

**Exemption of Advances granted to Self Help
Groups (SHGs) against Group Guarantee from
the Limit of Unsecured Guarantees and Advances**

DBOD.No.BP.BC. 39 /21.04.141/2002-03

November 6, 2002

All Scheduled Commercial Banks
(excluding RRBs and LABs)

Dear Sir,

**Exemption of Advances granted to Self Help
Groups (SHGs) against Group Guarantee from
the Limit of Unsecured Guarantees and Advances**

Please refer to paragraph 114 of the Statement on “Mid-term Review of Monetary and Credit Policy for the year 2002-03” enclosed with Governor’s letter MPD.No.BC.222/07.01.279/2002-03 dated October 29, 2002.

2. At present, banks are required to limit their commitment by way of unsecured advances in such a manner that 20 per cent of banks’ outstanding unsecured guarantees together with total of outstanding unsecured advances should not exceed 15 per cent of their total outstanding advances (cf. paragraphs 2.2 and 2.3 of our master circular DBOD.No.Dir.BC.07/13.03.00/ 2002-03 dated July 26, 2002).

3. Banks generally lend to Self Help Groups (SHGs) against group guarantee without insisting on any security. Considering the high recovery rate in respect of banks’ advances to SHGs and that this programme helps the poor, it has been decided that **unsecured advances given by banks to SHGs against group guarantee would be excluded for the purpose of computation of the prudential norms on unsecured guarantees and advances until further notice. The matter would be reviewed after a year in the light of growth in aggregate unsecured advances, and the recovery performance of advances to SHGs.**

4. Please acknowledge receipt.

Yours faithfully,
Sd/-

(M.R.Srinivasan)
Chief General Manager-in-Charge