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**Circular No: 65(A)/ MCID-04 / 2011-12**

27 March 2012

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

Dear Sir

**SHG2: Revisiting the SHG Bank Linkage Programme**

Characteristic features of Self-Help Groups (SHGs) and the norms for their linkage with banks were first enumerated in the guidelines of NABARD circular dated 26 February 1992. Two decades hence the SHG-Bank Linkage Programme (SHG-BLP) continues to be the mainstay of the Indian microFinance scene with 74 lakh SHGs covering over 10 crore households saving with the formal banking system with savings balance of over Rs. 7, 000 crore as on 31 March 2011. About 49 lakh of these SHGs have also accessed bank credit and have over Rs 31,000 crore as outstanding credit from the banking system. In other words, the SHG-BLP has so far been the most preferred and viable model for financial inclusion of the hitherto unreached poor.

2. However, despite the unique characteristics of SHGs and noteworthy accomplishments, the following issues continue to affect the programme in many areas;

- inadequate outreach in many regions,
- delays in opening of SHG accounts and disbursement of loans,
- impounding of savings by banks as collateral,
- non-approval of repeat loans even when the first loans were repaid promptly,
- multiple membership and borrowings by SHG members within and outside SHGs and
- limited banker interface and monitoring

### 3. Product level changes: SHG2

While the basic tenets of the SHGs being savings led credit product remain true even today (Annexure 1), many recent developments require crucial changes in the approach and design of SHG-BLP to make it more flexible and client friendly. The following guidelines of SHG2 are suggested to enable financing banks to respond to the changing requirements of members of SHGs:

#### 3.1 Allowing voluntary savings:

- a) Presently, SHGs save fixed amounts as compulsory savings in weekly/ fortnightly / monthly meetings.
- b) Growth in rural economy and opportunities like MNREGS and other schemes has positively influenced the SHGs and their member's capacities to save.
- c) While many SHGs and their members have enhanced the amount of compulsory savings over the years<sup>1</sup>; the compulsory savings in the SHGs are often restricted to the lowest savings potential of a member of SHG.
- d) It has been observed that the savings capacity and potential varies across members. Therefore, the concept of voluntary savings by members over and above the compulsory savings provides an opportunity for banks.
- e) It is desirable that such SHG members are encouraged to open individual bank accounts /revive their existing "no frill accounts" by depositing the surplus so as to facilitate them to steadily graduate from community banking to individual banking.
- f) However, until the members of SHGs graduate to the level of opening and maintaining individual bank accounts, there is a need to create a suitable alternate framework within the group. SHG members with greater savings potential may be allowed to park their surplus fund within the group in the form of voluntary savings over and above the compulsory savings mandated in the group and a suitable accounting system may be started in the SHG for this purpose.
- g) Voluntary savings can be reckoned in two ways; (1)not forming a part of the group corpus (2) as a part of group corpus and utilized for intra group lending. In case of (2), it will also be reckoned for assessing the quantum of loan to the group from bank. However, it is desirable that the additional savings by group members does not entitle the concerned members to seek proportionately higher dosage of credit for themselves. The SHGs should have freedom to decide as to whether the voluntary savings by members of the group are eligible for proportionate share in the interest income or dividend from the group.

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<sup>1</sup> eg; Rs 50 per month per member in the first two years raised to Rs 100 per month/ member in year 3-4 and so on.

- h) The suggested approaches of capturing voluntary savings of the members of SHGs need to be introduced with commensurate financial education of SHGs.

## 3.2. Modifications in credit product

### 3.2.1 Purpose of bank loan

Loan granted by the bank to the SHG is purpose neutral as the group decides the purpose for which loan can be given 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) the 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.

### 3.2.2 Cash Credit / overdraft for SHGs

- a) There are instances of non-sanction of repeat loans to SHGs, as also cases of limiting need based credit. Sanction of a **cash credit / overdraft system of lending for SHGs** for a longer operational tenure may therefore be adopted to overcome these issues and to permit SHGs to have larger loans in tune with increasing pooled savings.
- b) This approach will provide considerable flexibility to SHGs in meeting their frequent needs as well as help them in reducing their cost of borrowings.
- c) The loan limit may be sanctioned for a period of three to five years based on the projected savings of the SHGs upto the end of 3 to 5 years, thus avoiding repeated documentation. Drawable limits for each year can however, be fixed within this aggregate ceiling as a multiple of actual pooled savings reached (Annexure 2).
- d) Although the approach has been in operation in certain States and has found reasonable acceptance among the banks and SHG clients, apprehensions are mooted by some that such an approach could drive to financial indiscipline at the SHG level and lead to over-borrowing and potential defaults. The following measures may therefore be adopted:
  - Though the cash credit facility is to be sanctioned by the bank to SHG; the sanction of credit by SHG to its individual members will be guided as per their terms and duration as decided by the groups. This is expected to remain unchanged and thus ensure continuance of financial discipline at the member level.
  - Further, in order to ensure that the financial discipline is maintained between the SHG and the banks, banks may insist for servicing of interest at monthly rests.
  - Besides servicing interest, the bank may also introduce appropriate prudent mechanisms for review and continuance of limit by ensuring that all or part of the principal drawals is repaid in an operational year. Similar to approaches applicable in KCC, the bank could insist that every drawal be repaid within twelve months from the date of drawal or insist for turnover of atleast 25-30% of the principal drawn in the first half of the year while reviewing the operations of the credit limit. (Annexure 2: illustrations).

- Banks approving repeat cycles of cash credit to SHGs may sanction larger credit approvals beyond a multiple of four times of SHG's corpus. These approvals may be done based on the performance review of existing operations, actual growth in SHG's own corpus and the debt servicing history and capacity of SHG.
- In mature SHGs that have been supported with a few cycles of credit; the requirement of credit for purchase of capital assets, etc would increase. This would necessitate that the bank approves a different type of credit accommodation like term loans to these groups in addition to the cash credit limit.

### 3.3 Enabling Joint Liability Groups (JLGs) within SHGs

- A few members of an 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 the SHGs and continue to participate in the activities of SHGs as earlier.
- Banks may encourage creation of such enterprise / livelihood based JLGs as a separate entity. Banks may use financial and other support extended by NABARD for this purpose.
- These JLGs may be created and financed by the bank on the lines of NABARD guidelines on JLGs already in vogue (Ref: Annexure 3) and such financing would be in addition to the loan / credit limit to the SHG.

### 3.4 Improving Risk Mitigation Systems

In order to further strengthen the banker's comfort and confidence in financing of SHGs, a few risk mitigation mechanisms, viz; self-rating tools by SHGs, conduct of audits at SHG level, etc are recommended.

- The self-rating mechanism by SHGs is intended to educate SHG members of their strengths and weakness in an SHG's functioning for initiating corrective action.
- Audit in SHGs is a third party assessment of SHGs' operations while keeping SHGs' own functioning free and flexible. Audit, *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. The audit may be informal in nature, but be made compulsory for credit expansion beyond the normal limit of four times of the savings of SHGs.
- Banks could source SHG-level Business Facilitators (Auditors) from amongst active SHG members or NGOs or other agencies, which promote SHGs, or existing BCs of the bank to enable the audit process in SHGs.

### **3.5 Building second tier institutions**

- a) Experience gathered over the years in promotion and nurturing of SHGs suggests the need for a much longer and sustained hand holding by SHG Promoting Institutions (SHPIs) to ensure SHG's sustainability.
- b) Members of well functioning or active members of SHGs and NGOs or other entities engaged in promotion of SHGs best provide these support services to SHGs. Such entities may be engaged by banks to serve as Business Facilitators for helping the bank monitor the functioning of SHGs and take corrective action.
- c) Besides nurturing SHGs and conducting their audits, they could also facilitate financial literacy, help SHG members' to open individual savings accounts, guide and improve existing livelihoods.

### **4 Strengthening the monitoring mechanism**

RBI and NABARD have reiterated that banks consider lending to SHGs as part of their mainstream operations. Considering the growth in SHG financing already achieved as well as the future potential, it is essential that SHG and JLG financing finds an appropriate place in the bank's corporate and strategic plans. Financing banks should also strengthen their monitoring of SHGs and capture SHG data through their CBS platforms.

### **5 Addressing Training requirements**

Considering the magnitude of training requirements of bank officers both at field level and controlling office level, banks may initiate suitable steps through their training establishments. NABARD would be keen to support and organise Bank specific programmes for branch level staff as also suitable awareness programmes for its middle level / senior officials. Specific requests for the same can be made to our Regional offices.

Yours faithfully

Sd/-

**(S K Mitra)**  
**Executive Director**

## Annexure 1

### Basic features of SHGs

**Size of the SHG:** SHGs are small informal group of 10-20 individuals promoting savings habit among members. However, in hilly tracts / regions and predominantly tribal dominated areas where communities are dispersed, smaller groups of less than 10 are also formed into SHGs. The internal savings mobilised by the group are then lent by it to its members for emergent needs or such purposes as decided by the group.

**Opening of savings bank account:** The SHGs, which are informal and unregistered groups engaged in promoting savings habits among their members would be eligible to open savings bank accounts with banks (Ref: RBI circular letter DBOD. No. BC. 63/13.01.89/92-93 dated 4 January, 1993). These SHGs need not necessarily have availed of credit facilities from banks before opening savings bank accounts.

**Characteristics of the SHG:** Some of the basic characteristics for provision of credit by the bank to the group are 1) should have been in active existence for atleast a period of six months, 2) it should have successfully undertaken savings and credit operations from its own resources 3) should be democratic working, wherein all members feel that they have an equal say and it should be evident 4) the group is maintaining proper accounts/records 5) banker should be convinced that the group has not come into existence only for the availing benefits and there should be genuine need to help each other and work together among the members 6) SHG members should preferably have homogeneous background and interest.

**Margin and Security Norms:** As per the existing operational guidelines, SHGs may be sanctioned savings linked loans by banks (varying from a saving<sup>2</sup> 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. However, the Banks may make the credit decision on the basis of certain objective parameters such as proven track record, savings pattern, recovery rates, credit history, housekeeping, etc.

**Documentation:** Keeping in view the nature of lending and status of borrowers, the banks normally prescribe simple documentation for lending to SHGs. Three basic documents which were prescribed for use of banks were 1) an inter-se agreement to be executed by the members of the SHGs, 2) a loan application to be submitted by SHGs, model loan agreement 3) introductory cum sponsorship letter from NGO/SHPI.

**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 banks financing SHGs provided the SHG has not defaulted to it. However, the bank loan may not be utilized by the SHG for financing a defaulter member to the bank.

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<sup>2</sup> It is also often termed as corpus of the SHG, which, inter alia, include the savings, mobilised by SHG members, the interest earned by inter-lending by the SHG, penalties or such other resources of the SHG. The corpus, which is reckoned as a multiple for loan sanctions should be based on the balances in the books of the SHG and **NOT** balances maintained by SHG with the bank.

## Annexure II

### Example No. 1

#### Fixation of Cash Credit Limit [CCL] and Drawing Power [DP] to SHG

1. 1. Name of the SHG : **Parvati** Svayam Sahayata Samooh [SHG]
2. No. of SHG members : 15
3. Periodicity of meeting and savings : once a month
4. Monthly savings amount of each SHG member : Rs.100/-
5. Total monthly savings by the group : Rs.100 x 15 = Rs.1500/-
6. Projected savings of the group after 3 yrs : Rs.1500 x 36(month) = Rs.54,000/-
7. Four times of saving at the end of 3 years can be sanctioned as CCL : Rs.54,000 x 4(times) = Rs.2,16,000/-
8. Date of formation of SHGs with holding first meeting and saving of the group : 01.07.2008
9. CCL sanctioned after six month on 01.01.2009 for a period of three yrs : **Rs.2,16,000/-**

#### 10. Fixation of Drawing Power [DP] assuming that the group saves regularly

- a] \* **DP for 1st year** from 01.01.2009 to 31.12.2009
  - \* Savings as on 31.12.2008 : Rs.1500 x 6 (month) = Rs,9,000/-
  - \* DP may be **two times** of the corpus : Rs.9000/- x 2(times) = Rs.18,000/-
- b] \* **DP for 2<sup>nd</sup> year** from 01.01.2010 to 31.12.2010
  - \* Savings as on 31.12.2009 : Rs.1500 x 18 (month) = Rs.27,000/-
  - \* DP may be **three times** of the corpus : Rs.27,000 x 3 (times) = Rs.81,000/-
- c] \* **DP for 3<sup>rd</sup> year** from 01.01.2011 to 31.12.2011
  - \* Savings as on 31.12.2010 : Rs.1500 x 30 (months) = Rs.45,000/-
  - \* DP may be **four times** of corpus : Rs.45,000 x 4 (times) = Rs.1,80,000/-

11.

- i. The CCL has been sanctioned **after six months** of formation of SHG. However, many banks sanction CCL even **before six months** of formation of SHGs, based on satisfactory experience about functioning of the group.
- ii. In the instant case exercise, **maximum four times** of projected savings of the group has been considered for sanctioning of CCL and fixation of DP. However, many banks sanction CCL / DP **beyond four times**, of the projected corpus based on their experience and confidence about functioning of the group.
- iii. Though **DP is fixed** for a period of time of **one year**, it may be enhanced on six monthly basis depending upon the requirement of SHG and experience of the bank.

**Annexure II (Example No. 1) continued.....**

**Copy of Ledger Folio – Cash Credit Limit [CCL A/c ]**

**Name of Bank** : xyz RRB                      **CCL limit sanctioned** : Amt Rs 2,16,000/-

**Name of Branch** : ABCpur                      Period: 01.01.2009 to 31.12.2011

**Name of A/c holder** : Parvati SHG                      **Drawing Power** : Amt.Rs.18,000/-

**Account No.** : CCL/54321                      Period :01.01.2009 to 31.12.2009

**Rate of Interest** : 10.00% p.a.

**SB A/c No. if any** : 00000                      **Operation Mode** : Jointly operated by any  
two of 3 office bearers or survivors

Amt in Rs

Date	Particulars	Withd rawal	Deposit	Balance	Dr/ Cr	No. of days	Remark
07.01.2009	To cash	5000	--	5000	Dr	25	
31.01.2009	Int.collection	34	--	5034	Dr	5	Int. for Jan. 2009 collected.
06.02.2009	By cash	--	1500	3534	Dr	17	
23.02.2009	To cash	5000	--	8534	Dr	6	
28.02.2009	Int. collection	37	--	8571	Dr	6	Int. for Feb 2009
07.03.2009	By cash	--	1000	7571	Dr	25	
31.03.2009	Int. collection	66	--	7637	Dr	7	Int. for March 2009
08.04.2009	By cash	--	500	7137	Dr	9	
17.04.2009	To cash	5000	--	12137	Dr	14	
30.04.2009	Int. collection	79	--	12216	Dr	4	Int. for April 2009
05.05.2009	By cash	--	800	11416	Dr	18	
23.05.2009	To cash	3000	--	14416	Dr	9	
31.05.2009	Int. collection	105	--	14521	Dr	6	Int for May 2009
07.06.2009	By cash	--	1200	13321	Dr	24	
30.06.2009	Int. collection	111	--	13432	Dr	6	Int for June 2009
07.07.2009	By cash	--	1000	12432	Dr	10	
17.07.2009	To cash	3500	--	15932	Dr	15	
31.07.2009	Int. collection	122	--	16054	Dr	4	Int. for July 2009
05.08.2009	By cash	--	600	15454	Dr	27	
31.08.2009	Int. collection	132	--	15586	Dr	5	Int for August 2009
06.09.2009	By cash	--	1500	14086	Dr	15	
21.09.2009	To cash	3000	--	17086	Dr	10	

Date	Particulars	Withd rawal	Deposit	Balance	Dr/ Cr	No. of days	Remark
30.09.2009	Int. collection	126	--	17212	Dr	6	Int. for Sept.2009
07.10.2009	By cash	--	2000	15212	Dr	25	
31.10.2009	Int. collection	132	--	15344	Dr	7	Int. for Oct. 2009
08.11.2009	By cash	--	1500	13844	Dr	9	
17.11.2009	To cash	3000	--	16844	Dr	14	
30.11.2009	Int. collection	128	--	16972	Dr	4	Int. for Nov.2009
05.12.2009	By cash	--	500	16472	Dr	27	
31.12.2009	Int. collection	140	--	16612	Dr	--	Int. for Dec.2009

**NB**

- i. There were **regular transaction** in the account during 2009. The operation on limit **never exceeded Drawing Power** during the year and **monthly interest was serviced** in time. As the cash credit limit was found in order during 2009, it is **eligible for renewal** for operation for next year i.e. 2010 with **enhancement of Drawing Power** based on increased corpus of savings mobilized by the Group and increase in comfort and confidence of Bank in dealing with the group.
- ii. Though the **Drawing Power** is fixed for **a full year**, it may be enhanced on six monthly basis depending upon the requirement of SHG and experience of the bank.

**Annexure II (Example No. 1) continued.....**

**Copy of Ledger Folio – Cash Credit Limit [CCL A/c ]**

**Name of Bank** : xyz RRB **CCL limit sanctioned** : Amt Rs 2,16,000/-

**Name of Branch** : ABCpur **Period:** 01.01.2009 to 31.12.2011

**Name of A/c holder** : Parvati SHG **Drawing Power** : Amt.Rs.81,000/-

**Account No.** : CCL/54321 **Period** :01.01.2010 to 31.12.2010

**Rate of Interest** : 10.00% p.a.

**SB A/c No. if any** : 00000 **Operation Mode** : Jointly operated by any two of 3 office bearers or survivors

Amt in Rs

Date	Particulars	Withd rawal	Deposit	Balance	Dr/ Cr	No. of days	Remark
01.01.2010	Bal B / F	--	--	16612	Dr	5	
06.01.2010	By cash	--	2500	14112	Dr	11	.
17.01.2010	To cash	16000	--	30112	Dr	15	
31.01.2010	Int. collection	189	--	30301	Dr	4	Int. for Jan. 2010 collected
05.02.2010	By cash	--	4000	26301	Dr	12	
17.02.2010	To cash	20000	--	46301	Dr	12	
28.02.2010	Int. collection	272	--	46573	Dr	6	Int. for Feb 2010 collected
07.03.2010	By cash	--	1500	45073	Dr	8	
15.03.2010	To cash	18000	--	63073	Dr	17	
31.03.2010	Int. collection	469	--	63542	Dr	5	Int. for March 2010 collected
06.04.2010	By cash	--	3000	60542	Dr	25	
30.04.2010	Int. collection	502	--	61044	Dr	6	Int for April 2010
07.05.2010	By cash	--	2000	59044	Dr	11	
18.05.2010	To cash	15000	--	74044	Dr	14	
31.05.2010	Int. collection	562	--	74606	Dr	7	Int for May 2010 collected
08.06.2010	By cash	--	1500	73106	Dr	9	
17.06.2010	To cash	3000	--	76106	Dr	14	
30.06.2010	Int. collection	615	--	76721	Dr	5	Int. for June 2010 collected
06.07.2010	By cash	--	2500	74221	Dr	12	
18.07.2010	To cash	4000	--	78221	Dr	14	

Date	Particulars	Withd rawal	Deposit	Balance	Dr/ Cr	No. of days	Remark
31.07.2010	Int. collection	649	--	78870	Dr	6	Int for July 2010 collected
07.08.2010	By cash	--	1500	77370	Dr	25	
31.08.2010	Int. collection	656	--	78026	Dr	7	Int. for Aug.2010 collected
08.09.2010	By cash	--	2000	76026	Dr	23	
30.09.2010	Int. collection	629	--	76655	Dr	4	Int. for Sept. 2010 collected
05.10.2010	By cash	--	2500	74155	Dr	27	
31.10.2010	Int. collection	633	--	74788	Dr	5	Int. for Oct.2010 collected
06.11.2010	By cash	--	2000	72788	Dr	11	
17.11.2010	To cash	6000	--	78788	Dr	14	
30.11.2010	Int. collection	624	--	79412	Dr	6	Int. for Nov.2010 collected
07.12.2010	By cash	--	9500	69912	Dr	25	
31.12.2010	Int. collection	609	--	70521	Dr	--	Int. for Dec. 2010 collected

**NB**

1. As the CC Limit was **found in order** during 2009, it **was renewed for 2010** with **enhancement of Drawing Power** to Rs.81,000/-.
2. There were **regular transaction** in the account. The operation on limit **never exceeded Drawing Power** during the year 2010 and monthly interest was serviced in time. As the cash credit limit was **found in order during 2010**, it is **eligible for renewal** for operation for next year i.e. 2011 with enhancement of Drawing Power based on increased corpus of savings mobilized by the Group and increase in comfort and confidence of Bank in dealing with the group.
3. Though the **Drawing Power** is fixed for a **full year**, it may be enhanced on six monthly basis depending upon the requirement of SHG and experience of the bank.

Annexure II (Example No. 1) continued.....

**Copy of Ledger Folio – Cash Credit Limit [CCL A/c ]**

**Name of Bank** : xyz RRB      **CCL limit sanctioned** : Amt Rs 2,16,000/-

**Name of Branch** : ABCpur      Period: 01.01.2009 to 31.12.2011

**Name of A/c holder** : Parvati SHG      **Drawing Power** : Amt.Rs.1,80,000/-

**Account No.** : CCL/54321      Period :01.01.2011 to 31.12.2011

**Rate of Interest** : 10.00% p.a.

**SB A/c No. if any** : 00000      **Operation Mode** : Jointly operated by any two of 3 office bearers or survivors

Amt in Rs

Date	Particulars	Withdra wal	Deposit	Balance	Dr/ Cr	No. of days	Remark
01.01.2011	Bal B / F	--	--	70521	Dr	4	
05.01.2011	By cash	--	22000	48521	Dr	11	.
16.01.2011	To cash	15000	--	63521	Dr	16	
31.01.2011	Int. collection	502	--	64023	Dr	6	Int. for Jan. 2011 collected
07.02.2011	By cash	--	18000	46023	Dr	5	
22.02.2011	To cash	5000	--	51023	Dr	7	
28.02.2011	Int. collection	392	--	51415	Dr	5	Int. for Feb 2011 collected
06.03.2011	By cash	--	15000	36415	Dr	14	
20.03.2011	To cash	25000	--	61415	Dr	12	
31.03.2011	Int. collection	412	--	61827	Dr	4	Int. for March 2011 collected
05.04.2011	By cash	--	10000	51827	Dr	13	
18.04.2011	To cash	40000	--	91827	Dr	13	
30.04.2011	Int. collection	579	--	92406	Dr	5	Int for April 2011 collected
06.05.2011	By cash	--	5000	87406	Dr	15	
21.05.2011	To cash	20000	--	107406	Dr	11	
31.05.2011	Int. collection	809	--	108215	Dr	6	Int for May 2011 collected
07.06.2011	By cash	--	7000	101215	Dr	11	
18.06.2011	To cash	25000	--	126215	Dr	13	
30.06.2011	Int. collection	932	--	127147	Dr	7	Int for June 2011 collected
08.07.2011	By cash	--	4000	123147	Dr	11	
19.07.2011	To cash	20000	--	143147	Dr	13	

Date	Particulars	Withdrawal	Deposit	Balance	Dr/ Cr	No. of days	Remark
31.07.2011	Int. collection	1125	--	144272	Dr	4	Int. for July 2011 collected
05.08.2011	By cash	--	5000	139272	Dr	27	
31.08.2011	Int. collection	1188	--	140460	Dr	5	Int. for August 2011 collected
06.09.2011	By cash	--	6500	133960	Dr	12	
18.09.2011	To cash	25000	--	158960	Dr	13	
30.09.2011	Int. collection	1199	--	160159	Dr	6	Int. for Sept 2011 collected
07.10.2011	By cash	--	15000	145159	Dr	12	
19.10.2011	To cash	10000	--	155159	Dr	13	
31.10.2011	Int. collection	1293	--	156452	Dr	4	Int. for Oct. 2011 collected
05.11.2011	By cash	--	8000	148452	Dr	26	
30.11.2011	Int. collection	1229	--	149681	Dr	5	Int. for Nov.2011 collected
06.12.2011	By cash	--	5000	144681	Dr	11	
17.12.2011	To cash	22000	--	166681	Dr	15	
31.12.2011	Int. collection	1326	--	168007	Dr	--	Int. for Dec.2011 collected

#### NB

- a. As the CC Limit was **found in order** during 2010 it **was renewed for 2011** with **enhancement of Drawing Power** to Rs.1,80,000/-.
- b. There were **regular transaction** in the account. The operation on limit **never exceeded Drawing Power** during the year 2011 and **monthly interest was serviced** in time. As the cash credit limit was **found in order during 2011**, it is **eligible for re sanction** of the limit.
- c. Though the **Drawing Power** is fixed for a **full year**, it may be enhanced on six monthly basis depending upon the requirement of SHG and experience of the bank.

**Annexure II (Example No. 1) continued.....**

**Parvati SHG**

**Month wise Progressive debit and credit in the CCL A/c.**

Amt. Rs.

Month	Debit		Credit		Remark
	During the	Cumulative	During the	Cumulative	
Jan 2009	5034	5034	--	--	
Feb 2009	5037	10071	1500	1500	
Mar 2009	66	10137	1000	2500	
April 2009	5079	15216	500	3000	
May 2009	3105	18321	800	3800	
June 2009	111	18432	1200	5000	
July 2009	3622	22054	1000	6000	
Aug. 2009	132	22186	600	6600	
Sept.2009	3126	25312	1500	8100	
Oct. 2009	132	25444	2000	10100	
Nov.2009	3128	28572	1500	11600	
Dec.2009	140	28712	500	12100	
Jan 2010	16189	44901	2500	14600	
Feb 2010	20272	65173	4000	18600	
Mar 2010	18469	83642	1500	20100	
April 2010	502	84144	3000	23100	
May 2010	15562	99706	2000	25100	
June 2010	3615	103321	1500	26600	
July 2010	4649	107970	2500	29100	
Aug. 2010	656	108626	1500	30600	
Sept.2010	629	109255	2000	32600	
Oct. 2010	633	109888	2500	35100	
Nov.2010	6624	116512	2000	37100	
Dec.2010	609	117121	9500	46600	
Jan 2011	15502	132623	22000	68600	
Feb 2011	5392	138015	18000	86600	
Mar 2011	25412	163427	15000	101600	
April 2011	40579	204006	10000	111600	
May 2011	20809	224815	5000	116600	
June 2011	25932	250747	7000	123600	
July 2011	21125	271872	4000	127600	
Aug. 2011	1188	273060	5000	132600	
Sept.2011	26199	299259	6500	139100	
Oct. 2011	11293	310552	15000	154100	
Nov.2011	1229	311781	8000	162100	
Dec.2011	23326	335107	5000	167100	

## Annexure II continued....

### Example No. 2

#### Fixation of Cash Credit Limit [CCL] and Drawing Power [DP] to SHG

1. Name of the SHG : **Laxmi Svayam Sahayata Samooh (SHG)**
  2. No. of SHG members : 14
  3. Periodicity of meeting : once in a week
  4. Periodicity of meeting and savings : once a month
  5. Monthly savings amount of each SHG member : Rs.100/-
  6. Total monthly savings by the group :  $Rs.100 \times 14 = Rs.1400/-$
  7. Projected savings of the group after 3 yrs :  $Rs.1400 \times 36 \text{ (month)} = Rs.50,400/-$
  8. Four times of saving at the end of 3 yrs which can be sanctioned as CCL :  $Rs.50,400 \times 4 \text{ (times)} = Rs.2,01,600/-$
  9. Date of formation of SHGs with holding first meeting and saving of the group : 01.09.2008
  10. CCL sanctioned after six months on 01.04.2009 for a period of three years : **Rs.2,01,600/-**
  11. **Fixation of Drawing Power [DP] for 1st year** from 01.04.2009 to 31.03.2010
    - \* Savings as on 31.03.2009 :  $Rs.1400 \times 6 \text{ (month)} = Rs,8,400/-$
    - \* DP as two times\* of the corpus :  $Rs.8,400/- \times 2 \text{ (times)} = s.16,800/-$
- \* (as this is the first disbursement even though credit limit has been sanctioned with a multiple of 4)

**Annexure II (Example No. 2 ) continued...**

**Copy of Ledger Folio – Cash Credit Limit [CCL A/c ]**

**Name of Bank** : xyz RRB      **CCL limit sanctioned** : Amt Rs 2,01,600/-

**Name of Branch** : ABCpur      **Period:**01.04.2009 to 31.03.2012

**Name of A/c holder** : Laxmi SHG      **Drawing Power for 1st yr** : Amt.Rs. 16,800/-

**Account No.** : CCL/12345      **Period** :01.04.2009 to 31.03.2010

**Rate of Interest** : 10.00% p.a.

**SB A/c No. if any** : 00000      **Operation Mode** : Jointly operated by any two of 3 office bearers or survivors

Amt in Rs

Date	Particulars	Withd rawal	Deposit	Balance	Dr/ Cr	No. of days	Remark
05.04.2009	To cash	800 0	--	800 0	Dr	12	
17.04.2009	To cash	400 0	--	1200 0	Dr	14	
30.04.2009	Int. Collection	72	--	12072	Dr	6	Int. for April 09 collected
07.05.2009	By cash	--	1400	10672	Dr	11	
18.05.2009	To cash	5000	--	15672	Dr	14	
31.05.2009	Int. collection	112	--	15784	Dr	4	Int. for May 09 collected
05.06.2009	By cash	--	1000	14784	Dr	20	
25.06.2009	By cash	---	500	14284	Dr	6	
30.06.2009	Int. collection	122	--	14406	Dr	11	Int. for June 09 collected
12.07.2009	By cash	--	1400	13006	Dr	20	
31.07.2009	Int. collection	115	--	13121	Dr	8	Int. for July 09 collected
09.08.2009	By cash	--	1100	12021	Dr	12	
21.08.2009	To cash	4000	--	16021	Dr	11	
31.08.2009	Int. collection	117	--	16138	Dr	15	Int. for Aug 09 collected
16.09.2009	By cash	--	500	15638	Dr	15	
30.09.2009	Int. collection	131	--	15769	Dr	6	Int. for Sept 09 collected
07.10.2009	By cash	--	1000	14769	Dr	15	
22.10.2009	By cash	--	800	13969	Dr	10	
31.10.2009	Int. collection	125	--	14094	Dr	5	Int. for Oct 09

Date	Particulars	Withd rawal	Deposit	Balance	Dr/ Cr	No. of days	Remark
							collected
06.11.2009	By cash	--	1000	13094	Dr	7	
13.11.2009	By cash	--	1600	11494	Dr	18	
30.11.2009	Int. collection	101	--	11595	Dr	7	Int. for Nov 09 collected
08.12.2009	By cash	--	1200	10395	Dr	8	
16.12.2009	To cash	5500	--	15895	Dr	16	
31.12.2009	Int. collection	115	--	16010	Dr	4	Int. for Dec 09 collected
05.01.2010	By cash	--	1250	14760	Dr	13	
18.01.2010	By cash	--	800	13960	Dr	14	
31.01.2010	Int. collection	124		14084	Dr	7	Int. for Jan 2010 collected
08.02.2010	By cash	--	1400	12684	Dr	7	
15.02.2010	To cash	3000	--	15684	Dr	14	
28.02.2010	Int. Collection	112		15796	Dr	4	Int. for Feb 2010 collected
05.03.2010	By cash	--	1100	14696	Dr	14	
19.03.2010	To cash	900	--	15596	Dr	13	
31.03.2010	Int. collection	129	--	15725	Dr	--	Int for March 2010 collected

**Review of operation on the Limit during the year (01 April 2009 to 31 March 2010)**

- 1) There were **regular transactions** in the account.
- 2) The operation on limit **never exceeded Drawing Power** during the year
- 3) **Monthly interest was serviced** in time.

As the cash credit limit was found in order during 2009-10, it is **eligible for renewal** for operation for next year i.e. 2010-11 with **enhancement of Drawing Power** based on increased corpus of savings mobilized by the Group and increase in comfort and confidence of the Bank in dealing with the group.

**Fixation of Drawing Power [DP] for 2nd year from 01.04.2010 to 31.03.2011**

- \* Savings as on 31.03.2010 : Rs.1400 x 18 (month) = Rs 25,200/-
- \* DP as three<sup>#</sup> times of the corpus : Rs.25,200/- x 3 (times) = Rs. 75,600/-

# (increased to 3 times as operation of the SHG were found to be satisfactory)

**Annexure II (Example No. 2 ) continued....**

**Copy of Ledger Folio – Cash Credit Limit [CCL A/c ]**

**Name of Bank** : xyz RRB                      **CCL limit sanctioned** : Amt Rs 2,01,600/-

**Name of Branch** : ABCpur                      Period:01.04.2009 to 31.03.2012

**Name of A/c holder** : Laxmi SHG                      **Drawing Power for IInd yr** : Amt.Rs. 75,600/-

**Account No.** : CCL/12345                      Period :01.04.2010 to 31.03.2011

**Rate of Interest** : 10.00% p.a.

**SB A/c No. if any** : 00000                      **Operation Mode** : Jointly operated by any two of 3 office bearers or survivors

Amt in Rs

Date	Particulars	Withd rawal	Deposit	Balance	Dr/ Cr	No. of days	Remark
01.04.2010	Balance B/F	--	--	15725	Dr	4	
05.04.2010	By cash	--	2000	13725	Dr	26	
30.04.2010	Int. Collection	115	--	13840	Dr	6	Int. for April 2010 collected
07.05.2010	By cash	--	1200	12640	Dr	15	
22.05.2010	To cash	25000	--	37640	Dr	10	
31.05.2010	Int. collection	178	--	37818	Dr	5	Int. for May 2010 collected
06.06.2010	By cash	--	2000	35818	Dr	11	
17.06.2010	To cash	10000	--	45818	Dr	6	
23.06.2010	To cash	5000	--	50818	Dr	8	
30.06.2010	Int. collection	346	--	51164	Dr	7	Int. for June 2010 collected
08.07.2010	By cash	--	3600	47564	Dr	11	
19.07.2010	To cash	12000	--	59564	Dr	13	
31.07.2010	Int. collection	454	--	60018	Dr	9	Int. for July 2010 collected
10.08.2010	By cash	--	4100	55918	Dr	7	
17.08.2010	To cash	9000	--	64918	Dr	15	
31.08.2010	Int. collection	522	--	65440	Dr	4	Int. for Aug 2010 collected

Date	Particulars	Withd rawal	Deposit	Balance	Dr/ Cr	No. of days	Remark
05.09.2010	By cash	--	3700	61740	Dr	9	
14.09.2010	To cash	10000	--	71740	Dr	17	
30.09.2010	Int. collection	558	--	72298	Dr	7	Int. for Sept 2010 collected
08.10.2010	By cash	--	4000	68298	Dr	13	
21.10.2010	To cash	5000	--	73298	Dr	11	
31.10.2010	Int. collection	603	--	73901	Dr	6	Int. for Oct 2010 collected
07.11.2010	By cash	--	8500	65401	Dr	12	
19.11.2010	To cash	6000	--	71401	Dr	12	
30.11.2010	Int. collection	571	--	71972	Dr	6	Int. for Nov 2010 collected
07.12.2010	By cash	--	7000	64972	Dr	14	
21.12.2010	To cash	5000	--	69972	Dr	11	
31.12.2010	Int. collection	578	--	70550	Dr	4	Int. for Dec 2010 collected
05.01.2011	By cash	--	4000	66550	Dr	12	
17.01.2011	To cash	7000	--	73550	Dr	15	
31.01.2011	Int. collection	598	--	74148	Dr	5	Int. for Jan 2011 collected
06.02.2011	By cash	--	6500	67648	Dr	16	
22.02.2011	To cash	4000	--	71648	Dr	7	
28.02.2011	Int. Collection	535	--	72183	Dr	7	Int. for Feb 2011 collected
08.03.2011	By cash	--	8400	63783	Dr	8	
16.03.2011	To cash	7500	--	71283	Dr	16	
31.03.2011	Int. collection	591	--	71874	Dr	--	Int for March 2011 collected

## **Review of operation on the Limit during the year (01 April 2010 to 31 March 2011)**

An established Sound Credit History was found with

- 1) Large Turn-over
- 2) Regular servicing of interest
- 3) Increased savings and corpus by SHG members. Members had increased per month saving from Rs 100/- to Rs 150/- from 01 October, 2010.
- 4) Five out of fourteen members in the group had opened individual accounts with bank branch and maintaining them properly.

The cash credit limit was found in order during 20010-11, and was eligible for renewal for operation for next year i.e. 2011-12 with enhancement of Drawing Power with in sanctioned limit.

However, the Bank, in view of established sound credit history and increased credit requirement of the SHG, agreed to re-sanction higher Credit Limit and Drawing Power for the SHG

## **Fixation of Credit Limit for three years ( 01 April, 2011 to 31 March, 2014 )**

- a) Savings as on 31.03.2011 : Rs.46,200/-
- b) Projected savings of the group after  
2 yrs ( Rs.46,200 + Rs.2,100 \* 24 months) : Rs.96,600/-
- c) CCL sanctioned as **ten times** of  
projected saving : Rs.9,66,000/-

## **Fixation of Drawing Power (DP) for the year from 01.04.2011 to 31.03.2012**

\* Savings as on 31.03.2011 : Rs.46,200/-

\* DP as **six times** of the corpus : Rs.2,77,200/-

**Annexure II (Example No. 2 ) continued....**

**Laxmi SHG**

**Month wise Progressive debit and credit in the CCL A/c.**

Amt. Rs.

Month	Debit		Credit		Remark
	During the month	Cumulative	During the month	Cumulative	
<b>2009-10</b>					
April 2009	12072	12072	--	--	
May 2009	5112	17184	1400	1400	
June 2009	122	17306	1500	2900	
July 2009	115	17421	1400	4300	
Aug. 2009	4117	21538	1100	5400	
Sept.2009	131	21669	500	5900	
Oct. 2009	125	21794	1800	7700	
Nov.2009	101	21895	2600	10300	
Dec.2009	5615	27510	1200	11500	
Jan 2010	124	27634	2050	13550	
Feb 2010	3112	30746	1400	14950	
Mar 2010	1029	31775	1100	16050	
<b>2010-11</b>					
April 2010	115	31890	2000	18050	
May 2010	25178	57068	1200	19250	
June 2010	15346	72414	2000	21250	
July 2010	12454	84868	3600	24850	
Aug. 2010	9522	94390	4100	28950	
Sept.2010	10558	104948	3700	32650	
Oct. 2010	5603	110551	4000	36650	
Nov.2010	6571	117122	8500	45150	
Dec.2010	5578	122700	7000	52150	
Jan 2011	7598	130298	4000	56150	
Feb 2011	4535	134833	6500	62650	
March 2011	8091	142924	8400	71050	