APPENDIX 1

FORMAT OF ARTICLES OF AGREEMENT FOR USE
BY BANKS WHILE FINANCING SELF-HELP GROUPS

The Articles of Agreement made on this _______________ day of _______________ 199- at ________ By and Between M/s. [name of SHG] an unregistered association of persons/individuals having its office at ____________________________ represented by its authorised representative Shri/Smt. ____________________________

_________________________ and Shri/Smt ____________________________

who are fully authorised by all the members of the SHG, (a copy of such Authorisation is annexed hereto and forms part of this agreement), hereinafter referred to as the “borrower” which expression shall unless repugnant to the subject or context thereof, mean and include members of the unregistered association for the time being, their respective successors, legal heirs, administrators and assigns of the one part and ____________________________ (name of the bank) a body corporate constituted under the ___________ Act ____________ have its Head Office at and the Branches, interalia, one at hereinafter called “the Bank” which expression shall unless repugnant to the subject or context thereof mean and include its successors and assignees of the second part.

Whereas the borrower is an unregistered association of persons who have inter se agreed to help each other as self-help group with a view to developing and ameliorating the socio-economic conditions of their members.

Whereas having formed the association as a self help group, the Borrower as per application dated ________________________ made by the said Shri/Smt. ____________________________, and Shri/Smt. ____________________________, and Shri/Smt. ____________________________

duly authorised to borrow in terms of its resolution dated ____________ [copy enclosed] requested the Bank to *grant a loan/extend credit facility of *Rs. ____________/-. up to the limit of Rs. ____________/-. (Rupees only) for onlending to its members.
And whereas the Bank has agreed to grant the loan/extend credit facility to the borrower on certain terms and conditions.

And whereas the Bank and the borrower are desirous of reducing the agreed terms into writing.

Now, therefore, this agreement witnesseth as follows:

1. The Bank has agreed to grant and the borrower has agreed to borrow by way of term loan/cash credit (clean) upto the limit of Rs._________/-(Rupees_________/ only) and the bank has opened (SPECIFY THE KIND OF LOAN ACCOUNT) A/C No. _______ of date_________/in the name of the borrower in its book of accounts.

2. In case the facility availed is cash credit the Borrowers will operate the cash credit account satisfactorily and within the limit and the Borrower shall repay the outstanding liability in the account inclusive of interest and other charges debited from time to time on demand without demur.

3. In case loan availed is Demand Loan, without prejudice to the right of the Bank to recall the loan on demand the Borrower undertakes to repay the loan with (*Delete whichever is not applicable) interest and other within the period stipulated in terms of sanction.

4. In case the credit facility availed of by the borrower is a term loan the same shall be repayable in instalments in the manner specified herebelow in the repayment schedule. (to be specified) Besides the borrower will pay interest at the rates that may be prescribed for such lending by RBI/NABARD from time to time.

5. It is clearly understood by and between the parties hereto that in the event of the borrower’s failure to utilise the proceeds of the credit facility for the purpose for which the same has been made available by the bank to the borrower, the borrower shall repay immediately on demand without demur together with interest without prejudice to Bank’s right to initiate other legal action.

6. The borrower shall pay interest on the loans to be calculated on the daily balances in the loan account and be debited thereto at quarterly rests or as the bank may decide.
7. The borrower should utilise the proceeds of the credit facility for the purpose of lending to its members to improve the socio-economic conditions of their members and their families.

8. The borrower shall repay the credit facility availed of together with interest payable as per the interest rates that may be fixed by RBI/NABARD from time to time for such lendings.

9. The borrower shall be liable to repay the facility on demand together with the interest and other charges payable by the borrower to the bank in accordance with the rules of the bank.

REPAYMENT SCHEDULE

Please specify

In witness whereof the parties hereto have affixed their signature on the __________ date and the __________ month and __________ year first herein above written.

FOR SHG FOR BANK

(1) AUTHORISED REPRESENTATIVE MANAGER
(2) AUTHORISED REPRESENTATIVE

Source: NABARD’s manual on forming SHGs