Sub: Strengthening SHG Bank linkage – remedial action to deal with specific issues.

Enabling smooth flow of credit from banks to SHGs is an important strategy to ensure financial inclusion of SHGs. NRLM bank linkage portal (URL: http://www.nrlmmb.aajeevika.gov.in/) provides data directly from CBS of banks. More than 18 reports placed on the portal enable all SRLMs as well as banks to monitor key aspects of Bank linkage achievement, potential default etc so that SRLMs can review the progress of credit delivery as well as repayment effectively. The portal also is an effective tool to implement Interest subvention scheme in cat-2 districts.

During field visits and based on the analysis of data shared by banks several issues impeding the progress of SHG Bank linkage across various states have been observed which are discussed below:

1. **Non renewal of loans under Cash Credit Limit (CCL)**

   As SRLMs are aware, CCL is sanctioned for a period (usually 3 years). Every year, at stipulated periodicity, CCL will have to be renewed by the branch manager without the SHG having to apply or submit fresh documentation. Post renewal, SHGs will have access to higher loan amount. However, it is seen that field functionaries and SHGs are not aware of this fact and banks are also not renewing/ sanctioning fresh limits. In such cases, SHGs are not able to access repeat finance or higher credit limit even though they have promptly repaid.

   - **Action to be taken:**
     i. For details of SHGs whose CC a/c has not been renewed, SRLMs may see reports R2.1 & R2.2 loan outstanding & delinquency (drill down to SHG level) on the Bank Linkage Portal. All SHGs (issued CC - Refer Loan Type under col no 10 of R2.2) with 'Loan Amount' reflecting as '0' or 'Loan Amount' less than the amount specified for each dose (based on date of Loan issue) are SHGs where CC a/c review and renewal is pending.
     ii. SRLM should compile bank branch wise list of SHGs whose review and renewal of CCL is pending; take up with respective banks & branches to ensure renewal & enhancement of loan limit as well as ensure disbursement of the enhanced amount to respective SHGs.

2. **Loan size less than Rs 50000**

   As per the Master Circular on NRLM issued by RBI and NABARD dtd 27 June 2013 (Ref. RPCD. GSSD. CO. No 81 / 09.01.03/2012-13) the first bank linkage to SHGs should be “4-8 times to the proposed corpus during the year or Rs. 50000 whichever is higher”. It is observed that the loan amount sanctioned to SHGs by certain Bank branches ranges from Rs. 8,000 – Rs 25000 only. Given that each SHG has 10+ members, such a low amount would not serve much
purpose besides making the documentation, visits to branches etc cumbersome and counter productive.

- **Action to be taken:**
  i. SRLMs may see **R2.1 & R2.2** (loan outstanding & delinquency report) *(drill down to SHG level)* in the NRLM Bank Linkage Portal to view details of SHGs which were given less than Rs 50,000 as loan.
  ii. SRLM are advised to compile *bank branch wise list of SHGs with ‘Loan Amount’ less than Rs 50,000*, and take up with respective banks to ensure that the loan amount sanctioned to SHGs are as mandated under the master circular on NRLM.
  iii. Wherever outstanding loan amount is low in proportion to the total loan amount sanctioned (even without any overdue amount), SRLMs should make efforts to ensure *repayment of the full amount by SHGs and facilitate issue of next higher dose of loan*.

3. **Non disbursement of sanctioned loan**

In several instances, even after sanction of loan (particularly under Cash Credit Limit) SHGs have not been disbursed the loan amount.

- **Action to be taken:**
  i. For details of SHGs who have not been disbursed loan amount, SRLMs may refer to the reports **R2.1 & R2.2** loan delinquency reports *(drill down to SHG level)* on the Bank Linkage Portal. All SHGs with ‘Loan Outstanding’ reflecting as ‘0’ are SHGs where either disbursements have not taken place or the SHGs may have repaid the entire amount but have not been sanctioned the next dose of loan with higher amount.
  ii. SRLM should compile bank branch wise list of such SHGs, prepare a time bound plan for disbursement of loan. SRLMs should involve SLBC sub committee and monitor the progress of disbursement closely.

4. **Dealing with NPAs**

Certain SHGs have defaulted on loans issued by banks, of which, in certain cases defaulted amount is very small. *In such cases, default could be presumed to be due to lack of information with SHGs on actual amount to be repaid rather than default.* NRLM is committed towards reducing NPA and adopting a ‘Zero NPA policy’ for SHGs.

Action to be taken:

i. For details of SHGs who have overdues or defaulted on repayments, SRLMs may refer to the reports **R2.1 & R2.2** *(Bank wise & Geography wise loan delinquency report)* *(drill down to SHG level)* on the Bank Linkage Portal. All SHGs with overdue amount *(Refer overdue in column no 11 of R2.2)* or ‘Loan Outstanding’ *(col no 9 of R2.2)* more than ‘Loan Amount’ sanctioned *(col no 7)* are SHGs who have defaulted on repayments. A detailed statement of account for each defaulting SHGs is available on the portal. The same is available under respective State / District logins → **A/C search** option.

ii. SRLMs should make arrangements to take printout of Statement of Account for the loan account and share with the respective SHG.
Wherever the overdue amount is less than Rs 5000, SHGs should be facilitated/followed up to repay the amount to banks. For such SHGs, repeat linkage should also be ensured after repayment of the earlier loan.

Wherever overdue amount is more than Rs 5000, negotiation between the branch manager and SHG may be facilitated to reschedule the loan on part payment of the overdue amount. Subsequently necessary follow-up should be done to ensure repayment as per the revised schedule.

5. **Prompt Payment & Interest Subvention to Women SHGs**

It is also observed that many SHGs are not able to derive any benefit from interest subvention scheme due to non-adherence to the clause for prompt repayment. It is thus important to ensure prompt repayment by SHGs. The definition of prompt repayment as per the detailed guidelines on interest subvention is extracted below:

“For Cash Credit Limit:
- i. Outstanding balance shall not have remained in excess of the limit/drawing power continuously for more than 30 days.
- ii. There should be regular credit and debits in the accounts. In any case there shall be at least one customer induced credit during a month.
- iii. Customer induced credit should be sufficient to cover the interest debited during the month.

For the Term loans:
A term loan account where all of the interest payments and/or instalments of principal were paid within 30 days of the due date during the tenure of the loan, would be considered as an account having prompt payment”

Action to be taken:
- i. For month wise details on eligibility of SHGs, SRLM may refer to detailed statement of account for each SHG available on the portal. The same is available under respective State/District logins → A/C search option.
- ii. SRLMs should take up a campaign to raise the awareness of SHGs on the prompt repayment so that they can avail the benefit created under IS scheme.

General

SRLM are hereby requested to prepare a detailed implementation plan and build capacities of staff at all levels to analyse and effectively act on the points mentioned above. This Ministry may be updated on the progress on monthly basis.

A copy of this OM is placed at http://aajeevika.gov.in/.

Yours Sincerely

(T Vijay Kumar)

Principal Secretary (RD) & Mission Director of all SRLMs