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May 26, 2016

The Chief Executive Officers
All Primary (Urban) Co-operative Banks,
State / Central Co-operative Banks

Dear Sir/Madam

Credit information reporting in respect of Self Help Group (SHG) members

Please refer to the instructions contained in paragraph (v) of the Annex II/III to our [circulars UBD.CO.BPD.PCB.Cir.No.4/16.74.000/2014-15](#) and [RPCD.RRB.RCB.BC.No.13/03.05.33/2014-15 dated July 15, 2014](#) advising UCBs and StCBs/DCCBs to report the member level data relating to the SHGs within six months from the date of the circular.

2. A review of the implementation of the aforesaid directions by the Reserve Bank of India (RBI) revealed that banks had not made a significant progress in this regard. The banks also pointed out a number of challenges in implementation of these directions and requested for greater clarity on their scope. Consequently, the RBI constituted a working group with members from within RBI, NABARD, banks and Credit Information Companies (CICs), to study the implementation challenges and suggest measures to address them.

3. Underscoring the importance of credit information reporting in respect of the SHG members for financial inclusion, credit decision of banks and Micro Finance Institutions (MFIs) and credit quality of the SHG loan portfolios, the working group has emphasised the need for putting in place the credit information reporting for SHG members sooner than later. Nonetheless, the group has suggested following a

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बैंक हिन्दी में पत्राचार का स्वागत करता है—

चेतावनी: भारतीय रिज़र्व बैंक द्वारा ई-मेल, डाक, एसएमएस या फोन कॉल के जरिये कोई भी व्यक्तिगत जानकारी जैसे बैंक खाते का ब्यौरा, पासवर्ड आदि नहीं मांगा जाता है। यह धन रखने या देने का प्रस्ताव भी नहीं करता है। ऐसे प्रस्तावों का किसी भी प्रकार से जवाब मत दीजिए।

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phased approach to the implementation of the RBI direction so as to ensure that the data quality is not compromised. This circular sets out the implementation requirements in the first two phases.

II. Structure of credit information collection and reporting

4. The structure of the credit information in respect of SHG members to be collected and reported by banks to the CICs is set out below.

1	Information to be collected by banks from individual SHG members where the total amount of loan to be attributed to or to be availed by the SHG member exceeds Rs.30,000/-	Table 1
2	Information to be collected by banks from individual SHG members where the total amount of loan to be attributed to or to be availed by the SHG member is upto Rs.30,000/-	Table 2
3	Information on all individual SHG members to be reported by banks to CICs	Table 3
4	Information on individual SHG members to be collected by banks at the time of opening of new Savings Bank Accounts of the SHG	Table 4

5. The data tables are given in the Annex. As indicated above, banks shall collect information from all SHG members in Tables 1 and 2 and report it to the CICs as set out in Table 3. The tables have been designed based on the following considerations:

(i) Some of the information (Item number 17 of Tables 1 and 2) is related to the existing exposures of the SHG members including that of the SHG groups with whom they might have been previously associated. This is intended to help banks make informed credit decisions with regard to the SHG members. This information may be collected by banks directly from the CICs based on lead information provided by the SHG members. Hence, there would be no need for banks to include this information in the dataset reported to the CICs as per Table 3.



(ii) The information requirements will be implemented in two phases. The first phase will commence from 1 July 2016 and last for one year. The depth of the credit-related information to be collected would increase in Phase II to be implemented from 1 July 2017. Additions/modifications to be effected during Phase II are indicated in the last column of Tables 1 and 2.

(iii) The collection and reporting of credit information in respect of SHG members will be restricted to the members of those SHGs that take bank loans exceeding Rs. 1,00,000/-. However, the members of all SHGs, regardless of the amount of group loan, shall report the non-credit information to banks through the SHG Group at the time when the SHG approaches the bank for a loan.

(iv) Subject to (iii) above, the credit information requirements for SHG members having a share above Rs. 30,000 or more in the SHG loan is more detailed than that in respect of those upto Rs. 30,000. The difference will be reduced, though not totally eliminated, as some more details are added to the latter in Phase II.

(v) The non-credit information requirements have been designed both from the perspective of identification of the individual borrowers and supplementing the information requirements of banks, regulatory and government development agencies for the purpose of evaluating the flow of credit to various sub-segments of the SHG members and designing suitable credit penetration strategies keeping in view the socio-economic profile of the sub-segments. The information shall be reported by banks to the CICs in a manner that allows the CICs to identify all members associated with a particular SHG and a particular person to be identified with all SHGs with whom he/she is/was associated.

6. Banks shall put in place necessary systems and procedures including making necessary changes to their system software so as to be able to begin collection of the relevant information from the SHG members and reporting the required information to the CICs from 1 July 2016 (Phase I) and 1 July 2017 (Phase II).

7. Banks have the option to collect and report the SHG member level data either themselves or by outsourcing it to other entities. However, banks shall follow all general instructions on outsourcing set out in [DBR circular No.BP.40/21.04.158/2006-07 dated November 3, 2006](#) as amended from time to



time to the extent applicable and shall continue to be responsible for the correctness of the data submitted by the outsourced agencies to the CICs. Banks must put in place appropriate controls to ensure the correctness of the data submitted by the entities to which it is outsourced.

8. Banks shall immediately start monitoring the NPA levels in the SHG segment on an ongoing basis, if not being already done, and collect detailed information from SHG members availing of loans exceeding a lower threshold of Rs. 20,000, if the gross NPA in the SHG segment exceeds 10% or is higher than the total gross NPA of the bank by 5 percentage points.

9. Non-adherence to the above instructions by Urban Cooperative Banks shall result in exclusion of non-compliant SHG loan accounts from the loan portfolios eligible to be reckoned for the purpose of complying with the Priority Sector Loan (PSL) targets. The determination with regard to loans qualifying for PSL benefit would be made at the end of each phase, based on a review of the compliance with the credit and non-credit information requirements as applicable to that phase.

III. Other operational instructions

10. At this stage, it is envisaged to capture details of only the credit facilities availed of by the SHG member from the banks and MFIs. Therefore, any information relating to inter-loaning among the SHG members out of their own savings will not be covered. However, in order to know the overall indebtedness of a SHG member it may be necessary to know their exposures to the SHGs with regard to inter-loaning as well. As part of the continued endeavour to improve the quality of information of a SHG member, the need for capturing the inter-loaning would be reviewed after stabilisation of Phase II.

11. Given significant challenges in monitoring and reporting the performance of individual loans availed by the SHG members out of the amounts lent by banks to the SHGs, it is also not envisaged to extend the credit reporting system to the monitoring of repayment and recovery of these loans. However, this will also be considered after Phase II has taken ground.

12. With a view to building up the adequate information base of the potential SHG member borrowers, and expediting the process of collection and reporting of KYC



compliant information relating to the members of the SHGs when the SHGs are credit-linked, banks are encouraged to offer Small Accounts/ Basic Savings Bank Deposit Account to the SHG members when an SHG approaches them for opening its Savings Account. In cases where the SHG members agree to open such accounts, the information in Table 4 may be collected and kept on record to be used at the time when the SHG approaches the bank for a loan. However, it must not be made a pre-condition for opening the Savings Account of the SHG.

13. None of the data requirements specified in this circular should be made a pre-condition for extending loans to the SHGs, though banks must make sincere efforts to comply with these requirements.

14. Banks may encourage the SHGs to keep written records of loans distributed to their members out of the bank loan including the digitization scheme for SHGs of NABARD, where applicable, and may consider introducing appropriate incentives in this regard.

15. Banks shall develop appropriate policies to deal with applications for credit facilities from members of SHGs/SHGs on whom default is reported by the CICs. Care needs to be taken that the SHGs/individual members are not denied loans merely because of such defaults and banks should appropriately evaluate the credit history of the members themselves and take into account the economic viability of their activity/ies and the Groups' capacity to service the loan proposed to be taken by considering their loan applications.

16. The credit information relating to individual SHG members shall be collected, reported and disseminated as per the provisions of the Credit Information Companies (Regulations) Act, 2005 and the extant RBI directions on credit information reporting by banks and MFIs.

IV. Specific instructions to the CICs

17. The CICs shall make the necessary changes in their systems and procedures to implement the above directions as per the timelines indicated above.



18. CICs shall formulate appropriate policies with the approval of their Boards to share the credit information relating to SHGs or SHG members, on an aggregate basis with the Government agencies, NABARD, banks and MFIs for the purpose of credit planning and research. In accordance with their board approved policies, the CICs could also share the aggregate information with other parties for the purpose of undertaking research that could potentially benefit the SHG segment. The aggregate information shall be shared in a manner that is non-discriminatory and respects the confidentiality of the individual SHG groups and the SHG members as per the relevant laws of the country.

Yours faithfully

(Suma Varma)
Principal Chief General Manager

Encl: Annex