

**Guidance note for SHG validation for SHG-Bank linkage database for providing interest subvention to SHGs**

The rural poor need credit at low rate of interest and in multiple doses to make their ventures economically viable. In order to ensure affordable credit, NRLM has a provision for subsidy on interest rate above 7% per annum for all eligible SHGs, who have availed loans from mainstream financial institutions. It is also worth mentioning that, as per the provisions under the interest subvention scheme, for the 150 selected districts in the country; all women SHGs will be eligible for interest subvention irrespective of 'NRLM Compliance'. Out of this 150 districts, 4 districts from Assam will be incorporated (list of 4 districts will be notified shortly). For purpose of rolling out the interest subvention, there is an urgent need to create SHG-Bank linkage database. The processes and steps involved in creating the database are detailed hereunder.

**Validation of SHGs and labeling the SHGs as NRLM compliant**

All the blocks need to carry out an intensive exercise to validate all the women SHGs and label them as 'NRLM Compliant'. The format for the collection of data has already been sent vide letter no. ASRLMS/MIS/258/2013-14/14 dtd. 01/10/13. This is to be used by the team to validate the SHGs. All the information which is common for both Banks and 'MIS data entry format' must be matched. The following are the mandatory fields required for the database for interest subvention:

1. Name of SHG (to be matched with Bank Data)
2. Names of members (from field validation)
3. Social category and poverty status (BPL/APL or as per PIP wherever process has been conducted) of members (from field validation)
4. Whether NRLM compliant (from field validation)
5. Name of promoter/SHPI (from field validation) (details of WSHG programme of NABARD to be separately recorded)(SHPI- Self Help Promoting Institute)
6. Bank branch code of SHG
7. IFS code
8. Village ( to be matched with Bank Data)
9. Gram Panchayat (to be matched with Bank Data)
10. Block (to be matched with Bank Data)
11. District (to be matched with Bank Data)
12. SB account no. of SHG (to be matched with Bank Data)
13. Loan account no. of SHG (to be matched with Bank Data)
14. EMI
15. Interest rate (to be matched with Bank Data)
16. Capital Subsidy if received **under SGSY** for current loan (to be matched with Bank Data)

**Criteria for labeling SHGs as 'NRLM Compliant':**

- Women SHGs have membership from at least 70% BPL families
- All women SHGs having members from households identified as poor through the PIP process conducted by ASRLMS/NGOs/ Line departments subjected to the PIP list being vetted by the Gram Sabha and approved by the Gram Panchayat (The detail of PIP process and formats will be circulated shortly) can be labeled as 'NRLM Compliant'.

**Field level tasks of profiling and validating SHGs:**

All the blocks/districts should have a strategy and plan to complete the validation process as early as possible. Based on validation and priority for disbursement of interest subvention, broadly there will be four categories of SHGs:

- a) **SHGs promoted under SGSY and NRLM** (NRLM- in case of Intensive Blocks)
- b) **SHGs promoted under home grown models:** SHGs promoted within bilateral projects; SHGs promoted by reputed NGOs and SHPIs (Self Help Promoting Institutions) including Govt. Departments/agencies and NABARD
- c) **SHGs without identifiable promoter:** self-promoted SHGs; SHGs directly facilitated by Banks
- d) **SHGs promoted by Co-operative Banks**

It is desirable that blocks undertake validation and entry of all live SHGs first, so that the process of interest subvention can commence as soon as possible.

[SHGs with transaction in the SB, or loan A/c in last three month may be deemed to be live]

The process of gathering information and validation of SHGs in each category are as under:

**a) SHGs promoted under SGSY and NRLM:**

- ⊙ All SHGs promoted by ASRLMS in the resource blocks and intensive blocks.
- ⊙ In Intensive Blocks/Resource Blocks, Block Project Manager (BPM) shall obtain the full list of **all women** SHGs promoted under SGSY. All such SHGs would be automatically treated as 'NRLM compliant'. These may be taken from the department/DRDAs/Block office. The details of these SHGs need to be correlated/matched with the reports received from Banks and in all cases where the SGSY SHGs are seen to have outstanding loan (without Capital Subsidy) they will be deemed to be eligible for interest subvention. After obtaining the list of SHGs, field validation shall be done for other necessary information and authentication. The SHGs that have already been revived/verified and authenticated, validation exercise at field level need not be carried out.
- ⊙ In Non-Intensive Blocks, all the blocks must have all the information for each and every SHGs that have been promoted under SGSY. So, validation exercise to be carried out for all women SHGs for authenticity.
- ⊙ In case the details of SHGs are not readily available with the Block Office/DRDAs, collection of information of SHGs from NGOs/ other SHPIs engaged **under SGSY** for promotion of SHGs shall be as follows.
  - a. Intensive Blocks : BPMs
  - b. Non-Intensive Blocks-Intensive Districts : DPMs & PDs
  - c. Non-Intensive Blocks- Non-Intensive Districts : BDOs & PDs
- ⊙ A meeting of the promoters may be organized by BPM/DPM/PD at District/Block level (as per convenience) and the key features of NRLM, assistance available to SHGs and eligibility criteria may be explained to them.
- ⊙ The promoters will be required to share the profile of the functional and exclusive women SHGs formed by respective SHPIs. *(For Profiling of SHGs, the template for Transitory MIS to be used to maintain consistency)*. The details of these SHGs will be correlated/matched with the bank wise reports received from Banks. Block officials (Non-Intensive)/ASRLMS professionals (Intensive) will do validation of profile information provided by SHPIs. The eligible SHGs will get applicable interest subvention.
- ⊙ SHGs who have capital subsidy linked outstanding credit will not be eligible for interest subvention. However, for any subsequent loans availed by the SHG without any capital subsidy, such loans will be eligible for interest subvention.

**b) SHGs promoted under home grown models**

- ⊙ A district/block level consultation may be held with the promoters who have conducted PIP exercise. They may be briefed about the opportunities for availing of interest subvention and the conditions for NRLM compliance that will make SHGs eligible to be assisted, as well as the procedures to be followed for labeling SHGs as 'NRLM Compliant' including endorsement by the Gram Sabha. NGOs/ SHPIs who have conducted the PIP but did not seek endorsement of the PIP list from the Gram Sabha are required to take necessary approval of Gram Sabha. They should also be briefed on the details of information that will be required to be placed in the gram sabha for endorsement of PIP list and SHGs viz - SHG name, SB Account number, member details, whether participatory identification exercises to determine poverty were undertaken, poverty category of each members (as per PIP) for endorsement of Gram Sabha. All identified NGOs/ SHPIs may be asked to prepare a list of existing functional SHGs promoted/ facilitated by them block wise/ gram Panchayat wise. Once the details of NGOs/ SHPIs willing to participate in the Gram Sabha for validation of the PIPs are finalized, they may be circulated to concerned districts for follow up action to hold the Gram sabhas.
- ⊙ Since the Gram Sabha would have to be held in many panchayats, it would be advisable for PDs/DPMs/BPMs to collaborate with the department of Panchayati Raj in the district/block for issue of instructions on conduct of gram sabha in all concerned gram panchayats. The Panchayat leadership would have to be informed about the reason for holding the gram sabha and the decisions to be taken therein. The validation report to be submitted to the gram sabha by the SHPI would need to be provided

either to the Secretary/gram sewak or to the BDO. After endorsement by the gram sabha the decision on validation would need to be communicated in prescribed format to the Panchayat office and the block office.

- ⊙ A district level advisory committee involving – DDM-NABARD, LDM, identified NGO representatives, BDOs and DPM (in Intensive districts) under the overall chairmanship of Deputy Commissioner may be constituted for supervising the entire exercise in the district.
- ⊙ Once the endorsement of the gram sabha vis-a-vis the PIP has been received, detailed profile of these SHGs may be compiled district wise, gram Panchayat wise (in the transitory format) and labeled as 'NRLM Compliant'.
- ⊙ The details of these SHGs will be correlated/matched with the reports received from banks and eligible SHGs may be disbursed applicable interest subvention.
- ⊙ If there are outstanding SHG loans without any capital subsidy, such loans will be eligible for interest subvention. If an SHG has availed capital subsidy, they will become eligible for interest subsidy only after the loan with the capital subsidy component has been fully repaid. For SHGs eligible for interest subvention, ASRLMS will credit the due amount directly to the loan a/c of SHGs through NEFT.

There may be cases where the SHGs of the poor have been formed without going through prior PIP processes. These may be treated on par with SHGs without identifiable promoter and the processes prescribed therein may be adopted in the case of such SHGs.

**c) SHGs without identifiable promoter**

- ⊙ During different interventions, if such SHGs observed in the field, PIP list can be checked to label them as "NRLM Compliant" or PIP exercise can be done for labeling them as NRLM Compliant.
- ⊙ All women SHGs with minimum 70% members from poor families (even if they are not included in the BPL list) can be labeled as 'NRLM Compliant', subject to their having undertaken the Participatory Identification of Poor (PIP) process.
- ⊙ The district level coordination committee will make necessary arrangements for conduct of gram sabha in the concerned panchayats to label the SHGs whether it is "NRLM Compliant" or not. If special gram sabhas are to be called for the purpose, necessary instructions will have to be issued.
- ⊙ The PD/DPM/BPM/BDO will coordinate with the Gram Panchayats for organizing special gram sabhas in the concerned panchayats in the manner described earlier.

**Steps for endorsement of SHGs with members identified through PIP**

- ⊙ PD/DPM/BDO/BPM to coordinate with Department of Panchyati Raj to issue necessary instructions to GP to hold special Gram Sabha.
- ⊙ BDO/BPM shall submit the filled up format (3 Copies) 'Endorsement of SHG by Gram Panchayat' for each SHG to the Gram Panchayat at least 7 days before the Gram Sabha (Format for "Endorsement of SHG by Gram Panchayat' will follow shortly).
- ⊙ The endorsement of each SHG should be minuted in the gram sabha minutes book. One copy of the counter signed endorsement format should be retained by Gram Panchayat; one copy should be retained by SHG and one copy should be submitted with the BMMU/DMMU. (In case BMMU/ DMMU is not functional, the same should be submitted with the BDO.)

**d) SHGs promoted by Co-operative Banks**

- ⊙ Though all Co-operative banks are not on the CBS platform, the digitization of the data in most cooperative banks have been completed.
- ⊙ PD/DPM/BDO/BPM should make efforts to collect the data on details of SHGs promoted and financed by Cooperative banks. (same template used for other Commercial banks may be used except the IFSC code for branches).
- ⊙ Such SHGs should be verified and validated through a similar process detailed out for – 'SHGs without identifiable promoters'.
- ⊙ Based on the validation exercise, BDO(Non-Intensive)/BPM (Intensive) will prepare a block wise list of 'NRLM Compliant SHGs' and will send to SMMU along with transaction details shared by Co-operative Banks. SMMU will calculate interest subvention amount based on the transaction data shared by the Banks.

- © Interest subvention amount to eligible SHGs shall be transferred to Co-operative Banks on a quarterly basis for onward credit to the loan account of respective SHGs. The crediting of the loan accounts may be verified in the subsequent data shared by Banks.

Tips for collecting data from banks:

For SB A/C

- If banks have allotted uniform codes to SB A/c of SHGs, data for all SB A/C under the respective code should be taken
- 'Or' some banks may not have allotted uniform codes to SHG SB A/C. In such cases, all joint SB A/C categorized under the 'non-personalized' categories can be collected. Subsequently the SB A/C of the SHGs may be filtered out based on field validation.
- Alternatively the bank may be requested to carry out a clean-up exercise at their branch level. In this exercise, each branch manager reviews each SB A/C pertaining to SHG in the particular branch and reassigns appropriate codes to the a/c.

For loan A/Cs

- There are two types of loan a/c for SHGs - 'Term Loans (TL)' & 'Cash Credit Limit (CCL)'.
- Ideally all loan A/Cs of SHGs will be linked to their SB A/C through their customer ID. For loan a/c of SHGs each bank has a designated code. For the purpose of the database, all loan a/cs under the specified code should be taken.
- However in certain cases, some bank branches may have allotted wrong code or multiple customer IDs to SHGs. In such cases it may be difficult to track the loan a/c for SHGs.
- In such case, banks will be required to do clean-up exercise of loan A/C pertaining to SHGs at branch level allotting them appropriate codes / customer IDs.

Data Entry for "NRLM Compliant" SHGs:

The detailed profile of all "NRLM Compliant" SHGs are to be uploaded in ASRLMS online MIS.

- © Intensive Blocks, MIS executive will enter the data under the supervision of BPM.
- © Non-Intensive Blocks: Instruction for collection of SHG information have already been sent vide letter no. ASRLMS/MIS/258/2013-14/14 dtd. 01/10/13. All concerned BDOs shall send the filled up MIS format to SMMU for data entry. Subsequently and simultaneously, field validation and labeling of SHGs as "NRLM Compliant" exercise has to be carried out and intimation to SMMU w.r.t. "NRLM Compliant" SHG shall be done accordingly. Data entry at SMMU will be done under the supervision of MIS Manager.

Calculation of interest subvention amount for "NRLM Compliant" SHGs eligible for interest subvention will be done at SMMU. ASRLMS will credit the due amount directly to the loan a/c of SHGs.

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