

Q. What are the stages of development of SHG as per NABARD guideline?

| Stage of Development | Time Period | Role of SHPI | Focus of activities |
|--------------------------|---------------------|--|--|
| Pre-Formation | 1-2 Months | Initiator/promoter | Identifying the members through participatory rural appraisal methods in hamlets/villages/towns. |
| Formation | 3-6 Months | Facilitator | Motivation to form groups, select group leaders, develop rules and norms, conduct meeting, pooling savings, issue and collection of small loans, group cohesion, adjustment systems, and maintenance of accounts. |
| Stabilization (Phase I) | 7-12 Months | Advisory/ Managerial | Leadership stabilization, training of leaders and members, regularized and increased savings, informal interaction with other groups/clusters. Begin the process of issuing loans, handling/helping defaulters to repay, sourcing loans for groups through normal credit system etc. |
| Stabilization (Phase II) | 13-18 Months | Advisory/ Managerial | In addition to above activities initiation of income generating programmes, linkage of banks, support to new groups, demonstrative effect on others to form group. |
| Growth and expansion | 19 months and above | Advisory/Institution building/Consultative | Strengthen linkages with banks, creation of assets for groups and members, spreading concept building and promotion of new groups, attempts at cluster development and federation of SHG. |

* SHPI = Self-help Promoting Institution.

Q. What are the responsibilities of leadership in SHG for its proper functioning?

- To facilitate in maintaining good relationship among the members.
- To encourage all members to participate in group activities including decision making.
- To monitor and evaluate group progress.
- To bring out the best from every member of the group.
- To develop and maintain effective coordination with banks and other supportive institutions/organizations.
- To assist members in pursuing skill development trainings on choiced areas of enterprise management which the group plans to set up.
- To nurture and support participative style of working.



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SELF-HELP GROUP : SOLUTION TO FREQUENTLY ASKED QUESTIONS

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SELF-HELP GROUP: SOLUTION TO FREQUENTLY ASKED QUESTIONS

Q. What is Self-Help Group?

Self-help groups (SHGs) are small, economically homogeneous and affinity groups of poor people, which is voluntarily formed for small savings to a common fund through their own contributions according to a mutually agreed amount and render micro-credit support to the members at a reasonable interest rate for their business purposes or at times of their financial stress. The savings of SHGs are kept with a bank in their names.

Q. What is the main purpose of Self-Help Group?

Socio-economic mainstreaming of vulnerable low income people, including women, for their increased visibility and voice in the society through group led self-help and mutual support is the key purpose behind promotion of SHG movement. Alongside showing the ways of micro-savings and micro-lending, the SHGs also provide access to credit to their members from financing agencies like banks.

Q. Who might assist in the formation of SHGs?

Non Governmental Organizations (NGOs), KVKs, Social-Workers, informal associations of local people, Development oriented government departments, Banks, Mahila Mandals, Yuvak Mandals, other individuals in their personal capacities, Farmers' Clubs under the Vikas Volunteer Vahini (VVV) Programme of NABARD and Other development institutions.

Q. What should be the membership feature of SHGs?

An SHG can be all-women group, all-men group, or even a mixed group. However, experiences suggest that women's groups perform better in all the important activities of SHGs. Mixed group is not preferred in many of the places, due to the presence of conflicting interests.

Q. How do SHGs function?

Some norms are required for SHGs to function properly. These are - • Common agreement on when to meet • Decision on time and place of meeting • Agreed penalties for non-attendance • Agreement on amount of saving • Giving small loans to each other • Taking loan from banks and ensure repayment.

Q. What type of training necessary for successful functioning of SHG?

The following areas of training could do well to the members:

• Basic mathematics • Keeping of accounts • Scheduling of meetings • Basics of lending money, borrowing and repaying.

An effective method of training of SHG members is to take them to a good working SHG and allowing free interaction with its members.

Q. What could be considered as indicators of a good SHG?

Homogeneous membership : As far as possible, the membership of an SHG may comprise people from comparable socio-economic background.

No discrimination : There should not be any discrimination among members based on caste, religion or political affiliations.

Small membership : Ideally, the group size may be between 12 and 20, so that the members are participative in all activities of the SHG. In a smaller group, members get opportunity to speak openly and freely. However, the membership should not be too small for a group as in that case its financial transactions may turn out to be insignificant.

Rotational leadership : Rotational leadership should be encouraged for effective distribution of power within the group and to provide leadership opportunities to all the members as well.

Regular Attendance : Total participation in a regular manner in the group meetings lends strength to the effectiveness of SHGs.

Transparency in functioning : Transparency in all financial and non-financial transactions promotes trust, mutual faith and confidence among SHG members. Proper maintenance regular updating of books of accounts, minutes book, attendance register, etc. accounts is very much important and so also the minutes book, attendance register, etc. is very much important.

Participative management : The procedure of decision making in SHG should be democratic and non-partisan in nature.

Set of Byelaws : The SHG should develop a set of its own byelaws, indicating rules and regulations, roles and responsibilities of members. It is better to have a written set of byelaws.

Thrifting : The habit of thrifting is fundamental to the SHGs and helps in building up a strong common fund. Every member of the SHG saves a certain amount of money every month. This saving is known as thrifting. This money should be kept by the group leader. Thrifting starts at the outset of group formation. At the time of thrifting, the leader puts signature in the personal savings account books of the group members and the members receive their receipts of savings from the group leader.

Utilising savings for loaning : Once an SHG accumulates sizeable amount in the form of savings say for a period of about 3-6 months, the members may be allowed to avail loans against their savings for emergent consumption and fulfilling supplementary income generating credit needs.

Patterns of loans : It should be need based and priority based. To start with, there should be tiny loans mostly for consumption purposes and slowly it should try to accommodate larger loans for income generation through small enterprises.

Maintenance of records : A good SHG should maintain the following account books/records viz., Attendance register, Minutes book, Savings ledger, Members' pass book, Receipt and payment vouchers, Cash book, Loan ledger etc.

Q. What is grading?

The regular evaluation of SHGs is termed as grading. This is done every six months from the formation of the group. It helps in identifying the strengths and weaknesses of the groups. On the basis of grading, decision is taken whether a group is eligible for revolving fund and bank credit assistance or not.

Q. What is revolving fund?

It is the fund given to the groups for initiation of their economic activity i.e. purchasing raw materials, infrastructure creation etc. Revolving fund is provided to a group when it crosses the hurdle of first grading. Income generated through the utilization of revolving fund is ploughed back in the enterprise which is dealt by a given SHG.

Q. How is a bank account opened by an SHG?

The Reserve Bank of India has issued instructions to all banks permitting them to open SB accounts in the name of registered or unregistered SHGs. As soon as the SHG is formed and a couple of group meetings are held, an SHG can open a Savings Bank account with the nearest Commercial or Regional Rural Bank or a Cooperative Bank. This is essential to keep the thrift and other savings of the SHG safely and also to improve the transparency levels of SHG's transactions.

Q. What are the advantages of internal lending of own savings in an SHG?

Initially managing their own common fund for some time, SHG members not only take care of the financing needs of each other, but develop their skills of financial management. Lending to members also enhances the knowledge of SHG members in setting the interest rate and periodic loan installments, recovering the loan, etc.

Q. What is the set criteria for credit rating of SHGs?

As per NABARD guidelines, SHGs should fulfil the following essential minimum criteria to be considered for credit :

- SHGs should have been in existence for over six months.
- Size of the SHGs should be in the range of 12-20 members.
- SHG meetings should have been conducted at regular intervals.
- The recovery of internal and external loans should not be less than 85 per cent.
- At least 50 per cent of group members should have taken internal loans from group fund.
- Savings should be contributed on regular basis by all the members.
- The group should have maintained proper accounts and must have well-defined rules and regulations, approved by resolution.

The screening is done by a joint appraisal committee consisting of representatives of banks and NGOs. The financing bank has the final say. Once the group fulfils the eligibility norms, credit rating of the groups is done based on group dynamics, financial performance, repayment and credibility, book keeping, auditing and rules/regulations. SHG which scores 70 marks and above are considered for credit limit not less than four times of the savings. For SHGs scoring 50-69 marks, consideration for providing credit to them is kept withheld.