

PRINCIPLES AND GUIDELINES ON SELF-HELP GROUP (SHG)



Tripura JICA Project (SCATFORM)

INTRODUCTION:

SHGs have a great role in alleviation of poverty. This concept originated in Bangladesh through an action research project “Grameen Bank” pioneered by Dr. Muhammad Yunus. In 1991-92 National Bank for Agriculture and Rural Development (NABARD) started promoting SHGs.

SHG is a grass root level institution formed by the vulnerable section of people in the rural area to overcome the problem of poverty and unemployment. It is basically an institution of women who have desire to come out of poverty. Formation of SHGs with women has empowered them largely SHGs are now gaining acceptance as an alternative system credit delivery for meeting the credit needs especially to the people who are the poorest of poor generally comprising small/marginal farmers and landless agricultural labors. The absence of institutional credits available in the rural area has led to the establishment of SHGs.

Under SCATFORM Project, SHG shall be initially formed, then strengthened for about 6 months for institutional Development, group management, savings under the operational rules and regulations. As per the protocol issued by Rural Development Department, as Tripura Rural Livelihood Mission (TRLM) is supposed to support SHGs created by any Schemes or Departments, SHGs created under the project would also be the said target under the condition of compliance with NRLM guideline and coordination at the Block Level Office. For such purpose, the project shall review “guideline for Mission Implementation” and may refer to it utilized by TRLM for the operation of SHGs created by the Project and take necessary steps to ensure smooth transfer of support of these SHGs to TRLM. Additionally, in order to be in a line of TRLM,. The members of SHG would be mainly female.

SELF HELP GROUP-AN OVERVIEW:

- Self Help Group (SHG) is a group of 10-12 members of women who come forward voluntarily to work together for their socio-economic upliftment.
- The Group creates sense of social capital, self esteem and dignity among the members.
- It also creates a sense of discipline, responsibility, cooperation and above all strong mutual trust and human relation.
- SHG must be created in same locality consisting of women of same affinity group.

SELF HELP GROUP - OBJECTIVES:

- To create appropriate and sensitive forum for addressing the need of people.
- Organize villagers who are interested in developing corpus fund and borrowing from it each other.

- To generate the sense of collective action.
- To improve socio-economic status.
- Develop IGA activities together under JFMC orienting forest conservation financed by revolving fund of JFMCs.
- Avail loan/microfinance from nationalized/commercial banks and/or economic support from other schemes for their IGA.

SELF HELP GROUP - ROLES:

- Women are taken as target group.
- Instead of individual there is a group approach for achieving target.
- Savings are seen as a pre-condition for credit eligibility for loan and
- The procedure is simple.

SELF HELP GROUP - FEATURES:

- Identical interest, common occupation and identity
- Flexible and Responsible
- Simple documentation
- Collective leadership
- Mutual Decision-making
- Group Solitary and Self Help
- Awareness and socio-economic development
- Mutual Trust and confidence
- Group culture
- A strong feeling of unity
- Respect for others
- Democratic decision-making
- Freedom of expression of ideas and feelings

SELF HELP GROUP-NEED:

- Inability to provide collateral security,
- Poor credit absorption capacity,
- Inadequate reach of the institutions, and
- Weak community network.

SELF HELP GROUP - FORMATION PROCESS:

Steps to be followed:

1. **Identification of members:** Identification (either by themselves or by a motivator/facilitator) of willing persons to form a group.
2. **Selection of members:** Persons should be from the same locality or belonging to same class of society consisting of 10-15 women.
3. **Setting of a group objective:** All these persons (10-15 women) should discuss among themselves their goals and objectives unwilling person(s) may be selected out.
4. **Selection of Income generation objective:** They should have a common objective for a specific type of activity for income generation and self sustenance.
5. **Signing of resolution:** Willing persons will sign a resolution forming a group called a Self Help Group which will work together in fulfilling the guidelines.

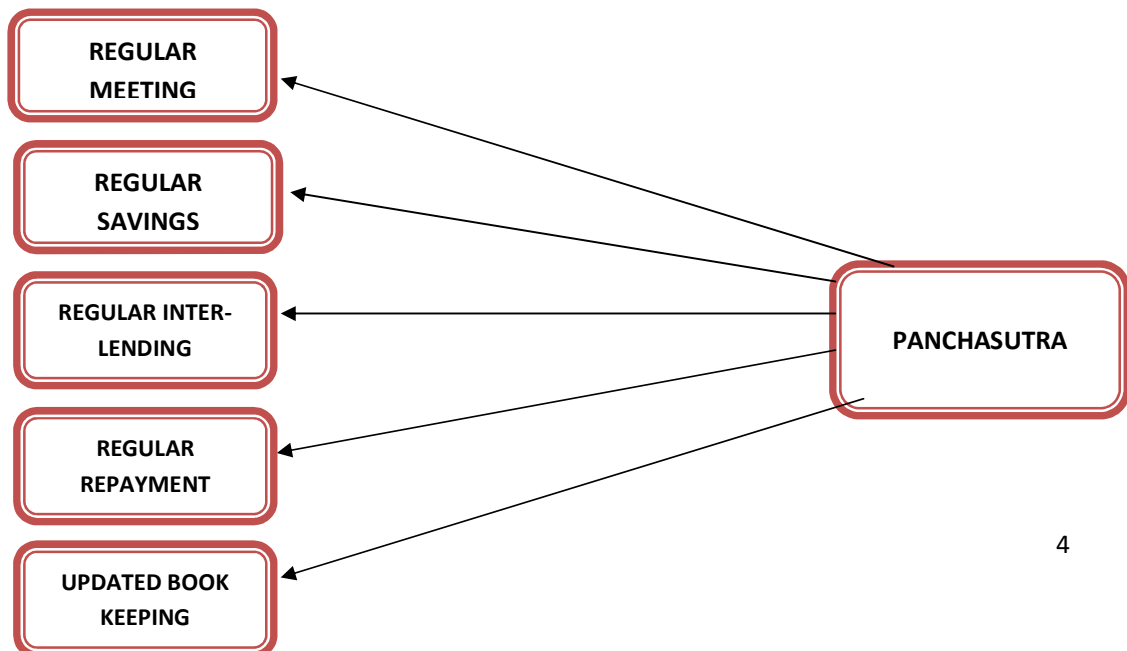
The resolution should contain:

- i) Name of the SHG
- ii) Details of members
- iii) Details of Leaders (President, Secretary and Treasurer)
- iv) Amount of saving by each members.
- v) Name of the Bank where group account has open.
- vi) And other terms and condition of the group.

A format of resolution has been attached in annexure "A"

6. **Opening of Bank account:** The last and final step of formation of SHG is opening of saving bank account in any nationalized, Cooperative, RRB or Private Bank. The account must be open in the name of the SHG.

5 BASIC PRINCIPALS OF SHGs (PANCHASUTRA):



1. **Regular meetings** – SHG should hold weekly meetings regularly.
2. **Regular savings** – All members of the SHG should save weekly in its meeting.
3. **Regular inter-lending** – SHG corpus to be used to meet various credit needs of the members.
4. **Regular repayment** – SHG/ members should repay their loans regularly.
5. **Updated book keeping** – SHG should update their books of records regularly.

Copy of Panchasutra attached in annexure “B”

PROPER BOOK KEEPING- WHY ESSENTIAL:

1. To record all the transactions of the SHG in a continuous manner for enabling the members to understand them.
2. Decisions taken by the group will be known to all the members from time to time and it will promote them to take always right decisions in their meetings.
3. Bookkeeping will help in assessing the financial status of the group like member’s savings, loans, attendance, group fund, recovery percentage etc.
4. It helps in building confidence and unity among the members.
5. It promotes institutional development by increasing the credit worthiness of the group.
6. It enables the group to monitor its performance.
7. By good Bookkeeping arrangements the scope of the group to attract outside resources like Bank and other agencies will be accomplished.
8. Good Bookkeeping arrangements create transparency of its transactions to its members leading to strengthening and sustainability of the group.
9. It brings recognition to the group in the eyes of the public institutions. 10. Bookkeeping helps in rating of the groups’ performance.

BOOKKEEPER SELECTION CRITERIA: POINTS TO BE CONSIDERED FOR THE SELECTION OF BOOK KEEPER:

- 1) A literate member of the group willing to work as Bookkeeper shall be selected.
- 2) If there is no literate member, the group can select and engage a woman (staying in the same village) willing to work as Bookkeeper. But this should be in consensus from the group. FF can also work as a book keeper.

- 3) Book Keeper should be selected by SHG members and it should be recorded in the minutes book.
- 4) The Bookkeeper shall be available for all the meetings.
- 5) The Bookkeeper must have studied at least up to 7th class.
- 6) The Bookkeeper should have basic knowledge on Arithmetic.
- 7) The Bookkeeper shall possess legible hand writing.
- 8) The Bookkeeper shall respect the women and be loyal to the group.
- 9) The Bookkeeper shall possess patience and service mindedness.
- 10) The Bookkeeper shall be a person hailing from poor households.

ROLE AND RESPONSIBILITIES OF BOOKKEEPER:

Bookkeeper is a person engaged by the SHG and is accountable to the group only. Therefore, she should have some 'Dos' and 'Don'ts' as a Book Keeper.

DOS OF A BOOK KEEPER

- Book Keeper should come 5-10 minutes prior to the start of the meeting so that she can revise and prepare an overview of last meeting's discussion & resolutions.
- In the group meeting, the Bookkeeper will sit by the side of the group leader.
- He/She should collect the SHG books of records from the convener.
- He/She should write all books of records of the SHG in the meeting.
- He/She should follow the meeting agenda and write about all transactions in the books of records in front of all members.
- At the end of the meeting, she should read out the minutes of the meeting and get it signed by all members of the group.
- At the end of the meeting, she should return all books of records to the convener.
- He/She should teach illiterate members of the SHG to at least sign their names.
- He/She should respect all the members of the group and not be biased.
- He/She should assist in the audit of her SHG.
- He/She should be present during all trainings of the SHG.
- He/She should prepare the monthly report and submit it to the president of the group.

DON'TS OF A BOOK KEEPER

- He/She should not come late to the weekly meetings.

- During the meetings, she should not comment or attempt to influence any decision of the
- He/She should not discuss any issue discussed in the group to outsiders.
- He/She should not be biased towards any member of the SHG.
- He/She should not keep the SHG books of records.
- He/She should not communicate the transactions of the SHG to outsiders.
- He/She should not cut, scribble or dirty the SHG books of records.
- He/She should not handle cash of the SHG.

SHG BOOKS OF RECORDS:

The facilitator will articulate about the following Book of Records that an SHG should maintain:

1. SHG Minutes Register/ Attendance Register
2. Individual Pass Book
3. Saving Ledger
4. Loan Ledger
5. Cash Book
7. General Ledger

1. I) SHG MINUTES BOOK/ PROCEEDING BOOK

This book is the mother book, because it reflects all the transactions, discussions, processes and progress of the Group on a weekly basis.

Importance of Minutes Book:

- All the decisions taken by a group reflects in the meeting minutes books.
- Meeting minutes book help to conduct the weekly meeting in a systematic way.
- Minutes book reflects the date, time, place, name of the meeting convenor of the weekly meeting.
- Regular meetings, members' attendance and group participation in decision making can be seen through a well kept minutes book.
- This book shows that the group is a functioning Group.
- SHG Members can review the decisions and actions taken regularly based on minutes book.

II) Attendance register

Attendance Register records the presence or absence of members in the SHG meetings. It also provides information on regularity of meetings.

Importance of Attendance Register:

- It reflects the percentage of attendance of an individual as well as of the group
- It reflects regularity of SHG meetings
- It reflects regularity of members' presence in meetings
- Attendance Register records members' present or absent information in SHG meetings

2. SAVING LEDGER

Savings Ledger records the savings of the group members and reflects the contribution to the corpus from individual members' weekly savings.

Importance of Saving Ledger:

- It helps to take corrective measures for irregularities of savings.
- It reflects the regularities of savings of individual member.
- Saving ledgers reflects total savings of each member.
- Saving ledger reflects members' weekly savings in the group.

3. LOAN LEDGER

Loan Ledger records the transactions of the group related to credit taken by members and their repayment.

Importance of loan ledger:

- It helps to take corrective measure for irregularity in loan repayment.
- It Provides information on each SHG member's loan details – purpose, installments, etc.
- Provides information on outstanding loan amounts
- Reflects the repayment and recovery status of members
- Reflects the various types of credit requirements of SHG members.

4. INDIVIDUAL PASS BOOK

Individual Passbook records the savings and loan details of individual members. This book remains with the member for her own reference.

Importance of Individual Passbook

- The part I or the Savings- gives the remittance and cumulative savings balance of the concerned SHG member. It is useful to find out the Savings amount remitted by the concerned member on different dates
- The part II- Loan repayment, gives the details of Loan repayment of the member.
- It remains with the member for her own reference.

Key points:

- The entries in the individual Pass Book should be made by the book keeper during the SHG meeting SHG members should bring their individual pass book to the SHG meeting.
- Opening balance of each member to be carried forward in saving side.
- For multiple loan of a member, separate page to be maintain in loan repayment part.
- In loan repayment part, balance includes only the outstanding principle amount.

5. CASH BOOK

Cash Book is a primary book of all SHGs. An SHG knows about the cash in hand and cash at bank balance for a particular date through the Cash Book. It is necessary for all SHGs to know how much cash they have received, how many payments they have made and what the cash and bank balance is in a particular period. For this purpose they maintain the Cash Book.

Importance of Cash Book in SHGs

- Cash book reflects all type of financial transactions of an SHG
- Cash Book reflects weekly receipt and payment status of the group.
- Cash Book reflects weekly cash in hand and cash in bank status of the group.
- Cash book helps to put the head wise accounting data in the general ledger
- The maintenance of Cash Book reflects transparency and accountability of the group

6. GENERAL LEDGER

A General ledger holds information that is needed to prepare financial statements. It is a complete record of financial transactions which provides a detailed description of every ledger account. The general ledger should include the date, description and balance or total amount for

each account. The general ledger contains a debit and credit entry for every transaction recorded within it, so that the total of all debit balances in the general ledger should always match the total of all credit balances. If they do not match, the general ledger is said to be out of balance, and must be corrected before reliable financial statements can be compiled from it. The general ledger is also known as the book of final entry.

Importance of General Ledger

- General ledger is important to know the head wise expenditure as and when required to control cost and to find out deviation of estimate to take necessary corrective measures.
- The maintenance of General Ledger reflects transparency & accountability of the Group.
- It also helps to maintain the sequence & disciplinary books of Accounts.
- The ledger information / transaction posted from primary book call Cash Book and also Journal Register. Only the contra entries i.e. group cash amount transferred and deposited in bank or amount withdrawn from cash amount and taken in cash are not posted in ledger.
- The Cash book contains all transactions related to receipt or payment. So, cash book shows mixed transactions on any particular date. The ledger book has one page/ folio for each head of account. All transactions relating to a particular income or expenditure head, appearing in different places of the Cash Book will be grouped together in that Ledger Book.
- The General Ledger will be an accounting tool in determining or tracing from which books of accounts a journal entry was recorded.
- It also serves as a tool for Internal/ external Auditors to track the flow of transactions of an entity for a given period.

REVOLVING FUND TO JFMC/EDC FOR SMALL IGA:

The SCATFORM will provide revolving fund to each JFMCs for the disbursement to SHGs formed under JFMCs. Per SHG will get Rs. 1 lakh for small IGA. The JFMC shall release the revolving fund to SHGs after signing MoU and approval of business plan.

In initial stage, performance including savings and attitude of the members shall be examined and after 6 months, the SHG can receive revolving fund of JFMC after successfully passing the rating which shall be done by the project to see whether SHG is ready/capable to use fund for IGA or not.

ELIGIBILITY FOR AVAILING MICROFINANCE/LOAN BY SHG:

For an SHG to qualify for a loan, it will need to demonstrate that it can operate in financially sound manner. Before obtaining the loan, SHG members must contribute a small amount of money to their common account every month. The amount to be collected from the members should be fixed and agreed on by all members. The money collected should be lent out to each SHG members until all the members receive a loan. The cycle of saving and lending should be continued successfully for at least six months. The SHG members should carry out activities utilizing the loan they receive. The SHG will become eligible for receiving loans from its JFMC, only after it demonstrates that it can operate this cycle.

LOAN DISTRIBUTION TO SHG AND AMONG MEMBERS:

SHG as a group shall apply for loan to JFMC to implement IGA which is implemented by its members as group activity and not as individual activity. If IGA is implemented individually as individual activity by its members, in such case SHG shall prepare panel list of applicants and required amount and submit to JFMC for approval of the list and release of loan amount against each individual through SHG. SHG may also prepare a waiting list of eligible applicants in the event of shortage of funds at its disposal.

AGREEMENT/MOU FOR AVAILING LOAN

SHG has to enter into an agreement with JFMC prior to receiving loan from JFMC. SHG shall follow rules and regulations decided by JFMC in terms of receiving loan from JFMC fund. The SHG represented by the President shall enter into MoU with the JFMC for execution of IGA. In the MoU/agreement, the exact nature and quantity of work shall be mentioned along with time/period of its execution and completion, and amount of the loan to be received from the JFMC for the work, repayment condition including interest rate etc.

UTILIZATION OF LOAN

SHGs must utilize the loan for initiating or boosting the IGA they have selected. The loan should not be used for consumption purposes. SHGs should invest the loan in its activities, generate profits, and return the principal and interest to JFMC revolving fund. On one hand, the principal will be utilized by a JFMC to provide loans to SHGs in the subsequent year onwards because the block grant is given only once from the Project to JFMCs on the other hand, the interest should be deposited into the VDF of their respective JFMC to be utilized for the benefit of the entire committee. SHG members who receive a loan will be prohibited from lending out this money to other individuals for the purpose of making profits.

MICROFINANCE FROM OTHER INSTITUTIONS

SHGs shall be permitted to avail loan from other institutions. Project will encourage and facilitate linkages with financial institution to expand business. It is to be kept in mind that financial institutions (banks, microfinance organisations, cooperatives), have their own criteria of evaluation of SHGs for giving loan. Therefore, since beginning project shall form SHG with Structure/Office Bearers (president, secretary etc.), define functions of the Office Bearers, frame rules/regulation/bylaws (monthly meeting, fine, election/selection of Office Bearers, termination of membership, loan repayment rule) for the functioning of the SHGs, strengthen institution to build capacity, updating of records (meeting, saving, loan and its repayment etc.) in specific printed registers, fix membership fees/monthly saving amount by members, opening of bank account and updating of pass books, appropriate use of loan given by JFMC.

MANAGEMENT OF LOAN AND REFUND MECHANISM

A SHG is required to manage loan amount effectively and use in such a way that it can refund the loan amount within stipulated time. Following mechanisms are suggested for the purpose:

Loan management

Loan management is crucial for the sustainability of a SHG. Following mechanisms may be implemented to enable SHG to manage loan effectively in principle though guideline for TRLM shall be reviewed and incorporated to hand over their operation to TRLM after completion of the Project:

- i. SHGs having good record of management of group should be considered for loan.
- ii. SHG must select viable IGA and develop a clear plan for its implementation prior to release of loan amount. CO shall assist SHG in selection of IGA and implementation.
- iii. Periodical (preferably weekly) meeting of a SHG to be held where progress of the utilization of loan amount is discussed and reviewed. If there is any problem in proper utilization of money, CO will make effort to involve SHG in seeking timely solution.
- iv. SHG should keep account of income and expenditure with respect to the loan amount.

Loan refund

COs will ensure that loan amount given to a particular SHG be refunded within the specific period. Following mechanisms are suggested to achieve this purpose:

- i. COs will support SHG so that income is generated by SHG on regular basis;
- ii. CO will assist JFMC to fix loan repayment schedule for each loan prior to the release of loan to SHG

If a SHG fails to manage group effectively or unable to use loan amount, the CO shall make effort to strengthen SHG and build their capacity to make them capable to implement IGA. In case, a SHG become defunct or not able to use loan amount, JFMC will recover the loan amount from the SHG.

GRADING AND RATING OF JFMCS/SHGS FOR IGA SUPPORT

SCATFORM will introduce grading of JFMCs/SHGs based on criteria before developing business plan and releasing loan for IGA. The criteria shall be developed and JFMC/SHG evaluated for deciding whether the JFMC/SHGs formed is yet capable or not to undertake IGAs. Only those JFMC/SHGs which qualify will be given revolving fund. Unsuccessful JFMCs/SHGs shall be capacitated further for three to six months so that they can pass grading and avail revolving fund.

Rating is proposed to be done after six months of strengthening of SHGs. Those SHGs who will not qualify at first grading will be further strengthened and graded after six months of first grading. Grading will be done by two members of team comprised of Range Officer/ Block Officer and LC. Rating criteria shall be developed by PMU with assistance from PMC. Some of the indicative criteria are as follows:

- i. Membership Profile
- ii. Governance Issue
- iii. Meeting Frequency
- iv. Attendance in meeting
- v. Financial transaction in the group
- vi. Regularity of meeting
- vii. Maintenance of records

A business plan will include 1) justification of selecting activity, technical details (how will the IGA be implemented, what equipment or materials are required, technical specification), cost-benefit analysis, target, and schedule of the activities proposed, training need, interest rate and payment schedule of loan, financial arrangement from other sources if any, sustainability aspects and names of members undertaking IGA.

RMU level rating and grading shall be organized at RMU level. COs shall assist RMU in undertaking these activities in JFMCs.

SHGs will be identified and formed batch wise at least 3 SHGs per JFMC for skill training, loan for IGAs and marketing¹. Format used by LCs and FFs to identify IGA has been attached in annexure C.

CONCLUSION:

Given the widespread gender bias faced by women in various fields a view is emerging that schemes like micro finance can turn the situation in their favour as it makes them financially better. This enables them to realize their potential for a better career. One study of SHG brought out some interesting facts. A longer association of members with their SHGs enables them to be more confident, financially more secure, in better control of their lives and in a stronger position vis-à-vis their family. Further, in case the women members continue to participate in SHGs for a longer period their economic self- reliance will be strengthened.

Table: IGA Identification Format

Name of DMU	Name of SDMU :
Name of Block:	Name of RMU:
	Name of Forest Beat :
SHG Detail	JFMC/EDC Detail
Name of SHG:	Name of JFMC/EDC:
Name of Bank & Branch:	Name of Bank & Branch:
Saving Bank Account No:	Saving Bank Account No:
Name of SHG President:	Name of JFMC/EDC President:
Ph. No. of SHG President:	Ph. No. of JFMC/EDC President:
SHG Registered with (Organization):	Name of Member Secretary :
Registration No. with Date:	Ph. No. of Member Secretary :
Name of IGA Identified (by SHG members):	
Reasons for Identifying Particular IGA (to be shared by SHG members)	
Reasons	Tick Answer as Yes or No
SHG members have required skills to develop product/or undertake IGA	Yes/No
SHG members have prior experience of making identified products/or implementing IGA	Yes/No
Raw materials are available locally	Yes/No
Facilities like place/land/space available	Yes/No
Natural conditions (soil, climate etc.) are suitable	Yes/No
It can be implemented along with other household activities	Yes/No
Local market exists	Yes/No
Potential market exists	Yes/No
SHG have prior experience of selling/marketing products	Yes/No
Possibility of convergence if any with other department/schemes/projects (describe in brief): SIPARD for training support and North East Rural Livelihood Project (NERLP) under Ministry of DoNER.	
Any other reason for identifying particular IGA (describe in brief):	