



भारतीय रिज़र्व बैंक

----- RESERVE BANK OF INDIA -----

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RBI/2019-20/08

FIDD.FID.BC.No.05/12.01.033/2019-20

July 01, 2019

The Chairman/ Managing Director/  
Chief Executive Officer  
All Scheduled Commercial Banks

Madam/Dear Sir

**Master Circular on SHG-Bank Linkage Programme**

The Reserve Bank of India has, from time to time, issued a number of guidelines/instructions to banks on SHG-Bank Linkage Programme. In order to enable banks to have instructions at one place, the Master Circular incorporating the existing guidelines/instructions on the subject has been updated and enclosed. This Master Circular consolidates the circulars issued by Reserve Bank on the subject up to June 30, 2019, as indicated in the [Annex](#).

Yours faithfully

(Gautam Prasad Borah)

Chief General Manager-in-Charge

Encl: As above

## **Master Circular on SHG-Bank Linkage Programme**

Self Help Groups have the potential to bring together the formal banking structure and the rural poor for mutual benefit. Studies conducted by NABARD in a few states to assess the impact of the linkage project have brought out encouraging and positive features like increase in loan volume of the SHGs, definite shift in the loaning pattern of the members from non-income generating activities to production activities, nearly 100 per cent recovery performance, significant reduction in the transaction costs for both the banks and the borrowers etc., besides leading to a gradual increase in the income level of the SHG members. Another significant feature observed in the linkage project is that about 85 per cent of the groups linked with banks were formed exclusively by women.

2. Recognizing the importance of SHG Bank linkage, banks have been advised to meet the entire credit requirements of SHG members, as envisaged in Paragraph 93 of the Union Budget announcement for the year 2008-09, made by the Honorable Finance Minister, wherein 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". Linking of SHGs with banks has thus been emphasized in the Monetary Policy Statements of Reserve Bank of India and Union Budget announcements from time to time and various guidelines have been issued to banks in this regard.

3. Banks should provide adequate incentives to their branches in financing the Self Help Groups (SHGs) and establish linkages with them, making the procedures simple and easy. The group dynamics of working of the SHGs need neither be regulated nor formal structures imposed or insisted upon. The approach to financing of SHGs should be totally hassle-free and may also include consumption expenditures. Accordingly, the following guidelines should be adhered to enable effective linkage of SHGs with the banking sector.

#### **4. Opening of Savings Bank A/C**

- a) The SHGs, registered or unregistered, which are engaged in promoting savings habits among their members are 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. The instructions of the Department of Banking Regulation in the [Master Direction - Know Your Customer \(KYC\) Direction, 2016](#) pertaining to SHG members (Part VI-Paragraph 43) shall be adhered to, while completing Customer Due Diligence (CDD)<sup>1</sup> process.
- b) Accordingly, the current instructions under Simplified norms for Self Help Groups (SHGs) mention that CDD of all the members of SHG as mentioned in the above Direction shall not be required while opening the savings bank account of the SHG. CDD of all the office bearers shall suffice. No separate CDD of the members or office bearers shall be necessary at the time of credit linking of SHGs.

#### **5. Lending to SHGs**

- a) Bank lending to SHGs should be included in branch credit plan, block credit plan, district credit plan and state credit plan of each bank. 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.
- b) As per operational guidelines issued by 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.
- c) A simple system requiring minimum procedures and documentation is a precondition for augmenting flow of credit to SHGs. 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.

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<sup>1</sup> Customer Due Diligence - means identifying and verifying the customer and the beneficial owner

## **6. Interest rates**

The banks would have the discretion to decide on the interest rates applicable to loans given to Self Help Groups/member beneficiaries.

## **7. Service/ Processing charges**

No loan related and ad hoc service charges/inspection charges should be levied on priority sector loans up to ₹ 25,000. In the case of eligible priority sector loans to SHGs/ JLGs, this limit will be applicable per member and not to the group as a whole.

## **8. Separate Segment under priority sector**

In order to enable the banks to report their SHG lending without difficulty, it is decided that the banks should report their lending to SHGs for on-lending to members of SHGs under the respective categories, viz. 'Advances to SHGs' irrespective of the purposes for which the loans have been disbursed to the SHG members. Priority Sector loans to SHGs are considered under "Weaker Sections" category.

## **9. Presence of defaulters in SHGs**

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. However, the bank loan may not be utilized by the SHG for financing a defaulter member to the bank.

## **10. Capacity Building and Training**

- a) 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.
- b) Banks shall refer to instructions on Financial Literacy by FLCs and rural branches – Policy review vide [Circular FIDD.FLC.BC.No.22/12.01.018/2016-17 dated March 02, 2017](#) conducting tailored programs targeting [SHGs](#).

## 11. Monitoring and Review of SHG Lending

Considering the potential of SHGs, banks shall 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, monitoring of SHG bank linkage programme shall be 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, progress of the programme may be reviewed by banks at regular intervals. The progress under SHG-BLP, as prescribed vide RBI letter FIDD.CO.FID.No.3387/12.01.033/2017-18 dated April 26, 2018 shall be reported to NABARD (Micro Credit Innovations Department), Mumbai, on a quarterly basis, and the returns in the [prescribed format](#) shall be submitted within 15 days from due date.

## 12. Reporting to CICs

Recognizing the importance of credit information reporting in respect of the SHG members for financial inclusion, banks are advised to adhere to the guidelines issued by Department of Banking Regulation on [Credit information reporting in respect of Self Help Group \(SHG\) members dated June 16, 2016](#) and [Credit information reporting in respect of Self Help Group \(SHG\) members dated January 14, 2016](#).

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**Annex**  
**List of Circulars consolidated in the Master Circular**

<b>Sr. No.</b>	<b>Circular No.</b>	<b>Date</b>	<b>Subject</b>
1.	RPCD.No.Plan.BC.13/PL-09.22/91/92	July 24,1991	Improving Access of Rural poor to Banking- Role of Intervening Agencies- Self Help Groups
2.	RPCD.No.PL.BC.120/04.09.22/95-96	April 2,1996	Linking of Self Help Groups with banks- Working Group on NGOs and SHGs- recommendations –Follow up
3.	DBOD.DIR.BC.11/13.01.08/98	February 10, 1998	Opening of Savings bank accounts in the name of Self Help Groups(SHG)
4.	RPCD.PI.BC/12/04.09.22/98-99	July 24, 1998	Linking of Self Help Groups with Banks
5.	RPCD.No.PLAN.BC.94/04.09.01/98-99	April 24,1999	Loans to Micro Credit Organizations- Rates of Interest
6.	RPCD.PL.BC.28/04.09.22/99-2000	September 30, 1999	Credit delivery through Micro Credit Organizations/ Self Help Groups
7.	<a href="#">RPCD.No.PL.BC.62/04.09.01/99-2000</a>	February 18, 2000	Micro credit
8.	<a href="#">RPCD.No.Plan.BC.42/04.09.22/2003-04</a>	November 03, 2003	Micro Finance
9.	RPCD No.Plan.BC.61/04.09.22/2003-04	January 09, 2004	Credit flow to the unorganized sector
10.	<a href="#">RBI/385/2004-05,</a> <a href="#">RPCD.No.Plan.BC.84/04.09.22/2004-05</a>	March 03, 2005	Submitting progress report under micro credit
11.	<a href="#">RBI/2006-07/441</a> <a href="#">RPCD.CO.MFFI.BC.No.103/12.01.01/2006-07</a>	June 20, 2007	Microfinance-Submission of progress reports
12.	<a href="#">RPCD.MFFI.BC.No.56/12.01.001/2007-08</a>	April 15, 2008	Total Financial inclusion and Credit Requirement of SHGs.
13.	<a href="#">DBOD.AML.BC.No.87/14.01.001/2012-13</a>	March 28, 2013	Know Your Customer Norms/Anti Money Laundering Standards/ Combating of Financing of Terrorism/Obligation of banks under Prevention of Money Laundering Act, 2002 – Simplifying norms for Self Help Groups
14.	<a href="#">FIDD.FID.BC.No.56/12.01.033/2014-15</a>	May 21, 2015	SHG-Bank Linkage Programme – Revision of progress reports
15.	<a href="#">RBI/2015-16/291</a> <a href="#">DBR.CID.BC.No.73/20.16.56/2015-16</a>	January 14, 2016	Credit information reporting in respect of Self Help Group (SHG) members
16.	<a href="#">RBI/2015-16/424</a> <a href="#">DBR.CID.BC.No.104/20.16.56/2015-16</a>	June 16, 2016	Credit Information Reporting in respect of Self Help Group (SHG) members
17.	<a href="#">Master Direction</a> <a href="#">DBR.AML.BC.No.81/14.01.001/2015-16</a>	February 25, 2016 (Updated as on May 29, 2019)	Master Direction - Know Your Customer (KYC) Direction, 2016