

## **Loan related Documents requirements:**

- (a) Resolution passed by the group for applying the loan
- (b) SHG loan documents (SHG 1- 6- To be obtained from Branch)
- (c) Basic records to be submitted to Branch for verification Viz. General Ledger, Minutes Book, Attendance register, Pass Book, Loan ledger.
- (d) Grading sheet (if any) by Sponsors like State Lively hood mission, NGOs etc.
- (e) Sponsor letter for recommending loan from Sponsors (if any)

## **Frequently Asked Questions (FAQs) in SHG Bank Linkage**

### **Q.1: - Whether no dues/no objection certificate is required for obtaining Bank loan?**

SHGs are not required to obtain No dues/no objection certificate for Bank loan.

### **Q.2: - What are the eligibility criteria for the SHG to avail Bank loan?**

The following conditions should be fulfilled for availing bank loan:-

- The SHG should be in active existence at least since the last for 6 months as per the Books of account of SHG and not from the date of opening of SB account.
- SHG should be practicing Panchasutras i.e. Regular Meetings, Regular savings, regular inter-lending, Timely repayment and up-to date books of accounts.
- Qualified as per the Grading norms fixed by NABARD.

### **Q.3: - Whether KYC of all members of SHG is required at the time of availing loan from the Bank?**

KYC verification of all the members in the SHG can be made by the banks at the time of credit linking of SHGs.

### **Q. 4: - Whether opening of accounts of all members of SHG is required at the time of credit Linkage?**

Opening of saving accounts of all the members of the SHG shall not be made a prerequisite for credit linkage of SHGs by the banks.

### **Q.5: - If the existing defunct SHGs are also eligible for Bank loan?**

The existing defunct SHGs are also eligible for credit if they are revived and continue to be active for a minimum period of three months.

### **Q.6:- What is the margin and collateral security required for Bank loan?**

No margin or collateral is required up to Rs. 10.00 lakh limits to the SHGs. For loans above Rs.10.00 lakhs and upto Rs.20.00 lakhs, no collateral will be charged and no lien will be marked against savings bank account of SHGs. However, the entire loan (irrespective of the loan outstanding, even if it subsequently goes below Rs.10.00 lakh) would be eligible for coverage under Credit Guarantee Fund for Micro Units (CGFMU).

**Q.7: -Whether Bank can mark lien or block saving Bank account of the SHG while making finance to the SHGs?**

Bank cannot mark lien against Saving Bank account of the SHG and no deposits can be insisted upon while sanctioning loan.

**Q. 8: -Can branch deduct/debit amount (either from loan or saving) of the SHG if spouse of members are defaulter of earlier schemes?**

Branch cannot debit SHG account either savings or loan if the spouse of any member is defaulter of earlier schemes.

**Q.9: - What are the processing charges and service charges of the Banks for SHG loans?**

No loan related charges/ad hoc services charges/inspection charges should be levied for loan up to **Rs. 25,000 per member** for the loans to the SHG.

**Q.10: - What constitutes the Corpus of the SHG?**

As shown in the books of the SHG, Corpus of the SHG includes:-

- Savings of the members
- Interest earnings by SHG from on lending to its members
- Revolving Fund
- Income from other sources
- Funds from other sources including donations

**Q.11: - Can earlier loan defaulters be members of the SHGs?**

Members who have availed loans earlier from the financial system and could not repay their dues can be admitted as a members of the SHG but they cannot avail any loan from SHG out of the Bank Finance.

**Q.12: - Can such SHGs having defaulters as members avail loan from the Banks?**

Willful defaulters of the group should not get benefits under DAY-NRLM Scheme and group may be financed excluding such defaulters. The bank will finance on the basis of the loan requirement of other SHG members who are not willful defaulters.

**Q.13: - Can bank deny loan to the SHG if spouse or any other member of the family is defaulters of the Bank.**

Banks should not deny loan to entire SHG on the pretext that spouse or other family members of individual members of SHG being a defaulter with the Bank. Non willful defaulters should not be debarred from receiving the loan.

**Q. 14: - Will SHG be able to raise only one type of loan i.e. either Term Loan or CCL?**

SHGs can avail **Term Loan or CCL or both** as per their requirement. In case of need, additional loan can be sanctioned even though the previous loan is outstanding.

**Q. 15. Is it essential for the SHG to deposit entire saving in the bank to avail Bank Loan?**

No Bank will not insist on depositing Savings of the members in the Bank or take Savings as Collateral.

**Q.16: - Is it mandatory for the SHG to avail loan from the bank for the productive purposes only?**

The loans may be used by the members for meeting social needs, high cost debt swapping, construction or repair of house, construction of toilets and taking up sustainable livelihood activities by the individual members within the SHG or to finance any viable common activity started by the SHGs.

**Q. 17: - What is the amount of stamp duty to be charged by the banks for loans to SHGs?**

Stamp duty is under State jurisdiction and can be clarified by the State with the help of the SLBC. In most of the states, stamp duty on loan documents for the SHGs has been waived. States can take the matter at the appropriate level for exemption of stamp duty.

**Q. 18: - Is there any penal interest charges by the bank on SHG loan accounts?**

There is no penal interest for loan up to **Rs. 25000/- per member** as loans to SHGs are considered as Loans to Weaker Section under Priority Sector.

**Q.19: -Can loan Pass Book be issued to the SHGs by the Banks?**

Loan Pass Books in the Regional Languages may be issued to the SHG which may contain all the details of the loan disbursed and terms and conditions applicable to the loan sanctioned.

**Q.20: -Can a Bank sanction more than Rs. One lakh loan to the SHG in the First Year/First Dose?**

Drawing Power for the first year in case of Cash Credit Limit is 6 times of the existing corpus with maximum of Rs.4.00 Lakhs.