to the aforesaid provisions of the Fair Practices Code, the borrower agrees that

✓She/he will abide by the assessment of credit application carried out by the NABFINS and shall not expect the use of margin and security stipulations as a substitute for due diligence on credit worthiness of the borrower.

✓The limits sanctioned and other terms and conditions are purely at the discretion and subject to modification as may be prescribed by the NABFINS.

✓The interest rate stipulated for the limit will be as per the guidelines to be framed by NABFINS. Appropriate interest will be charged taking into account the changes that may be effected by the NABFINS from time to time.

✓The sanction does not vest with anyone the right to claim any damages against any reason whatsoever.

✓Allowing drawings beyond the sanctioned limits, honoring of cheques issued for the purpose other than specifically agreed to in the credit sanction at the discretion of the NABFINS.

✓The NABFINS does not have the obligation to meet further requirements of the borrower on account of growth in business etc. without proper review of credit limits.

- ✓The NABFINS does not have the obligation to nurse/finance the account in the case of sickness.
- ✓In the event of account becoming NPA, full details of the account can be disclosed to public and shall undertake to sign the disclosure clause.

Review

The Board of Directors of NABFINS will periodically review the compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism at various levels of management.

FORMAT - 1
INTER GREEMENT TO BE EXECUTED INTER- - SE AGREEMENT
BY THE MEMBERS OF THE SELF HELP GROUP

This Agreement made-----this-----day
of-----20-----.

BETWEEN

1. Shri/Smt/Kum.-----Son/Wife/Daughter
of-----,aged-----years. Residing at-----;and

2.hri/Smt/Kum.-----Son/Wife/Daughter
of-----,aged-----years. Residing at-----;and

3.hri/Smt/Kum.-----Son/Wife/Daughter
of-----,aged-----years. Residing at-----;and

4. hri/Smt/Kum.-----Son/Wife/Daughter
of-----,aged-----years. Residing at-----;and

.
.
.
20

who are members of the-----group, hereinafter referred to collectively as “The Self Help Group (SHG) Members” which expression shall, unless repugnant to the context or meaning, include every members of the said SHG and their respective legal heirs, executors and administrators.

WHEREAS all SHG members are residents of-----village

in-----Taluka of the-----State and are known to each other.
WHERE AS the SHG members above named have joined voluntarily together and formed the SHG with intent to carry on savings and credit and other economic activities for mutual benefit subject to the terms and conditions hereinafter appearing :

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT :

1. Each member of the SHG shall save a sum of Rs. -----(Rupees -----only) or such sum as may be decided by the Group, on weekly fortnightly/monthly basis which shall be deposited with the authorised member of the group.
2. Each member shall strive for the success of the SHG and shall not act in any manner detrimental to the business interests of the SHG.
3. The SHG members shall be jointly and severally liable for all the debts contracted by the SHG.
4. All assets and goods acquired by the SHG shall be in the joint ownership of all the members of the SHG and shall ordinarily be in the constructive custody of such member as may be authorised by the Group and shall be kept at the place of business at-----which shall not be changed without consent of the SHG members.
5. The SHG members hereby duly elect and appoint Shri/Smt/Kum.-----as-----Shri/Smt/Kum-----as-----Shri/Smt/Kum-----as-----.

[by whatever name designated] to look after and manage the day to day affairs of the SHG's activities and also act in their name and on their behalf in all matters relating thereto. The authorised representatives, may however, be removed at any time by majority vote of the members and new representatives elected.

6. Each of the SHG members hereby agrees to abide by and ratify all such act, deeds and things as the authorised representatives may do in the interest of the said activities.

7. The authorised representatives shall take decisions in the day to day working of the SHG and each representative shall actively involve herself or himself and co-operate in looking after the day-to-day affairs of the SHG activities in particular to attend to the following activities.

— Every member of the SHG hereby authorises the representatives to apply for the loan on behalf of the SHG and execute necessary agreements/documents on behalf of the SHG for the purpose. The authorised representative may collect loan amounts from the bank on behalf of SHG, deposit the same in the savings account of the SHG for onlending to members in accordance with the decision of the SHG and also deposit recovery of loan instalment from members in the loan account/s of SHG with the bank.

8. The SHG members hereby specifically authorise the representatives:-

(i) To open Savings, Fixed Deposits and other accounts in (.....) bank approved by the SHG and operate the same under the joint signature of any two of the following authorised representatives.

Shri/Smt/Kum. -----

Shri/Smt/Kum. -----

Shri/Smt/Kum.-----

(ii) To keep or cause to be kept proper books of accounts of the savings, made by the SHG Members, loans granted to them and the recoveries made from them and render every year the full accounts to the SHG members for their approval and adoption;

(iii) To receive all payments due to the SHG and issue requisite receipts or acknowledgements for and on behalf of the SHG;

(iv) To institute and defend on behalf of the SHG members any legal proceedings and safeguard the interests of each member of the said SHG and for this purpose engage or disengage any lawyer or advocate or agent and incur the necessary legal expenses in connection therewith.

9. In the event of death of any of the members of the SHG, his/her legal heirs shall be entitled for the benefits and be liable for the obligations of the deceased member under this agreement.

10. It is agreed that no new person shall be inducted as a member of the SHG without consent of all the existing members.

IN WITNESS WHEREOF the aforesaid members of the SHG have set their respective hands hereunto at the -----and on----- day of -----place ----- month -----year first herein appearing.

Name of member SHG

Signature/s/Thumb of the impression

1.-----
2.-----
3.-----
20.-----

WITNESSES :

1.-----
2.-----

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

FORMAT 2

Applying for loan Assistance

Name of the Self-Help Group :

Address :

Formed/Established on :

Registered : Yes/No

If registered : give number and date and : -----

furnish true copy of the Certificate of Registration.

Number of members in the Group :

Name of SHPI/NGO/VA assisting the Group : if any,

To:

Date

The Branch Manager

-----Bank

-----Branch

Dear Sir,

Sub:Application for Loan

We the duly authorised representatives of the above SHG hereby apply for a loan aggregating Rs.----- /- (Rupees -----only) for on lending to our members.

The financial particulars of the group as on -----are given in the enclosed sheet.

REP AYMENT SCHEDULE

1. We agree to repay the loan amount as per the repayment schedule which may be fixed by the bank.
2. A copy of the Inter-se Agreement executed by all the members of the group authorising us interalia to borrow on behalf of the SHG is enclosed.
3. We hereby declare that the particulars given above are true and correct to the best of our knowledge and belief.
4. We hereby authorise the Bank to disclose all or any particulars or details or information relating to our loan accounts with the Bank, to any other financial institution including NABARD, Government or any agency as may be considered necessary or desirable by the Bank. It will be in order for the Bank to disqualify the SHG from receiving any credit facilities from the Bank and or recall the entire loan amount or any part thereof granted on this application, if any of the information pertaining to the group, furnished herewith is found incorrect and/or containing misrepresentation of facts.

Yours faithfully,

1. -----

2. -----

[Authorised representatives]

SELF HELP GROUP

Financial Particulars as on-----

Sr.No. Of Particulars

Amount (Rs)

1. Savings from Members
2. Seed Money from SHPI [NGO/VA], if any
3. Borrowings Outstanding :
(Please specify source)
4. Loan outstanding against members
5. Amount in default, if any, against members
6. Recovery percentage
7. Cash/bank balance

FORMAT 3

ARTICLES OF A AGREEMENT FOR USE FORMAT AGREEMENT BY BANKS WHILE FINANCING SELF -HELP GROUPS

The Articles of Agreement made on this -----day of-----

20- ----at----- By and Between M/s. -----

an unregistered association of persons/individuals having its office at -----

[name of SHG] represented by its authorised representative Shri/Smt.

-----and Shri/Smt----- who are fully authorised by all the members of the SHG, (a copy of such Authorisation is annexed hereto and forms part of this agreement), hereinafter referred to as the "borrower" which expression shall unless repugnant

to the subject or context thereof, mean and include members of the unregistered association for the time being, their respective successors, legal heirs, administrators and assigns of the one part

and -----(name of the bank) a body corporate constituted under the -----Act----- have its Head Office at -----and the Branches, interalia, one at -----hereinafter called “the Bank” which expression shall unless repugnant to the subject or context thereof mean and include its successors and assignees of the second part.

Whereas the borrower is an unregistered association of persons who have interse agreed to help each other as self-help group with a view to developing and ameliorating the socio-economic conditions of their members.

Whereas having formed the association as a self help group, the Borrower as per application dated -----made by the said Shri/Smt.-----,

(Designation)

and Shri/Smt.-----,

(Designation)

duly authorised to borrow in terms of its resolution dated ----- [copy enclosed] requested the

Bank to *grant a loan/extend credit facility of *Rs. -----/- up to the limit of Rs. ----- /- (Rupees ----- only) for onlending to its members.

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

whereas the Bank and the borrower are desirous of reducing the agreed terms into writing. Now, therefore, this agreement witnesseth as follows:

1. The Bank has agreed to grant and the borrower has agreed to borrow by way of term loan/cash credit (clean) upto the limit of Rs. -----/- (Rupees -----/- only) and the bank has opened (SPECIFY THE KIND OF LOAN ACCOUNT) A/C No. ----- of date -----/- in the name of the borrower in its book of accounts.

2. In case the facility availed is cash credit the Borrowers will operate the cash credit account satisfactorily and within the limit and the Borrower shall repay the outstanding liability in the account inclusive of interest and other charges debited from time to time on demand without demur.

3. In case loan availed is Demand Loan, without prejudice to the right of the Bank to recall the loan on demand the Borrower undertakes to repay the loan with (*Delete whichever is not applicable) interest and other within the period stipulated in terms of sanction.

4. In case the credit facility availed of by the borrower is a term loan the same shall be repayable in

instalments in the manner specified herebelow in the repayment schedule. (to be specified)

Besides the borrower will pay interest at the rates that may be prescribed for such lending by RBI/NABARD from time to time.

5. It is clearly understood by and between the parties hereto that in the event of the borrower’s failure to utilise the proceeds of the credit facility for the purpose for which the same has been made available by the bank to the borrower, the borrower shall repay immediately on demand without demur together with interest without prejudice to Bank’s right to initiate other legal action.

6. The borrower shall pay interest on the loans to be calculated on the daily balances in the loan account and be debited thereto at quarterly rests or as the bank may decide.

7. The borrower should utilise the proceeds of the credit facility for the purpose of lending to is members to improve the socio-economic conditions of their members and their families.

8. The borrower shall repay the credit facility availed of together with interest payable as per the

