



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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RBI/2024-25/05

FIDD.CO.FID.BC.No.1/12.01.033/2024-25

April 01, 2024

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 March 31, 2024, as indicated in the [Appendix](#).

Yours faithfully

(Nisha Nambiar)

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

The SHGs, registered or unregistered, which are engaged in promoting savings habit 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 on simplified Customer Due Diligence (CDD) applicable to SHGs as prescribed in Chapter VI of the [Master Direction - Know Your Customer \(KYC\) Direction, 2016](#) (as updated from time to time) shall be adhered to.

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.

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, subject to regulatory guidelines on interest rate on advances contained in Master Direction - Reserve Bank of India (Interest Rate on Advances) Directions, 2016 issued vide [DBR.Dir.No.85/13.03.00/2015-16 dated March 3, 2016](#), as amended from time to time".

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

Loans to SHGs are allowed to be classified under Priority Sector Lending (PSL) under the respective categories viz Agriculture, MSME, Social Infrastructure and others, subject to extant guidelines of Master Directions – Priority Sector Lending (PSL) – Targets and Classification issued vide [Master Directions FIDD.CO.Plan.BC.5/04.09.01/2020-21 dated September 4, 2020](#), as amended from time to time.

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 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](#).

Appendix

List of Circulars consolidated in the Master Circular

| Sr. No. | Circular No. | Date | Subject |
|---------|---|---|---|
| 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. | RPCD.PI.BC/12/04.09.22/98-99 | July 24, 1998 | Linking of Self Help Groups with Banks |
| 4. | RPCD.No.PLAN.BC.94/04.09.01/98-99 | April 24, 1999 | Loans to Micro Credit Organizations- Rates of Interest |
| 5. | RPCD.PL.BC.28/04.09.22/99-2000 | September 30, 1999 | Credit delivery through Micro Credit Organizations/ Self Help Groups |
| 6. | RPCD.No.PL.BC.62/04.09.01/99-2000 | February 18, 2000 | Micro credit |
| 7. | RPCD.No.Plan.BC.42/04.09.22/2003-04 | November 03, 2003 | Micro Finance |
| 8. | RPCD No.Plan.BC.61/04.09.22/2003-04 | January 09, 2004 | Credit flow to the unorganized sector |
| 9. | RBI/385/2004-05, RPCD.No.Plan.BC.84/04.09.22/2004-05 | March 03, 2005 | Submitting progress report under micro credit |
| 10. | RBI/2006-07/441 RPCD.CO.MFFI.BC.No.103/12.01.01/2006-07 | June 20, 2007 | Microfinance-Submission of progress reports |
| 11. | RPCD.MFFI.BC.No.56/12.01.001/2007-08 | April 15, 2008 | Total Financial inclusion and Credit Requirement of SHGs. |
| 12. | FIDD.FID.BC.No.56/12.01.033/2014-15 | May 21, 2015 | SHG-Bank Linkage Programme – Revision of progress reports |
| 13. | RBI/2015-16/291 DBR.CID.BC.No.73/20.16.56/2015-16 | January 14, 2016 | Credit information reporting in respect of Self Help Group (SHG) members |
| 14. | Master Direction DBR.AML.BC.No.81/14.01.001/2015-16 | February 25, 2016 (Updated as on January 04, 2024) | Master Direction - Know Your Customer (KYC) Direction, 2016 |
| 15. | Master Direction DBR.Dir.No.84/13.03.00/2015-16 | March 03, 2016 (Updated as on October 26, 2023) | Master Direction - Reserve Bank of India (Interest Rate on Deposits) Directions, 2016 |
| 16. | Master Direction DBR.Dir.No.85/13.03.00/2015-16 | March 03, 2016 (Updated as on September 12, 2023) | Master Direction - Reserve Bank of India (Interest Rate on Advances) Directions, 2016 |

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| 17. | <u>RBI/2015-16/424 DBR.CID.BC.No.104/20 .16.56/2015-16</u> | June 16, 2016 | Credit Information Reporting in respect of Self Help Group (SHG) members |
| 18. | <u>FIDD.FLC.BC.No.22/12 .01.018/2016-17</u> | March 02, 2017 | Financial Literacy by FLCs and rural branches – Policy review |
| 19. | <u>Master Directions FIDD.CO.Plan.BC.5/04. 09.01/2020-21</u> | September 4, 2020 (Updated as on July 27, 2023) | Master Directions – Priority Sector Lending (PSL) – Targets and Classification |