

Micro-finance

RPCD.No. Plan.BC.42 /04.09.22/2003-04

November 3, 2003

**The Chairman/ Managing Director
All Scheduled Commercial Banks
(Including RRBs)and Local Area Banks**

Dear Sir,

Micro-finance

Please refer to our circular RPCD.No.PL.62/04.09.01/99-2000 dated February 18, 2000, wherein detailed guidelines were issued to banks for mainstreaming micro-credit and enhancing the outreach of micro-finance providers.

2.The Reserve Bank of India had constituted four informal groups in October 2002 to examine various issues concerning micro-finance delivery. On the basis of the recommendations of the groups and as announced in Paragraph 55 of the Governor's Statement on mid-term Review of the Monetary and Credit Policy for the year 2003-04 (Copy of the paragraph enclosed), it is proposed that:

- I. Banks should provide adequate incentives to their branches in financing the Self Help Groups (SHGs) and establish linkages with them, making the procedures absolutely simple and easy while providing for total flexibility in such procedures to suit local conditions.**
- II. The group dynamics of working of the SHGs may be left to themselves and need neither be regulated nor formal structures imposed or insisted upon.**
- III. The approach to micro-financing of SHGs should be totally hassle-free and may include consumption expenditures.**

4. We shall be glad if you please issue suitable instructions to your controlling offices/branches in this regard and monitor the progress of implementation to give a fillip to the micro-finance movement.

5. Please acknowledge receipt.

Yours faithfully

Sd/-

(C.S.Murthy)

Chief General Manager In –Charge