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## Chapter I – Background

1. On the occasion of the Golden Jubilee Year celebration of Gujarat State, Hon. Chief Minister Shri. Narendra Modi launched an ambitious campaign by the name MISSION MANGALAM. The objective of this Mission is to organize the poor into Self Help Groups / Sakhi Mandals, link them with banks, build capacities in them and lead them towards sustainable livelihoods. To implement this Mission, Government of Gujarat formed a Company by the name Gujarat Livelihood Promotion Company Limited (GLPC) in the month of April 2010.
2. In order to achieve the objectives of the Mission, during the Vibrant Gujarat Summit, 2011, Gujarat Livelihood Promotion Company entered into Memorandums of Understanding (MoU) with various stakeholders such as Corporate Houses, Banking & Financial Institutions, Academic Institutions and Training Institutions. GLPC has signed a total of 57 MoUs including those with 32 Corporate Houses, 10 Banks and Financial Institutions and 15 Academic and Training Institutions. Approximately 15 lakhs livelihood is expected to be generated in the next 3 to 5 years through financial commitments from investors and banks totalling to an amount of Rs. 21,500 Crores.
3. As a path-breaking and innovative approach to improve the credit linkage to the poor and financially marginalised women SHGs/Sakhi Mandals of Gujarat, GLPC entered into MoU with the State Level Bankers' Committee, Gujarat during the Vibrant Gujarat Summit. As a build-up to the Summit, the 127th SLBC meeting held on 22nd December, 2010 resolved to provide a minimum credit linkage of Rs. 50,000/- as Cash Credit to each SHG/Sakhi Mandal as soon as it passes Grading on completion of six months. This resolution was further reinforced through the MoU signed between SLBC and GLPC. The MoU also talks about streamlining the entire process through simplified and uniform documents and standardized processes for Grading and Credit Linkage.

This MoU shall enable the existing 200,000 SHGs/Sakhi Mandals to avail minimum Rs. 1,000 Crores as Cash Credit from the Banks soon.

4. The salient features of the aforesaid signed MoU are as follows –
  - a) Ensure that the banks undertake the grading exercise of all the six months completed SHGs/Sakhi Mandals within 30 days of the groups completing 6 months.
  - b) The member banks shall extend micro-credit in the form of Cash Credit amounting to minimum Rs. 50,000/- to all the SHGs/Sakhi Mandals passing in the grading exercise
  - c) Finalise uniform guidelines for grading of SHGs/Sakhi Mandals in an objective and systematic manner
  - d) Provide trainings and capacity building to the Branch Managers
  - e) Regular monitoring and capacity building of the SHGs/Sakhi Mandals, to ensure proper utilization of the funds and improve the credit worthiness of the SHGs/Sakhi Mandals
  - f) Monitor the progress and ensure universal financial inclusion in the state of Gujarat
  - g) Providing 100% refinance from NABARD to the banks against their lending to SHGs/Sakhi Mandals
  - h) Fast track processing of applications and disbursement of loans
5. As the first step towards execution of the MoU signed, a sub-group of SLBC was constituted after the Vibrant Gujarat Summit to deliberate and finalise the guidelines for grading, documentation and credit linkage of SHGs/Sakhi Mandals. Accordingly, the sub-group of SLBC in its meeting held on 15th February, 2011 and subsequent joint meeting of Senior Officials from Dena Bank, State Bank of India, Bank of Baroda, NABARD and GLPC held on 23rd February, 2011 finalized the uniform guidelines presented in this document.

## **Chapter II – Self Help Group (SHG) and Grading for Credit Linkage**

1. A Self Help Group (SHG)/Sakhi Mandal is a collective of 10 to 20 members coming together for improving their standard of living through various financial and non-financial activities. The members meet regularly at least once in a month and agree to regularly save a mutually agreed amount. Usually this amount ranges from Rs. 50/- to Rs. 200/- per month. This pooled saving amount also serves as an internal loan fund for the members of the group. The internal loan amount, rate of interest and repayment terms as decided through mutual consensus among the group members. The SHG/Sakhi Mandal also opens a savings account with the nearest bank and after completion of 6 months the group is eligible for availing credit from the bank.
2. In order to decide the credit worthiness and the credit limit for the group, the Bank has to undertake the process of grading. The Branch Manager has to grade the SHG/Sakhi Mandals in the SHG/Sakhi Mandal meeting and interaction with the members of the Group. The process of grading also looks at awareness of members regarding rules of the group, credit discipline, regularity of meetings, etc. This process also aims at building confidence in the branch manager to extend the credit and provides as a platform for the members of the group to interact with the branch manager.
3. The assessment of the SHGs/Sakhi Mandals need to be conducted in an objective and transparent manner, so as to provide required benefits to the members, incentivise the better performing groups, avoid miscommunication within the members and minimise the subjectivity of assessment due to personal factors. The members of the groups are usually illiterate or semi-literate and they possess very limited knowledge on the processes and documents of the banks. The assessment of the members is undertaken through verbal communication between the branch manager and

the women members, assessment of books and records maintained in the group and credit discipline recorded for the internal lending of the group. This process is subject to judgement based on the understanding of the branch manager and the verbal interaction with group members. To avoid any complications in the assessment and facilitate the branch managers and SHG/Sakhi Mandal members, the process of grading should have minimal scope for subjective variation.

4. Also, it is important that all the banks follow uniform processes and systems for grading to avoid any discrimination amongst SHGs/Sakhi Mandals having account in different banks. This enables facilitation of credit linkage to the groups without any discrimination, sharing of the credit linkage targets among banks functioning within one area, provide more than one banking options to the groups, etc.
5. To meet the objective of simplified, transparent and uniform assessment of groups, SLBC has formulated a new set of revised guidelines detailing the process of grading for all banks. The salient features of the grading process are as follows –
  - a) Documented and structured process of grading
  - b) Weighted score for different aspects of grading based on its relevance and importance
  - c) Uniform simplified score card with detailed description for grading
6. The grading form as approved by SLBC is enclosed in this guidelines as
  - a) **Annexure – A: Rating Sheet for Grading of SHG / Sakhi Mandal**

### Chapter III – Documentation

1. Different banks have different set of documents and application formats for approving financial services and products to the SHGs/Sakhi Mandals. In many instances the facilitators and leaders of SHGs/Sakhi Mandals found it difficult to provide supporting documents for many members. The rural branches of most of the banks have limited human resource. This could lead to delay in processing of application forms and thus affecting the poor by delayed availability of credit. Thus, in recognition to the hurdles faced by rural branch managers and SHGs/Sakhi Mandals to avail credit from banks, a new set of documents have been finalised in this guidelines.
2. The new guidelines has ensured that minimal paper work and specified uniform simplified documents and application formats. The finalised forms and application formats are in consonance with the guidelines prescribed by Reserve Bank of India (RBI) and National Bank for Agriculture and Rural Development (NABARD) for Financial Inclusion.
3. The approved format for documents and application forms are enclosed in the guidelines as follows –
  - a) **Annexure – B** : Specimen of Sponsorship Letter from NGO/SHPI/ DRDA/GLPC
  - b) **Annexure – C** : Specimen of Application to be submitted by SHG / Sakhi Mandal to Bank Branch while applying for loan assistance
  - c) **Annexure – D** : Specimen of Inter-Se Agreement to be Executed by the Members of SHGs/Sakhi Mandals
  - d) **Annexure – E** : Specimen of Articles of Agreement for use by Banks while Financing SHGs/Sakhi Mandals

## Chapter IV – Cash Credit Sanction Limit

1. The surest way to empower an SHG/Sakhi Mandal and usher in meaningful Financial Inclusion is by extending Microfinance to SHGs/Sakhi Mandals as Cash Credit. These guidelines pertain only to the Microfinance Linkage as Cash Credit to SHGs/Sakhi Mandals. Wherever SHGs/ Sakhi Mandals would be sponsored for Livelihood Finance along with subsidy and loan under various schemes, it would be treated as a Term Loan and the existing banking norms would apply.
  
2. As against Livelihood Finance, Microfinance has the following benefits –
  - a) Microfinance is given irrespective of the purpose for which it is to be used.
  - b) The power to decide and prioritize the purposes for which it is used is given to the SHG itself.
  - c) No surety, security or collateral would be asked for Microfinance.
  - d) Even if any member of an SHG/Sakhi Mandal is a defaulter, the Bank cannot deny Microfinance to the SHG/Sakhi Mandal. The only condition here is that in such cases the SHG/Sakhi Mandal gives an undertaking to the Bank that such a defaulter member would not be given internal linkage by the SHG/Sakhi Mandal from this Microfinance.
  - e) This Microfinance can be used for exigencies, accidental expenses, social expenses or even for swapping of costlier loans taken from money-lenders.
  - f) The purpose of Microfinance is not per-se to bring the poor out of poverty. It aims rather to help prevent the poor from slipping down to further poverty. It is an intermediate stage in the process of empowering the SHGs/Sakhi Mandals and bringing its members out of poverty.
  - g) The larger purpose of Microfinance is to usher in meaningful Financial Inclusion and to help the poor come of the clutches of rural debt trap.



3. Microfinance is given as Cash Credit. The benefits of Cash Credit against Term Loan are as follows –
  - a) Flexibility to utilize the credit for any purpose as required by the members as against term loan which is usually sanctioned for a specific purpose only
  - b) Flexibility to decide the amount and time of withdrawal by members as per their needs against Term Loans in which the total amount is disbursed on a single date
  - c) Interest charged only upon the amount withdrawn as against term loan where the interest is charged on the total amount disbursed
  - d) Interest charged only for the period of credit outstanding as against term loan in which the interest is charged from the date of disbursement
4. The above features ensure that SHGs/Sakhi Mandals are financially empowered, since they would enjoy the power of creditability. While credit makes a person debtor, creditability empowers her.
5. Through these new guidelines, the SLBC has devised a formula to calculate the cash credit limit extendable to the SHG/Sakhi Mandal. This amount is calculated against the anticipated corpus at the end of three years i.e. 36 months, at the current level of monthly savings.
6. According to the new guidelines approved by SLBC, an SHG/Sakhi Mandal after passing of Grading would be sanctioned a Cash Credit Limit of Four times the expected savings of three years, with a minimum of Rs. 50,000/- and maximum of Rs. 100,000/-. In other words, Cash Credit Sanction Limit is based on anticipated corpus of 36 months even if the SHG/Sakhi Mandal is only 6 months old and not on the actual corpus available with the SHG/Sakhi Mandal at the time of Grading. The actual corpus available at any time determines the Withdrawal Limit of the SHG, which is being dealt with in the next chapter.

7. Calculation of the Cash Credit Limit can be understood through the following 3 steps

a) Step No. 01: Calculate the estimated amount of savings at the end of 3 years

The amount saved per month by the group is multiplied with 36 (Months)

*For eg: If in a 10 member group, each member is saving Rs. 50/- per month, then the total amount saved by the group per month is Rs. 500/-. This amount has to be multiplied with 36 months to estimate the amount that would be saved by the group at the end of 3 years.*

$$Rs. 500/- \text{ per month} \times 36 \text{ Months} = Rs. 18,000/-$$

b) Step No. 02: Addition of the Revolving Fund to calculate estimated Corpus amount

Add the revolving fund availed by the group with the amount calculated as estimated savings at the end of 3 years and calculate the estimated total corpus

*For eg.: For the above group, if the group avails Rs. 5,000/- as revolving fund from the State Government, then add this amount to Rs. 18,000/- calculated as above*

$$Rs. 18,000/- + Rs. 5,000/- = Rs. 23,000/-$$

c) Step No. 03: Final Calculation of Cash Credit Limit

The group will be provided 4 times the estimated total corpus at the end of 3 years as Cash Credit Limit.

*For eg.; For the above example, the group should be given 4 times the estimated total corpus which is Rs. 23,000/-, which would be as follows*

$$Rs. 23,000/- \times 4 = Rs. 92,000/-$$

8. The Branch manager on completion of grading process has to provide a copy of Pre-Sanction Cum Appraisal Note for Financing Sakhi Mandal/ Self Help Group (SHG) as shown in **Annexure - F**.

## Chapter V – Withdrawal Limit

1. SLBC has also decided to differentiate between the Cash Credit sanctioned limit and withdrawal limit. This is done with the following objectives –
  - a) Ensure banking prudence
  - b) Encourage SHG to maximise its own corpus
  - c) Bring in flexibility to enhance withdrawal limits as per increasing corpus
  - d) Prevent frequent extension of sanctioned limits
  - e) Overall enable maximum credit linkage to SHGs/Sakhi Mandals
2. The Cash Credit Limit extended is as per the formula stated in Chapter IV, whereas the withdrawal of the cash is calculated on the actual corpus amount with the group on a daily basis. This has been adopted in the guidelines to address the issue of excessive credit exposure and to safeguard the credit risk for the lending bank. The group can avail 4 times the actual corpus amount existing with the group as on the date of requisition for withdrawal, with minimal amount of Rs. 50,000/- as withdrawal limit.
3. The minimum withdrawal limit of Rs. 50,000/- is irrespective of amount as corpus with the group. Only withdrawals beyond Rs. 50,000/- will be depending on actual corpus, subject to maximum of Rs. 100,000/-

Thus, if a group has been sanctioned a cash credit limit of Rs. 92,000/-. The group as on date has a total corpus of Rs. 12,000/- only, then as per the rule stated above, the group can avail only Rs. 48,000/- as cash credit. But in order to provide appropriate cash credit amount, it has been decided that minimum of Rs. 50,000/- would be allowed as withdrawal limit for all groups passing the grading process. And the maximum amount to be withdrawn under the microfinance linkage would be Rs.100,000/-. Thus, all the groups will have minimal withdrawal limit of Rs. 50,000/- as soon as they pass the grading process.

### **Important Clarification:**

All the above guidelines pertain only to Microfinance Linkage as Cash Credit to SHGs/Sakhi Mandals. In case any SHG/Sakhi Mandal has applied for term loan for any income generation activity, either sponsored under some subsidy scheme or not, the case will have to be dealt with under existing banking norms.

**ANNEXURE - A**

**Rating Sheet For Grading of SHG / Sakhi Mandal**

1. Name of the Bank : \_\_\_\_\_
2. Name of the BRANCH : \_\_\_\_\_, Taluka : \_\_\_\_\_, District : \_\_\_\_\_
3. Name of the SHG: \_\_\_\_\_
4. SHG Promoted by: NGO / Sakhi Mandal / Bank / DRDA  
(Please tick mark, whichever is applicable)
5. Date of opening SB A/c : \_\_\_\_\_ SB A/c No.: \_\_\_\_\_
6. Total No. of Members \_\_\_\_\_, of whom Male: \_\_\_\_\_, Female: \_\_\_\_\_ members of whom BPL  
(Between 0-16 scale as per socio-economic survey 2002-03) \_\_\_\_\_ members.

**Note: The minimum number of members of each SHG will be 10 and maximum 20**

7. Whether the Group has completed six months of its existence: Yes/No  
(Please note that grading exercise is required to be carried out only if the SHG / Sakhi Mandal has completed minimum six months)

<b>Sr. No.</b>	<b><u>Factors To Be Checked</u></b>	<b>Total Marks</b>	<b>Marks obtained</b>
1.	<b><u>Meetings Conducted</u></b> a. Regular one meeting every month. b. Atleast 5 meetings in the months preceding to the month of grading. c. Less than 5 meetings in the months preceding to the month of grading.	<b>10</b> <b>5</b> <b>0</b>	
2.	<b><u>Average Attendance of the members in the meetings in the months preceding to the month of grading</u></b> a. Average attendance of the members is more than or equal to 80%. b. Average attendance of the members is between 50% to 79%. c. Average attendance of the members is less than 50%.	<b>10</b> <b>5</b> <b>0</b>	
3.	<b><u>Savings pattern of members of Group</u></b> a. 90% and more number of members, on an average, contribute to savings of SHG. b. Between 60% to 89% of members, on an average, contribute to their savings. c. Less than 60% of the members, on an average, contribute to their savings.	<b>20</b> <b>10</b> <b>0</b>	

Sr. No.	<u>Factors To Be Checked</u>	Total Marks	Marks obtained
4.	<p><b><u>Utilization of savings / corpus of the Group for the purpose of internal lending to the members</u></b></p> <p>a. Atleast 75% and more of the savings have been utilized for the purpose of internal lending and minimum of 2 members of the group have been given internal loans.</p> <p>b. Between 50% to 74% of the savings have been utilized for the purpose of internal lending.</p> <p>c. Less than 50% of the savings have been utilized for the purpose of internal lending.</p>	<p><b>20</b></p> <p><b>10</b></p> <p><b>0</b></p>	
5.	<p><b><u>Recoveries of internal loans (Installments of loans and interest on due dates)</u></b></p> <p>a. Recoveries of 90% and above.</p> <p>b. Recoveries between 70% to 89%.</p> <p>c. Recoveries below 70%.</p>	<p><b>20</b></p> <p><b>10</b></p> <p><b>0</b></p>	
6.	<p><b><u>Maintenance of Following Books / Records etc.</u></b></p> <ul style="list-style-type: none"> <li>• Savings and Loan Registers.</li> <li>• Attendance and Minutes Book.</li> <li>• Issue of individual Pass Book by the Group containing both savings and loans.</li> </ul> <p>a. Above Books / Records maintained updated.</p> <p>b. Above Books / Records are partially maintained.</p> <p>c. Above Books / Records are not maintained regularly and hence incomplete.</p>	<p><b>20</b></p> <p><b>10</b></p> <p><b>0</b></p>	
	<b>Rating Scored</b>		
	<b>Minimum Score for linking of Group for Bank finance</b>	<b>60</b>	

**CONCLUSION:** Group is eligible for credit linkage: YES/NO.

Date: \_\_\_\_\_

Signature of Branch Official

Place: \_\_\_\_\_

Name of the Officer: \_\_\_\_\_

**ANNEXURE - B**

**Sponsorship Letter from NGO/SHPI / DRDA/GLPC**

To, \_\_\_\_\_ Ref No: \_\_\_\_\_ Date : \_\_\_\_\_

\_\_\_\_\_  
The Branch Manager,

\_\_\_\_\_ Bank

\_\_\_\_\_ Branch

*Subject:* Linking of SHGs / Sakhi Mandals with bank - Submission of proposals.

Dear Sir,

We forward herewith the loan proposals from the following SHGs / Sakhi Mandals for availing credit facilities from your bank under the SHG-Bank Linkage programme.

Sr. No.	Name of the SHG	No. of members	Loan required
1.			
2.			

Kindly consider the request and do the needful at your earliest.

With regards

Yours faithfully

( \_\_\_\_\_ )

\*To be used when NGO/SHPI/DRDA/GLPC is sponsoring SHGs / Sakhi Mandals loan application to bank for direct linkage.

**ANNEXURE – C**

**Application to be submitted by SHG / Sakhi Mandal to Bank Branch while applying for loan assistance**

Name of the Self Help Group: \_\_\_\_\_ \*Registered: Yes/No

Address: \_\_\_\_\_

Formed/Established on \_\_\_\_\_ \*Registration not Mandatory

\*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,

**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. (date)

**REPAYMENT 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 \_\_\_\_\_ (Date)

<b>Sr.</b>	<b>Particulars</b>	<b>Amount (in Rs.)</b>
1	Savings from Members	_____
2	Revolving Fund from State Govt.	_____
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	_____
	Total:	_____



**ANNEXURE – D**

**Inter-Se Agreement to be Executed by the Members of the Self Help Group  
[TO BE STAMPED AS A GENERAL POWER OF ATTORNEY]**

THIS AGREEMENT made \_\_\_\_\_ this \_\_\_\_\_ day  
of \_\_\_\_\_ 20 \_\_\_\_\_.

BETWEEN

1. Shri/Smt/Kum. \_\_\_\_\_  
Son/Wife/Daughter of \_\_\_\_\_,  
aged \_\_\_\_\_ years, residing at \_\_\_\_\_.
2. Shri/Smt/Kum. \_\_\_\_\_  
Son/Wife/Daughter of \_\_\_\_\_, aged  
\_\_\_\_\_ years, residing at \_\_\_\_\_.
3. Shri/Smt/Kum. \_\_\_\_\_  
Son/Wife/Daughter of \_\_\_\_\_, aged  
\_\_\_\_\_ years, residing at \_\_\_\_\_.

4.

5.

6.

7.

8.

9.

10.

11.

12.

13.

14.

15.

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.

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 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:-

(a) 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. \_\_\_\_\_

(b) 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.

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

(d) 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 place \_\_\_\_\_ and on \_\_\_\_\_ day of \_\_\_\_\_ month \_\_\_\_\_ year first herein appearing.

*Name of member SHG*

*Signature/\* Thumb of the impression*

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.
- 11.
- 12.
- 13.
- 14.
- 15.

WITNESSES:

(1) \_\_\_\_\_

(2) \_\_\_\_\_

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



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.

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 here below 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.

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.

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.

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

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 lendings.

The borrower shall be liable to repay 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  
AUTHORISED REPRESENTATIVE

FOR BANK  
AUTHORISED REPRESENTATIVE (MANAGER)

- 1.
- 2.
- 3.

**ANNEXURE - F**

**Pre-Sanction Cum Appraisal Note for Financing Sakhi Mandal / Self Help Group (SHG)**

1. Name of the Bank : \_\_\_\_\_ Branch: \_\_\_\_\_
2. Name of the inspecting official : \_\_\_\_\_
3. Date of Inspection : \_\_\_\_\_
4. Name of SHG / Sakhi Mandal : \_\_\_\_\_
5. Date of establishment : \_\_\_\_\_
- Date of opening of S.B.A/c : \_\_\_\_\_
  - Saving Bank Account Number: \_\_\_\_\_
  - Present Balance (Rs.): \_\_\_\_\_
6. Whether the Group has completed six months from the date of opening of Bank Account : Yes/No
7. Whether Group is graded : Yes/No
8. No. of Marks obtained : \_\_\_\_\_ (Minimum 60 out of 100)
9. Whether Group has achieved required marks : Yes/No
10. Revolving Fund received : Yes/No
- If yes, date of receipt \_\_\_\_\_ and amount thereof (Rs.) : \_\_\_\_\_

**Assessment Of Credit Limit:**

1. Number of Members in the Group : \_\_\_\_\_
2. Prescribed Monthly amount of Saving per Member : Rs. \_\_\_\_\_
3. Projected Savings for next 3 years (36 months)  
(No. of Members x Monthly Savings x 36) : Rs. \_\_\_\_\_
4. Revolving Fund Received : Rs. \_\_\_\_\_  
(Actual available at the time of grading)
5. Total Corpus (3+4) : Rs. \_\_\_\_\_
6. Total limit to be considered for sanction : Rs. \_\_\_\_\_  
(4 times of Corpus - with a Maximum of Rs.1,00,000/-)
7. Minimum credit limit to be sanctioned : Rs. 50,000/-  
(Provided Revolving fund of Rs.5000/- is already made available)

8. Limit eligible for sanction : Rs. \_\_\_\_\_  
(Limit as per point No.6 or 7 whichever is higher) (Maximum Rs.1,00,000/-)

**Withdrawal Limit:**

- I. The minimum credit limit that will be permitted to be withdrawn by the Group is Rs.50,000/-.
- II. Withdrawal beyond Rs.50,000/- will be permitted on the basis of actual corpus (i.e. actual savings inclusive of revolving fund) multiplied by four and enhancement of the limit (withdrawable amount) may be done as and when requested by the Group, subject to the maximum limit of Rs.1,00,000/- (Rs. One Lakh).

**Documents To Be Obtained :**

- I. D.P. Note
- II. Letter of Continuing Security
- III. Inter-se Agreement (Annexure-III)
- IV. Articles of Agreement (Annexure-IV)
- V. Undertaking having explained the contents in vernacular language

Sanctioned a Cash Credit limit of Rs. \_\_\_\_\_ (Rupees \_\_\_\_\_  
\_\_\_\_\_) with the rate of interest as per Banks policy, subject to guidelines as per RBI  
directive. The limit is to be reviewed every year.

Date : \_\_\_\_\_  
Place : \_\_\_\_\_

Sanctioning Authority  
Branch Manager  
Name: \_\_\_\_\_