

# **Management of Self Help Groups**

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## Foreword

Self Help Group (SHG) Movement in India has been recognized as an effective strategy for mobilization and empowerment of rural people , particularly poor women and other marginalized groups.

*Though the access to credit has been seen as a motivational factor behind the formation of Self Help Groups, Self Help Groups have a potential that goes beyond mere economics of loan management . Self Help Groups are involved in various Social Activities which is very much important in their empowerment process. Grass root level Organizations like SHGs ensure people's participation in the development process. They provide a forum in which people can meet on regular basis and discuss the issues and concerns that they face in their day to day life.*

In the above background, understanding the concept, objectives and various management techniques of Self Help Groups (SHGs) by the members is very much important. So, for imparting training to the members of Self Help Groups (SHGs) with trainee centered methods and media and facilitate members to learn more about the group dynamics, the State Institute of Rural Development (SIRD), Assam has prepared this booklet for trainees , officials working at different levels and Self Help Group promoting institutions.

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# **Management of Self Help Groups**

This Hand Book is prepared for use in training programmes under various subjects on Rural Development & Panchayati Raj

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# CHAPTER-1

## Strengthening Self Help Groups through Capacity Building

Since year 1999, a large number of rural people particularly women have been mobilized into Self Help Groups in Assam. This has built the social capital among the rural people in the State. SHG movement in Assam has not only provided economic benefit to its members but more importantly created viable social capital in the form of an empowered community. Most significant social aspects wherein rural women in Assam has made tremendous progress are:-

- Increase in overall awareness level about their status and approaches for development.
- Social empowerment in terms of improvement in their confidence, self perception, communication skill and other behavioral changes.
- Participation in developmental activities (participation of women SHGs in Gram Sabhas have increased manifold).
- Mobility of rural women has increased for various socio- economic developmental activities.
- Decision making capacity at household level as well as at community level has increased and become more meaningful.
- Bargaining and receiving capacity of rural women have increased thereby making socio- economic programmes and facilities more accessible to rural poor.

With the above background it has become convenient to consolidate the Self Help Groups already developed in the State into village organization and other federations. However , critical gaps have been observed in the management of day to day activities of the Self Help Groups relating to different group dynamics, organizational management, financial management, arrangement of livelihood activities, internal monitoring, accountability etc. Intensive and extensive training programmes involving community resource persons, coordinators etc. will have to be organized existing as well as new Self

Help Groups, so that village level organizations (Primary Federations) can be conveniently formed with the help of these groups.

Intensive training programmes will have to be organized in decentralized manner covering all the aspects given below in the module. The module will also help in the capacity building of the office bearers and members of new village organizations to be developed.

The capacity building covering the following aspects will strengthen both old and new groups. This will facilitate the formation of village organizations in subsequent stages, Training will be imparted in a participatory manner through interactive process. That is why some key questions have been prepared to facilitate the discussion during the training process.

#### **PRINCIPLES OF Self Help Groups:**

1. Peer principle – Social Homogeneity
2. Self Determination
3. Built on inner strength
4. Services are free and reciprocal
5. Social support
6. Self Help solution
7. Internal focus rather than experts.

#### **APPLICABILITY OF CONCEPTS:**

1. Welfare dependence can be reduced.
2. Sharing- Group interaction – Self Determination
3. Resurgence of Democratic life – effect to service – vehicle for demanding the appropriate role of the authority.

#### **STAGES IN GROUP FORMATION :**

1. Forming – Habits of coming together suspicions, fear and anxiety of members discussed.
2. Storming :

- Individual interest and group interest surface
  - Procedure rules and rules established
  - Leadership will emerge.
3. Norming : Trust among group members will develop.
  4. Performing : Group becomes operational

### **MOBILIZATION:**

1. Essentially attitudinal commitment to action.
2. There should be a means to translate this commitment to action .
3. Existence of values and goals.
4. Collective means of achieving.

### **ESSENTIALS OF THE SELF HELP GROUP PHENOMENON :**

1. Self Help Groups are voluntary
2. Groups are small formed for mutual help and the accomplishment of a special task.
3. Homogeneous groups come together for a common need.
4. Emphasize face to face social interaction
5. All persons assume responsible.
6. Provide material assistance and emotional assistance.
7. Promulgate an ideology or values.
8. Members attain an enhanced sense of personal identity.

### **FACTORS INFLUENCING GROUP FORMATION AND SUSTAINABILITY:**

1. Some “felt need” for group formation and identification with the objective on group formation.
1. Some sort of “homogeneity” among the members.
2. Feeling of “Solidarity” among group members .
3. Existence and evolution of “Byelaws rules and regulations” and their enforcement by members themselves.
4. Participation of all members and democracy in group functioning.

5. Quality of “leadership” and the procedure of selecting leaders.
6. Substantial Private net “Benefits” from collective actions vis- a vis individual action.
7. “Transparency” in operations and functioning of groups.

### **Why Self Help Group is needed :**

- The basic idea behind forming a voluntary and homogeneous group, which is bound by affinity, is to share responsibility and authority between members so as to achieve their objectives and remove obstacles to progress that would be difficult to achieve individually.

### **Key Questions :**

What has been the benefit to each member of the Self Help Group?

What is the contribution of each member to the Group ?

What happened when people came together with similar problems?

### **Aims and Objectives of an Self Help Group :**

- Developing the Aims and objectives of the Self Help Group.

### **Key Questions :**

- What is your objective in life ?
- Why have you joined this SHG ?
- What do you wish to achieve through this Self Help Group?
- How will your SHG help in the development of the village ?

### **Indicative Answers are :**

- Quick access to credit to meet our loan requirements.
- To enhance our confidence and skills.
- To increase our awareness on various local institutions and schemes.

- To initiate and implement village development activities.
- To create awareness on the mobilization of the resources and their optimum use.
- To support each other as members of a group.
- To reduce poverty levels in the village.
- To increase our knowledge of latest technologies in agriculture, animal husbandry etc.
- To establish linkages and networking with other institutions.

### **Structure of a Self Help Group:**

Most SHGs which are functioning well have the following structural features:

- Size-10
- All are poor
- Bound by affinity
- Rotational leadership
- Voluntary in nature
- Socially viable institution
- Democratic nature
- Non- partisan nature
- Informal nature
- Rules and regulations
- Books and accounts

### **Functions of a Self Help Group :**

- **Conducting weekly meetings:** weekly meeting are essential because :
  - It is easier to save smaller amounts frequently, rather than saving a large amount at one time
  - Loans may be sanctioned more frequently
  - Issues do not have wait for as long as a month or more, in order to get resolved.
- **Savings**
- **Lending and repayment**

- **Maintaining books of accounts and records:** Books and accounts are needed because:
  - They promote accountability within the SHG and to external world.
  - When an SHG grows big in terms of numbers and size of transactions , it is difficult for members to mentally keep track of all the transactions that have been made.
  - They are necessary for linkages with other institutions , such as banks.
- **Common action Programmes:**
- **Linkages and Networking**
- **Training and Capacity building**

### **The importance of Regular / Weekly Meetings:**

Regular weekly meetings are important because they :

- Provide a regular and frequent opportunity for SHG members to interact with each other.
- Inculcate discipline
- Provide scope for regular financial transactions, such as saving, lending loan and interest repayment.
- Allow for periodic monitoring and follow up of loan repayment
- Provide an opportunity for the capacity building of the members and for developing their communication skills.
- Provide a forum for identifying , discussing and taking up community action programmes.

### **Key Questions :**

- Why are regular / weekly meetings important ?
- What might happen if meetings are held less frequently ?
- What happens if meetings are irregular?

### **Necessary conditions for conducting a meeting :**

The following are the important conditions for conducting a meeting :

- A place for the meeting, accessible to all
- Lighting facility in case the meeting is held at night
- A fixed time when people will meet
- Mats or durries o sit on.
- A trunk or box to keep all the books of accounts, which may also be used as a makeshift table by the bookkeeper.
- Presence of all the members
- Presence of all the representatives
- Books and documents, pens and a book writer
- An agenda to be discussed in the meeting

### **Key Questions :**

- What are the necessary conditions for a meeting to be successful?

### **How to Conduct an SHG meeting :**

The following process should be followed while conducting a meeting:

- Sit in a circle
- Sing a prayer or group song
- Select a chairperson
- Welcome address
- Record the attendance
- Set the agenda
- Review the previous meeting's minutes.
- Maintain discipline throughout – group members should ensure that rules and regulations are followed throughout the meeting.
- Complete financial transactions related to savings, repayment, lending etc.
- Ensure that all issues on the agenda are discussed.
- Ensure that all members participate in the decision making
- During every meeting the SHG members must make it a point to discuss and act upon at least one issue other than saving and credit
- Record proceedings during the meeting itself and read them out to all members
- All members must sign in the resolution book.

- Vote of thanks.

## **Procedure for conducting Group meeting**

The members together decide the date, venue and time of the meeting.

Each meeting is presided over by a different member.

- Each member should attend the meeting with her personal pass book .
- When one person is speaking, another should not.
- Those who want to speak should first raise their hands
- Each member should get an opportunity to speak.
- All members should attend the meetings.
- Those who can't should intimate in advance
- Those who come late to the meetings should be fined
- Members should sit in a circle.
- The meeting should begin with a song or prayer.
- First the attendance roll call should be taken. An agenda should be decided upon.
- The meeting should be conducted as per the agenda.
- First of all, the decisions taken in the previous meeting should be reviewed.
- Each member should pay the savings to the Chairperson and take her signature in the pass book.
- Those who do not pay their savings should be questioned
- Pending debts should be recovered
- Those who have not paid their loans should be questioned.
- The Chairperson should give an account of the money the Group has.
- Those who need fresh loans should be sanctioned
- If some problems of the village are on the agenda, these should be discussed.
- The members should be observant and alert until the discussions are over. The book keeper should record all the proceedings in the minutes book.
- The minutes book should be signed, but only after the minutes are read out.

## **Successful Communication in the SHG :**

- Norms for successful communication in the SHGs :

- A circular seating arrangement helps in democratic communication
- Unless only one person speaks at a time there is chaos and noise.
- If people indulge in side –talk, the rest of the group is distracted.
- Everybody should be given a chance to voice his or her opinion
- All important discussions and all decisions in the meeting must be documented.

**Key Questions :**

- Why is it important to document discussions and decisions?
- What will happen to a discussion if everybody is not given a chance to voice his or her own opinion?
- Are there any rules and regulations in a group that support effective communication?

**What is unity? Why unity is Important :**

Unity results in :

- People helping each other instead of pulling each other down
- Co-operation and co-ordination in a group
- Respect for each other
- Collective empowerment
- Increased self- confidence of individuals in a group
- Greater effectiveness of collective effort.

**Key Questions:**

- What is unity?
- Why do we need to stay united?

**Discovering the Strength of the SHG members :**

- Every human being has strengths . Therefore , every SHG will have strengths because an SHG consist of strong human beings working together as a collective . These strengths are inherent and are not entirely dependent on the support of the SHG promoting institution.

**Key Questions:**

- Tell the story of a time when you faced a challenge and achieved something you still feel proud of
- What strength did the narrator display in this story? What are the reasons for her success?

**Vision of a SHG :**

- A vision is what you want to achieve –just as parents have a long term goal of what their child is going to be when he grows up-----the SHG members must also have a vision for their future.

**What is a Goal:**

- A Goal is what we want to achieve , a destination that we want to reach, something we would like to have or be....

**Key Questions:**

- What is a goal?
- Indicative Answers are:
- A dream
- An aspiration
- Future plans
- Aims
- Achievements

**Goals Settings and Action planning for the SHGs :**

- Goal setting for the SHG based on the SHG's vision.

**Key Questions :**

Keeping in mind the vision of your SHG what does are the goals of your group?

**Indicative Answers are :**

- Building up the common fund
- Linkages with other institutions
- Increasing member's capacity for credit absorption
- Acquiring literacy and numeracy
- Gaining knowledge and awareness on the functioning of various external institutions.
- Linkages with other institutions.
- Supporting each other in times of personal crisis
- Improving our status in life?

**Checklist of Rules by Self Help Groups :**

**Membership:**

- Economic Background of Members
- Physical proximity of member's houses
- Representation from each family
- Membership fee
- Group size
- Age of members
- Cancellation of membership

**Meetings:**

- Timing of Meeting
- Absence from Meetings
- Late Attendance
- Quorum

**Savings and Credit :**

- Savings
- Loans
- Use of checks
- Handling Cash
- Maintenance of Accounts
- Penalties
- Interest on savings

**Representatives:**

- Rotation of representatives
- Two representatives and two co-signatories are chosen
- The book writer must not be a co-signatory as this reduces her creditability.
- Representatives must be responsible for the maintenance of books, reporting and auditing.

**Training Related**

- Attendance
- Summary of the training topics should be reviewed in the SHG meetings

**Ownership :**

- Members' participation in and ownership of development programmes should be ensured.

**Credit Plus:**

- The SHG is not only concerned with savings and credit but also seeks to involve itself in issues of health , education, justice, gender equality, environment, community development etc. Each SHG comes up with its own priorities for credit plus.

**Sanctions:**

- SHG members list out sanctions for deviations from the rules and regulations of the group and cases when exceptions will be made . Sanctions are necessary to ensure that group members do not take rules lightly.
- Sanctions are also imposed on members violating social norms that the group might have framed, such as not drinking or sending one's daughter to school, not receiving or giving dowry, owning toilets at home.
- How will members ensure that sanctions are imposed without resulting in bad blood or people leaving the group? This must be discussed before sanctions are brought into practice.

### **The need of Book keeping :**

- Book keeping is needed in order to keep an accurate record of all transactions and decisions taken in the group.

### **Key Question :**

- Why does one need book- keeping?

### **What are the Various Books and Records used in an SHG?**

The following are the books used to record transactions in an SHG :

- **Minute book**
- **Admission Register**
- **Attendance Register**
- **Member's Individual Pass Book**
- **Individual Savings Ledger**
- **Individual Loan Ledger**
- **Cash Book**
- **General Ledger:** It contains the activity wise cumulative balances
- **Receipt Book:** It keeps track of all receipts to the SHGs.
- **Payment Voucher:** All payments and expenditures of the SHG are routed through the Payment Voucher
- **A demand Promissory Note :** This Note is taken from the borrower as security of the loan.

- **Documentation File** :Supporting documents, related to various financial transactions and decisions made by the group and all correspondence should be filed in the Documentation File.
- **Bank Pass Book/ Challan/ Cheque Book**
- **Local Contribution Register** : It provides information of funds mobilized at local level either in cash or kind for various programmes.
- **Stock Book:** It contains information of materials received or issued and balances, along with their material value.

### **Control over the Common Fund :**

*In order for the SHG to retain control over the common fund the following practices are usually observed:*

- Whoever is writing accounts never handles the money.
- Members keep track , mentally of the total amount and composition of the Group fund at any point of time.
- The total amount is usually announced at the meeting or written on the board.
- Members keep track of their own individual savings and credit status in the group.
- Members ask the book writer to read out the day's minute before they sign.
- SHG members ensure that the books are always kept up to date.
- SHG members ensure that the book writer has all the necessary equipment for writing books such as a pen, pencil, eraser, white paper, carbon sheets, pins, glue, rubber stamp and stamp and stamp ink-pad.
- SHG members ensure that the custody of their books and records in not with the book writer if he is the member of the group.

### **The Need for Leadership in an SHG :**

*Leadership is needed so as :*

- To monitor and improve upon the groups' performance
- To co- ordinate all the group's activities.
- To nurture the group's inter –personal relationships.
- To ensure that all members participate in the groups' activities

- To take initiative in establishing linkages with external organizations.
- To provide strategic direction to the group.
- To represent the SHG in various bodies like federations etc
- To express and interpret the group's vision
- Good Leadership helps to bring out the best in everybody.

**Key Questions :**

- Why do we need leadership in an SHG ?

**Leadership Styles :**

*There are several leadership styles, which a leader may exhibit :*

- An Autocratic leader
- A Neutral or Dummy Leader
- An Anarchic Leader
- A Democratic or Participatory Leader

**Rotating Leadership Functions**

*Rotational Leadership is an SHG is important because it :*

- Creates opportunities for all members to develop leadership qualities through practice.
- Enables the sharing of responsibilities.
- Allows for the SHG to function smoothly even if some members are absent.
- Creates equal opportunity in the SHG.
- Does not allow for domination by a few members

**Key Questions :**

- Why should leadership be rotated in an SHG?
- How frequently should leaders be rotated?
- Why should new leaders be appointed six months in advance of retirement of the old leaders?

**Why Self Assessment is necessary :**

*Self Assessment is important in order to :*

- Identify one's strengths and weaknesses, to build on one's strengths and reduce weaknesses.
- Identify opportunities available to the group and to make the best use of them.
- Monitor one's performance as a group.
- Hold a mirror to ourselves.

### **Indicators for Self Assessment :**

- **Vision and Mission :**
- **Organizational Management :**
  - *Group size and Composition*
  - *Participation*
  - *Meetings*
  - *Rules and Regulations*
- **Financial Management :**
  - *Savings*
  - *Book keeping*
  - *Loans*
  - *Common Fund Management :*
  - *Auditing*
- **Organizational Accountability :**
  - *Rotation of Representatives*
  - *Non partisan Nature*
  - *Distribution of Benefits*
  - *Sharing of Information*
- **The Ability to Build and Sustain Linkages :**
- **The Ability to learn and to Evaluate Organizational Performance**

## **STEPS IN CAPACITY BUILDING OF SELF HELP GROUPS AND VILLAGE ORGANIZATIONS**

### **Capacity Building of SHGs and Village Organizations:**

Capacity building plays an important role in the building of the institution of rural poors. Following steps will have to be followed in building the capacity of the SHGs and Village Organizations, during their development as well as in their management:

- 1. Enabling**
- 2. Empowering**
- 3. Decision Making**
- 4. Self Reliance**

### **PROCESS OF CAPACITY BUILDING :**

#### **1. Enabling :**

Involve them in group formation

Constitution

Registration

Leadership – cadre development

Team Working

Skill in \* Group Action

- Action
- Book keeping

Meetings \* Regularity

- Significance

Overcome \* Jealousy problems

- Family Quarrel
- Communication

Influence of Community :

- Local
- Social

- Political
- Economic

## **2. Empowering :**

Confidence

Self esteem

Power to negotiate and cooperate with

- Government organizations

Plan and undertake – new activities

Higher management skills

Self Dependent

Work with authority

Independently seek

- Advice
- Exposure

Take administrative measures.

Own responsibility.

## **3. Decision Making :**

Enter into formal and informal contracts to change with time and situation :

- Socio
- Political
- Economic

Modify constitution

Change rules and take independent decisions.

## **4.Measures of Self Reliance :**

- Regularity of group meetings – high attendance of group promoter
- Shared leadership . Members participation in group making
- Continuous growth in group savings- financial

- High rate of loan repayment
- Group problem solving in absence of group promoter
- Linkages with development services.

Series of training programmes are be organized for different stake holders for strengthening Self Help Groups.This will ultimately build the capacity of the institutions of the poors.

Following sequence can be maintained in the process of capacity building for different stakeholders:

- Capacity building of good NGOs, CBOs, professionals, activists officials of line departments, bankers and PRIs to achieve for smooth rollout.
- Formation of block level trainer’s team – block level trainers team includes officials, professionals, selected community resource persons, book keepers, accountants, community animators, facilitators.
- Preparation of training modules and materials
- Capacity building training/ hand holding for the SHGs to achieve full potential

**Sequences of the training programmes:**

Training programmes for officials, bankers, NGOs, CBOs , professionals, activists, PRIs

and other stakeholders



Training for community resource persons, coordinators, facilitators, book keepers, social

mobilizers



Handholding training programme for SHG members , members of primary federations etc.

**Broad subjects to be covered during the capacity building programmes for Self Help Groups and Village Organizations (Primary Federations):**

*Tentative modules for training programmes of community resource persons, social mobilisers, facilitators, members of SHGs.*

- a. Types and causes of poverty (through exercises and games).
- b. Participatory identification of poor – tools and techniques.
- c. Characteristics of poor households and problems of poor families (participatory exercises).
- d. Credit requirement of poor and its sources (through matrix ranking exercise).
- e. Need for mobilising poor into SHGs and federations (video film on best practices and group discussion).
- f. Concept of SHGs and types of groups.
- g. Formation and development of SHGs – stages in development including vision and goals of SHGs (with games and stories).
- h. Functions of SHGs, group dynamics and management of group activities (with games, exercise and stories).
- i. Roles and responsibility of the group leaders and members.
- j. Conduct of meetings.
- k. Rules and regulations of SHGs.
- l. Savings and resource mobilisations, internal lending, common fund management (group exercises).
- m. Accounting, book keeping, record keeping, auditing.
- n. Team spirit, team work, group cohesion, collective decisions (games and exercises).
- o. Decision making and conflict resolution (games and exercises).
- p. Preparation of micro credit plans by the groups.
- q. Self assessment, monitoring and evaluation.
- r. Linkages with financial institutions and banks.
- s. Convergence for social services.
- t. Planning for livelihoods activities.
- u. Concept, types and objectives of federations.

- v. Approach and rules in management of federations.
- w. Best practices from Andhra Pradesh and Bihar.
- x. Project formulation for development micro enterprises.
- y. Support services for livelihoods activities.
- z. Grading of SHGs and index of group sustainability.

## **CHAPTER- 2**

### **Decision Making and Conflict Resolution in Self Help Groups and Village Organizations :**

Self Help Groups and Village Organizations are grass root level democratic institutions of rural people. Decision making plays an important role in the management of these institutions of rural poor. Being institution of people, conflict and are bound to be there in the management of their day to day activities.

In the above background following points relating to decision making and conflict resolution will have to be discussed with the members of SHGs and Village Organizations for the sustainability of their institutions.

#### **Meaning of Decision:**

- A conclusion.
- An output of a discussion.
- A judgment reach about an issue.
- A choice

#### **Decision Making :**

- The unspoken: Group Decision by Omission
- The Self – Authorised: Decision by one/ individual
- The Hand –Clasp : Decision by Two
- Decision by minority/Few
- Voting: Decision by Majority
- Consensus or Collective Decision –making

### **Necessities of Collective Decisions:**

- To share the responsibility of the group.
- For transparency and clarity.
- To avoid conflicts.
- To increase participation of individual members in Self Help Group.
- For better relationships between members in the Self Help Group.

### **Importance of Recording Decisions:**

- To recall all decisions taken.
- Transparency in the group.
- Accountability on the part of those who made the decision.
- Decisions to follow in the next meeting.

### **Conflict Resolution:**

#### *Reasons behind a Conflict:*

- Differences in background, perception, needs or attitude.
- A lack of mutual trust.
- Poor Communication.
- Lack of openness to each other's view.

### **Types:**

**Functional Conflicts:** Some conflicts can support organizational goals. Clashes and ideas about tasks also help in choosing better tasks and projects. These are “Functional Conflict” .

### **Approaches to dealing with Conflicts:**

#### **1. Collaborating :**

*This approach can be adopted in the following situations :*

- When both sets of concerns are too important to be compromised
- When objective is to learn.

- To merge insights from people with different perspectives
- To gain commitment by incorporating concerns into a consensus
- To work through feelings that have interfered with a relationship

## **2. Accommodating :**

*This approach can be adopted in the following situations :*

- To allow a better position to be heard and to show reasonableness .
- When issues are more important to others than yourself.
- To build social credit for later issues.
- To minimize loss when you are outmatched and losing.
- When harmony and stability are especially important
- To allow subordinates to develop by learning from mistakes

## **3. Competing :**

*This approach can be adopted in the following situations :*

- When quick , decisive action is vital
- On important issues where unpopular actions need implementing .
- On issues vital to organization and when you know you are right.
- Against people who take advantage of non-competitive behaviour.

## **5. Avoiding:**

*This approach can be adopted in the following situations :*

- When an issue is trivial, or more important issues are pressing.
- When you see no change of satisfying your concerns.
- To let people “cool down” and regain perspective.
- Gathering information supersedes the immediate decision.
- When others can resolve the conflict more effectively

## **6. Compromising :**

*This approach can be adopted in the following situations :*

- When goals are important, but not worth potential disruption of more assertive modes.
- When equal power opponents are committed to mutually exclusive goals.
- To find temporary settlements of complex issues
- To arrive at expedient solutions under time pressure.
- As a backup when collaboration or competition is unsuccessful.

### **Managing Conflicts:**

- Allow time for cooling down.
- Analyse the situation.
- State the problem to the other person.
- Leave the person for some time.
- Use a win- win approach.

### **Factors Affecting Conflicts:**

- Personality traits affect how people handle conflict.
- Threats from one party in a disagreement tend to produce more threats from the other.
- Conflict decreases as goal difficulty decreases and goal clarity increases.
- Men and women tend to handle conflict similarly I e. there is no “ Gender Effect”.

### **Steps in solving Conflict situations :**

- Openly discussing the conflict including what happened, who are involved and listening to every body’s point of view.
- Listening out possible solutions to he conflict, taking into account every body’s idea.
- Identifying the solutions.
- Adopting the most effective and collective solution

- Implementing the decision taken by deciding on the time frame for implementation and deciding on who will do what.
- Review and follow up.
- In few situations an external person may be called to moderate conflict resolution.

### **Role of the lead person to present and clarify the background of the Conflict :**

- Clearly explain your problem in terms of behaviour, consequences and feelings:

*-Maintain Personal ownership of the problem.*

*-Use a specific incident to illustrate the expectations or standards violated.*

*-Stick to the facts, avoid drawing evaluative conclusions and attributing motives to the respondent.*

- Persist until understood and encourage two-way discussion :

*-Restate your concerns or give additional examples.*

*-Avoid introducing additional issues or letting your frustration and emotions grow.*

*-Invite the respondent to ask questions and express another perspective.*

- Manage the Agenda carefully :

*-Approach multiple problems, proceeding from simple to complex, easy to difficult, concrete to abstract.*

*-Conversely, don't become fixed up on one issue.*

### **Role of a Chairperson in the group conflict management:**

- Establish a climate for joint problem solving :

*-Show genuine concern and interest .*

*-Respond appropriately to the lead person's emotion.*

- Seek additional information about the problem :

*-Ask questions that channel the lead person's statement from general to specific and from evaluative to descriptive.*

- Agree with some aspects of the complaints :

*-Signal your willingness to consider making changes by agreeing with facts, perceptions, feelings or principles.*

### **Role of a Mediator for Managing Conflict:**

- Acknowledge that a conflict exists :

*-Select the most appropriate setting for coaching and fact-finding.*

*-Propose a problem- solving approach for resolving the dispute*

- Maintain a neutral posture :

*-Assume role of a facilitator and judge. Do not criticize the disputants for their inability to resolve their differences.\*

*-Be impartial towards the disputants and issues.*

*-If correction is necessary , do it in private.*

- Manage the discussion to ensure fairness :

*-Focus discussion on the conflict 's impact on performance and the detrimental effect of a continued conflict.*

*-Keep the discussion issue-oriented , not personality –oriented.*

*-Do not allow one party to dominate the discussion. Ask directed questions to maintain balance.*

### **Need for Leadership in a SHG:**

#### **Leadership is needed so as-**

- To monitor and improve upon the group's performance.

- To coordinate all the group's activities.
- To nurture the group's inter-personal relationships.
- To ensure that all members participate in the group's activities.
- To take initiative in establishing linkages with external organizations.
- To provide strategic direction to the group.
- To present the SHG in various bodies like federations.
- To express and interpret the group's vision.

### **Leadership Styles:**

- An autocratic Leader
- A neutral Leader
- An anarchic Leader
- A democratic or Participatory Leader.

### **Necessities of Rotational Leadership:**

- Creates opportunities for all members to develop leadership quality through practice.
- Enables the sharing of responsibilities.
- Allows for the SHG to function smoothly even if some members are absent.
- Creates equal opportunity in the SHG.
- Does not allow for domination by a few members.

## **CHAPTER –3**

### **Index of Sustainability of SHGs and Village Organizations**

Different indicators and variables are to be identified for the measurement of sustainability of Self Help Groups as well as federations of SHGs. Important aspects like institutional, managerial and financial needs to be studied. Following Index and indicators will have to be inculcated in the minds of the members of SHGs and Village Organizations, so that they can follow the required norms in the development and management of the groups for their sustainability.

#### **Institutional Sustainability Index :**

**Institutional sustainability Index of the SHGs was constructed with the help of Six Indicators of Group Management:**

- Leadership Index.
- Index of Meetings.
- Decision making Mechanisms of record keeping.
- Accounting and monitoring.
- Networks and memberships, conflict resolution capacity.
- Dropout rate of the members from the group

#### **Leadership Index :**

*The Leadership Index is constructed through Three variables:*

- The selection procedure of the Group .
- The periodical rotation of leadership in the group.
- Identifying the group management capabilities of the leaders in the group.

#### **2. Index of Meetings & Participation in Decision making :**

*This Index is constructed through Six variables:*

- Frequency of Group Meetings.
- Regularity of the meetings.
- Average attendance at the meetings.
- Decision making process in the meeting.
- Participation of the members in the decision making process.
- Penalty imposed for irregularity attendance.

### **3. Index of group Record Maintenance :**

*This Index is constructed through Five variables:*

- Maintenance of Records.
- Regularity in maintaining the records.
- Who writes of records, the knowledge of writing the records.
- Level of transparency in maintaining the records.
- Auditing the group accounts.

### **4. Index of Capacity to Resolve conflicts :**

*This Index is constructed through Three variables:*

- The conflicts faced by the members/groups.
- With project staff.
- The level of capacity of the group in solving the conflicts

### **5. Networks and membership Index :**

*This Index is constructed through Three variables:*

- Groups having membership in federation /cluster of groups.
- Membership in formal financial institutions .
- Membership in local organizations, like- schools, political and religious institutions.

## **6. Member Dropout Index :**

*This Index is constructed through Three variables:*

- Number of members that left the group after formation.
- The cause for the dropout.
- Default by the dropout member.

*Once Independent Indexes are constructed for each of the above said indicators of group management, all the individual indices will be used for the construction of a composite index of SHG- Institutional Sustainability.*

## **Financial Sustainability Index:**

The Financial Sustainability Index of the group has been constructed with the help of six indicators of financial management of the group. As the first step , an independent index is constructed for each of these components.

### **1.Thrift and Savings Index:**

*The thrift or saving index measures the saving potential and utilization in the group*

*The Index has been constructed by using five variables:*

- The frequency of savings per month
- Average savings for the group per month
- Total common fund created by the group
- Utilization of group savings
- Mode of savings collected from the members

### **1.Credit Accessibility Index:**

*Maintaining equity and punctuality in delivering adequate credit has more impact on the sustainability of the groups*

*The Index has been constructed by using four variables*

- The average loan amount accessed by the group .
- The average number of members who accessed the credit

- The process / procedure of credit disbursement.

### 3. Process of Credit Rotation Index:

*Credit rotation is one of the decisive indicators of financial sustainability of the group*

*The Index has been constructed by using three variables:*

- The frequency of loans taken by members.
- The criteria followed in credit rotation
- Credit rotation in the group

### 4. Credit Repayment Index:

*Repayment of loan to Financial Institution or to the group is equally important for its sustainability*

*The Index has been constructed by using three variables*

- Repayment according to scheduled by members to the group.
- Repayment according to schedule by group to the Micro Finance Institution.
- The number of defaulters in the group and amount in default.

### 5. Index of Resource Mobilizations and Utilization :

*The group's capacity to absorb and utilize the resources will determine the financial sustainability of the group.*

*The Index has been constructed by using four variables*

- The effort of the group members to raise resources
- The capacity of the group absorb and utilize resources.
- The average number of members are engaged in income generating activities.
- The level of benefit distributed among the members.

### 6. Index of Independence from Social Parasites:

*This index will explain the efficiency of group lending in rural areas to meet the credit*

requirements of the poor.

The Index has been constructed by using three variables

- The potential of the group in fulfilling the credit requirements of the members.
- Number of group members still depending on informal lenders.
- Proportion of informal credit in total credit accessed.

**In order to assess the sustainability of a SHGs, all SHGs will be ranked (ie 0, 1 or 2) individually for each sub- indexes as given below:**

**Leadership Index:**

*a. The selection procedure of the leader of the group:*

**Ranks:**

Leader is selected by few people	The leader is selected by majority	The leader is selected by all members
0	1	2

*b. The periodical rotation of leadership in the group:*

**Ranks**

No rotation of leadership	Sometimes leaders are rotated	Periodically rotated
0	1	2

*c. Identifying the group management capacities of the leaders in the group:*

**Ranks**

Can not manage the group	Can manage to some extent	Good Management Capacity
0	1	2

**, the members will have to rank their SHG (ie. 0, 1 or 2) against each variables as follows:**

**Index of Meeting and Participation in Decision Making:**

*a. Frequency of Group Meetings:*

**Ranks:**

No group meetings	Group meeting in a month	Group meeting in every week
0	1	2

*b. Regularity of the meeting:*

No group meetings	No regular Group Meetings	Group meeting in every week
0	1	2

*c. Average Attendance at the meeting:*

0 to 50%	50 to 99%	100%
0	1	2

*c. Decision making process in the meeting:*

By minority	By Majority	By all
0	1	2

*d. Participation of the members in the decision –making process:*

No participation	Participation by few	Participation by all
0	1	2

*e. Penalty imposed for irregularity attendance:*

No penalty provisions	Not so strict	Strictly imposed
0	1	2

**Index of Group Record Maintenance:**

*a. Maintenance of Records:*

No one know how to maintain the records	Some members know how to maintain group records	All members know how to maintain group records
0	1	2

*b. Regularity in maintaining the records:*

<i>Records are not maintaining</i>	<i>Partially maintaining</i>	<i>Regularly mainlining</i>
0	1	2

*c. Who writes the records/ knowledge of writing records:*

<i>Records maintained by the leaders</i>	<i>Records maintained by some members of the group</i>	<i>Records maintained in the group is known by all members</i>
0	1	2

*d. Level of transparency in maintaining the records:*

<i>Not transparent</i>	<i>Partially transparent</i>	<i>Always transparent</i>
0	1	2

*e. Auditing of Group Accounts:*

<i>Not audited</i>	<i>Partially Audited</i>	<i>Fully audited</i>
<i>0</i>	<i>1</i>	<i>2</i>

**Networks and Membership Index:**

*a. Group having membership in federation :*

<i>Not having membership in federation</i>	<i>Passive membership</i>	<i>Active Membership</i>
<i>0</i>	<i>1</i>	<i>2</i>

*b. Membership in formal financial institutions:*

<i>Not having membership</i>	<i>Passive membership</i>	<i>Active membership</i>
<i>0</i>	<i>1</i>	<i>2</i>

*c. Membership in local organizations like schools, social ,political insti.:*

<i>Not having membership</i>	<i>Passive membership</i>	<i>Active membership</i>
<i>0</i>	<i>1</i>	<i>2</i>

**Index of Capacity to Resolve Conflicts:**

*a. The conflicts faced by the members:*

<i>Frequently faced regarding ordinary matters</i>	<i>Sometimes faced regarding important matters</i>	<i>Faced Functional Conflicts</i>
<i>0</i>	<i>1</i>	<i>2</i>

*b. The level of capacity of the group in solving the conficts:*

<i>Could not solved/ Destructed the group</i>	<i>Solved in long term</i>	<i>Functional Conflict/ Smoothly solved/ constructive conflict</i>
<i>0</i>	<i>1</i>	<i>2</i>

**Member Dropout index:**

*a. Number of members that left the group after formation:*

<i>Many members</i>	<i>Few members</i>	<i>Zero dropout</i>
<i>0</i>	<i>1</i>	<i>2</i>

*b. The Cause for the Dropout:*

<i>Due to interpersonal problems</i>	<i>Due to some un-avoidable situation</i>	<i>Due to death</i>
<i>0</i>	<i>1</i>	<i>2</i>

*c. Default by the dropout member:*

<i>Defaulter</i>	<i>Defaulter but not affecting</i>	<i>Not defaulter</i>
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	<i>the group</i>	
0	1	2

## Financial Sustainability Index:

### Thrift and Savings Index:

a. *The frequency of savings per month:*

<i>No savings</i>	<i>Irregular Savings</i>	<i>Savings per month / regular</i>
0	1	2

b. *Average savings of the group per month:*

<i>Zero savings</i>	<i>Less than Rs 50 per month</i>	<i>Rs 50 or more per month</i>
0	1	2

c. *Total common fund created by the group:*

<i>Not created</i>	<i>Irregularly created</i>	<i>Regularly created</i>
0	1	2

d. *Utilization of group savings:*

<i>Not utilized</i>	<i>Utilized on the basis of fewer's decision</i>	<i>Decision by all</i>
0	1	2

e. *Mode of savings collected from the members:*

<i>Not collected</i>	<i>Less than 4 times a month</i>	<i>4 times or more in a month</i>
0	1	2

### Credit Accessibility Index:

b. *The average number of members who accessed the credit:*

<i>No one accessed the credit</i>	<i>Many members accessed the credit</i>	<i>All members accessed the credit</i>
0	1	2

c. *The process / procedure of credit disbursement*

<i>Without any consideration</i>	<i>Need based</i>	<i>Selection of very needy one</i>
0	1	2

### Process of Credit Rotation Index:

a. *The frequency of loans taken by members:*

<i>Not taken</i>	<i>Taken</i>	<i>Need based</i>
0	1	2

b. The criteria followed in credit rotation:

<i>On the basis of decision by few</i>	<i>Decision by majority</i>	<i>Decision by all</i>
0	1	2

c. Credit rotation in the group:

<i>Not Rotating</i>	<i>Partially Rotating</i>	<i>Frequently Rotating</i>
0	1	2

**Credit Repayment Index:**

a.Repayment according to scheduled by members to the group.

<i>Schedule not followed</i>	<i>Schedule sometimes followed</i>	<i>According to schedule</i>
0	1	2

B.Repayment according to schedule by group to the Micro Finance Institution.

<i>Schedule not followed</i>	<i>Schedule sometimes followed</i>	<i>According to schedule</i>
0	1	2

c.The number of defaulters in the group and amount in default.

<i>Many</i>	<i>Few</i>	<i>No one</i>
0	1	2

**Index of Resource Mobilizations and Utilization :**

a. The effort of the group members to raise resources:

<i>No effort</i>	<i>Some efforts</i>	<i>Large efforts</i>
0	1	2

b.The capacity of the group absorb and utilize resources:

<i>No capacity</i>	<i>Building Capacity</i>	<i>Have Capacity</i>
0	1	2

c.Number of members are engaged in income generating activities:

<i>Few engaged</i>	<i>Many engaged</i>	<i>All are engaged</i>
0	1	2

d.The level of benefit distributed among the members:

<i>Distributed among few</i>	<i>Distributed among all on the basis of the decisions by majority</i>	<i>Equally Distributed</i>
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0	1	2
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**Index of Independence from Social Parasites:**

*a. The potential of the group in fulfilling the credit requirements of the members:*

<i>Low</i>	<i>Medium</i>	<i>High</i>
0	1	2

*b. Number of group members still depending on informal lenders:*

<i>Fully depending</i>	<i>Partially depending</i>	<i>Not at all</i>
0	1	2

In the first step, a set of variables of group management was identified from the primary survey. All total 12 indicators were selected to measure the sustainability of the groups. They are further divided into 2 indexes ie institutional and financial indexes. Again each of the indicators is determined by a set of variables. 0,1 and 2 ranks are used in each variables. All SHGs will have to assessed on the basis of each variable by putting 0, 1 or 2 rank to it. For each individual indicator, average (on the basis of the data collected) will have to be calculated. The average Data obtained from each individual indicator will be used for further calculation of average for the 2 indexes (ie. Institutional and Financial indexes). In this way average scores obtained by each SHGs will have to be calculated separately to compare the sustainability capacity of each SHG. Those SHGs who have scored near to point 1 are considered to be a medium one and the SHGs who scored point 1-2 will be considered as the strongest one.

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*Source :The article is based on the original article titled “ Index of Micro Finance Group Sustainability & Concepts, issues and empirical evidence from Rural India”, written by Dr. Naveen Kumar K. , Assistant Professor, Post Graduate Department of Management Studies & Research Center, Karnataka, published in the Micro Finance Review Journal, Volume 1, January 2009.*

## **Qualitative Indicators :**

### **Short term :**

- Individual self-assertion
- Collective resistance
- Collective Action
- Greater access to physical resources.
- Increase in literacy skills
- Increased access to information on health issues and greater awareness to utilize.
- Existing health services.

### **Medium Term :**

- Reduction in women's burdens.
- Enhanced nutritional well- being of children and adolescent girls.
- 100 % immunization of children and pregnant women.
- Higher enrolment of girls at school.
- Involvement in decision making in family.
- Changes in gender roles in family.

### **Long Term :**

- Reduction in maternal and infant mortality.
- Higher age of marriage for girls
- Acceptance of small family norms and child spacing
- Perceptible changes in gender biased socialization practices, such as improvement in discriminatory food intakes, freedom of movement of girls, participation of boys in household work.

## **Quantitative Indicators :**

- Number of gender sensitization training programmes conducted.
- Number and proportion of non- conventional economic activities taken up.

- Range of economic activities promoted.
- Number of loans procured.
- Amount of savings accrued
- Average increase in women's incomes
- Number of women beneficiaries.

### **General Indicators :**

Activities / events in which a group participates : Eg. Collective economic activities , meetings, training sessions.

- Action: Specific Action undertaken by the group to tackle a particular problem. Eg. Action to obtain social welfare, action to defend members interest against exploitation by a traden, action to persuade some defiant husbands to assist members , active participation in group activities.
- Change in group behaviours : The nature of group meetings , issues discussed , decisions taken, degree of participation, use of language.
- Nature of intervention: The relationship between the community and groups or other development workers- whether it is based on trust and mutual understanding or suspicion and intimidation.
- Relationship with other groups : Process of discussion , level of intergroup contact , joint action etc.
- Group sustainability : Number of years that the group is functioning , number of times the revolving fund has been recouped , number of members who have dropped out with reasons, number of new members added as replacements, diversification of activities etc. will give some indication of group sustainability.
- Economic Autonomy
- Opportunities given and handled.
- Increase in decision-making capacities.
- Attitudinal changes.
- Role perception (self and perception of the community)
- Increase in quality of living.
- Increase in earning and purchasing power.

### **Indicators relating to Self – generated thrift and credit:**

- Regularity of thrift form the members.
- Rotation of atleast 90% of the thrift among the members by way of loans. With amounts given to more number of members at a time.
- Utilization of atleast 70% of the loans for income generation, agricultural purposes, asset building, and loan repayment.
- More group loans for group activity.
- Prompt repayment with interest.
- Regular meetings of the group members for (a) Feedback on utilization of amount (b) Sharing on experience with amount utilized (c) Exploring various income-generation and enterprise options .
- Presence of strong committee within the group to prioritise needs.
- Strong peer pressure for proper utilization of amounts. Presence and regular update of related books namely.
- Thrift Register
- Loan register
- Minutes book
- Pass book

### **Indicators relating to Livelihood Activities :**

- Number of Programmes taken up
- Range of activities taken up
- Group vs individual activities.
- Marketability of the produce/ product within the project area.
- Direct bearing of the activity on the income levels of the people concerned.
- Number of skill trainings imparted.
- Number of skilled trainees taking up the activity.
- Network linkages (with banks, administrative etc) built up for initiating activity.
- Activity vs development of area , change/ improvement in peopl's practices etc.
- Number of activities promoting (a) indigenous technology (b) Environmental conservation and (c) Programmes of national importance (sericulture, NPM, non-conventional energy)

- Number of assets of people's utility built up in course of activity.
- Number of people benefiting from sub- components of activity in quantifiable terms , like wages etc.
- Replication of these activities within and outside the area.
- Number of Grass root level extension workers developed for person- to person transfer of skills.
- Number of people directly benefiting through imparting the training as professionals.
- Number of second-line trainings taken place (through grass root level extension workers)
- Range of marketing arrangements option build up within outside the area.
- Sharing of produce amongst the people.

### **Monitoring and Evaluating the broad areas:**

- Internal Cohesion
- Group solidarity
- Active and critical participation
- Reduced dependence/ increased confidence
- Self Management capability.
- Democratization of power , collective responsibility.
- Involvement in regular discussion with other similar groups and institutions.
- Involvement in creation of similar groups and
- Ability to deal with government officials.

### **Characteristics of a good Group :**

The Group members should have a feeling of self reliance - A Self Help Group

The Group should have clearly defined goals - A Group with goals

The members should have relations of Trust, cooperation

- & love among themselves - An Affinity Group
- All members of the Group should be poor having similar & social & economic problems/ background - A Homogeneous Group
- All members of the Group should run it unitedly - A Democratic Group
- All the Group members should possess leadership qualities - A Leadership Group
- The Group should follow good rules and regulations - A Disciplined Group
- The transactions of the Group should be transparent - A Transparent Group
- The living standards of Group members should gradually Improve - A Progressive Group
- The Group members should acquire social consciousness - A Conscious Group

Index and indicators will help in grading the SHGs for formation of Village Organization, Community resource persons will impart training on the index and indicators and monitor the performance accordingly.

## **CHAPTER -4**

### **SOCIAL CAPITAL**

#### **Participatory Assessment of Social Capital:**

Social Capital is an accumulation of various types of social, psychological , cultural , cognitive, institutional and related assets that increase the amount of mutually beneficial cooperative behaviour. Social Capital refers in general to the glue that holds groups and societies together through bonds of shared values, norms and institutions. The terms – social capital, social capability, social exclusion and social engagement are inter-related.

Self Help Groups can be graded on the following criteria before moving on to next step/ intervention:

#### **Criteria for Assessing Social Capital of Self Help Groups:**

<b>Criteria for Assessing Changes in Social Capital</b>	<b>SHG1</b>	<b>SHG2</b>	<b>SHG3</b>	<b>SHG4</b>
<b>Productivity</b>				
1. Group members keenness , leadership and sense of responsibility	1	1	3	4
2. Group capacity and level of confidence	1	1	3	4
3. Status of growth in financial capital	1	1	1	2

4. External linkages- vertical and horizontal	1	1	2	2
5. Technologies and improvement	1	1	1	1
Equity				
6. Broad-based understanding of group activities and worldview	1	2	3	4
7. Group participation in decision making	1	1	2	2
8. Equity in benefit flows	1	1	4	4
9. Livelihood impacts and reduction in vulnerabilities.	1	1	5	2
Sustainability				
10.Vision/ ideas for future	1	1	3	4
11. Group- based natural resources regeneration/conservation	1	1	4	4
12. Internal norms, mutual trust and role clarity	1	1	3	3
13. Group attachment/ ownership	1	1	2	3
14. Ability to raise issues and resolving conflict	1	1	2	2
15. Maintenance of Assets	1	1	3	4
16. Social inclusion and emotional well being	1	2	6	4
17. Freedom to function as a group and power to influence decision- making.	1	1	4	4
18.Power “within” and power “with”	<b>1</b>	<b>1</b>	<b>3</b>	<b>3</b>
19.Access to information and responsive governance	<b>1</b>	<b>1</b>		
20Transparent decision –making from above	<b>1</b>	<b>1</b>	<b>3</b>	<b>3</b>
<b>Total Score</b>	<b>20/120</b>	<b>22/120</b>	<b>57/120</b>	<b>63/120</b>
<b>Total Score on 100</b>	<b>16.7</b>	<b>22.5</b>	<b>47.5</b>	<b>52.5</b>

**Note:1:** Qualitative Scoring : Measurement of Social opportunity is based on scoring on 20 criteria, as follows: 1=Negligible, 2=Low, 3=Medium, 4=High, and 6= Excellent.

**Note 2:** There are 20 criteria for measurement of Social opportunity. Each criterion with the highest score of 6, leads to a total score of 120. Any group or village Organization , which scores “excellent” on all criteria has a total score of 120 (6 multiplied by 20) while that, which scores “negligible” on all criteria has a total score of 20 (1 multiplied by 20)

Index and indicators will help in grading the SHGs for formation of Village Organization, Community resource persons will impart training on the criteria for social capital and monitor the performance accordingly.

## **CHAPTER – 5**

### **FREQUENTLY ASKED QUESTIONS:**

#### **On Savings and Group Meetings**

#### **SAVINGS:**

##### **Question No 1. Should all members pay equal savings?**

**Ans:** Savings can be paid in 3 ways :

- Equal Savings: All members pays the minimum amount equally.
- Unequal Savings : Members save according to their capacity. The profits of the Group are distributed in proportion to the members savings.
- Savings according to the Season: Members pay more in the seasons and less in summer.

##### **Question No 2: Should the savings amount be paid once a month?**

**Ans :** Members decide how the savings be remitted . Normally it is done in three ways :

- Weekly Savings: Savings are paid for four weeks at the rate of one installment a week.
- Monthly Savings: The whole savings installment is paid on the last day of the month
- Once a fortnight : The savings are remitted twice a month at the rate of once a fortnight.

**Question No 3 : Is interest paid on savings ?**

**Ans:** Interest is paid on the member's savings. The rate of interest is decided by all the members together.

**Question No 4: Are savings and loan interrelated ?**

**Ans:** Some groups sanction only twice the amount of a member's savings as loan. Banks too grant loans keeping in view the total savings of the Group. Any amount can be sanctioned according to the need.

**Question No 5 : To whom , when and where should the savings be paid?**

**Ans:** A member should handover her/his savings in the presence of all other members to the president in the savings meeting. Members should get the pass book signed immediately after paying the savings.

**Question No 6: If one withdraws midway are the savings returned immediately?**

**Ans:** The group decides how much should be paid if a person wants to join midway. Those who can afford to pay the whole amount may be asked to do so. The Group should behave liberally towards those who can't do so and accept savings from that month. Otherwise the poor will be denied the opportunity of joining the Group.

**Question 7: What will happen if the savings are paid late?**

**Ans:** If savings are remitted late, the discipline of the Group will be affected and sanctioning new loans will become difficult. To address this problem, the Groups should impose fines on members who pay their savings late.

**Question 8: How to pay the savings in the season when no work is available?**

**Ans:** If more savings are paid during the work season, it would suffice for the loan season.

**Question No 9: For how much period should a member save in a Group ?**

**Ans:** Savings are as important as breathing for an individual. People have needs throughout their lives. So savings should continue for the whole life.

**Question No 10 : If a member dies, to whom are her savings paid?**

**Ans:** The name of the heir is written on the first page of the pass book. The savings amount is paid to the heir whose name has been entered there by the member.

**Question No 11: What is the assurance that the savings money is safe ?**

**Ans:** The savings collected in the meeting are deposited in the Group's account at a bank. The president shows the bank receipt to all the members at the following meeting. Whenever money is required, the money can be drawn from the bank but not only on showing resolution signed by all the members. Loans from other sources are also obtained collectively.

**Question No 12: If a member wants to leave the Group , is it possible to return her savings immediately?**

**Ans:** Not possible . This is because in a Group, the savings amounts are given out as loans to members . So it is necessary the members informs the members in advance that she/he is withdrawing. Otherwise, one or two months after she has dropped out, her/his savings will be returned to her/him.

## **GROUP MEETING :**

**1. What would happen if the date, time and venue of the meeting are not decided in advance ?**

**Ans:** The meetings will not be held regularly. The members will have to be informed individually about the date and time of the meeting every time. The leader will have to go from door to door inviting members to the meeting. Only if the members turn up on the appointed day the meeting, discipline will be maintained in the Group.

**2. What is the benefit if each meeting is presided over by a different member?**

**Ans:** All members will develop leadership qualities.

**3. What is the benefit achieved by holding the meetings at a different member's home each time?**

Ans: The member will consider it as a honour to receive all the members at her/ his place. She/he will recognize that she/he has an equal stake in the Group. Her/his family members too will learn about what happens in a meeting.

**4.What should the members sit in a circle ?**

Ans: This will create a feeling that all members are equal in the Group. They can all see each other if they sit in a circle . It is a convenient arrangement for discussions. Everybody will be able to observe how the books are maintained and transactions made in the meeting.

**5. Why should the attendance be taken soon after the meeting begins ?**

Ans: By doing so, it will be known how many members came to the meeting in time. The discipline of the members can be assessed. Fines can be imposed, as per norms, on members who came late.

**6. Is it necessary that the loan applications are scrutinized and approved in the meeting ?**

Ans: If loan applications are examined in the presence of all members:

1. It can be decided to whom should the loan be sanctioned first.
2. It can be found out if the activity to be taken up with the loan is profitable or not.
3. The procedure for repayment can be decided.
4. Since the decisions are taken collectively, all members will take up the responsibility of recovering the loans .

**7. Why should the total amount collected in the meeting be declared to everybody ?**

Ans: To improve transparency in the Group and to avoid malpractices in the management of the Group and to raise the pressure on the members.

**8. Why should the book keeper read out the minutes of the meeting ?**

Ans: Everybody will come to know of what is happening . Everyone will develop trust in the Group.

**9. Why should all members sign in the minutes book?**

Ans: It shows that the members approve of all the decisions taken collectively in the meeting. The members will thus stand committed to the decisions made.

**10. What is the harm if members leave a meeting in between ?**

Ans: If one person leaves, others will try to follow the same. What takes place in the meetings will not be known to them. The meeting will come to an end abruptly. Members leaving a meeting in-between amounts to showing disrespect to the Group.

**11. What is the loss if savings & loans are not paid in the meeting?**

Ans:

1. It is difficult for the leader to go to each member's house and collect money. This method will not last long.
2. If money transactions are held in everyone's presence, everyone will remember them.
3. All the members will together question those who have not paid their loans. As the payments are made in the presence of all the members, all of them remember all the details.

## CHAPTER –6

### Financial Management of a Group

#### For Financial Management:

<b>Common Fund Management Related</b>	
What to promote	What to discourage
Frequent rotation of the common fund for loans	Large sums of money lying unutilized for long periods represent process blocks the reasons have to be analyzed and addressed.
A balance needs to be maintained between the members savings and matching funds from the programme (a. 1:3 ratio is the limit). (There are examples where large programmes contributions have made members take careless decisions which they would not have taken with their own money. In some groups members have rotated only the amount received from the programme, keeping their savings intact)	Large amounts of money for infrastructure, community programmes or even credit management should not be router through the group since this can distort the working of the group to fund- monitor rather than fund managed : besides such groups spend most of their time and energy implementing “our” programmes.
All financial transactions should take place	No money transaction should be conducted outside the meetings,

<p>during a group</p> <p>All accounts should be in the name of the group and not in the name of one or more members. Signatories to the group Bank account must be rotated periodically.</p> <p>All decisions regarding fund management and fund utilization should be recorded and be verifiable through the minutes in the group.</p> <p>Fund management tends to improve if groups display charts showing lists of members loans, recoveries, overdue balances and other activities.</p>	<p>whether it relates to loans disbursements, collection of savings and repayments or decisions with regard to using funds for community programmes, no group member or office bearer should hold cash balances at any time, several groups however agree to place small amounts at the disposal of the office bearers for emergencies.</p> <p>Village Organization's staff should not handle group money, they should not function as group office bearers, neither should they accept (even informally) to perform those functions that are expected to be performed by the group members (eg., Depositing money in the bank, making withdrawal , purchases etc.)</p>
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**SAVINGS RELATED**

What to promote	What to discourage
<p>Encourage the savings habit as a value in itself and not just as a means of increasing the groups fund position. It builds up the habit of thrift and controls unnecessary consumption</p> <p>There are seasonal variations in the amounts saved by a member. Many groups take such seasonal variations into account in fixing the minimum amount to be saved each month.</p>	<p>The practice in some groups of requiring equal savings by all members each month regardless the fact that some members may at times be in a position to save more has to be discouraged.</p> <p>Several groups make a distinction between members savings and contributions to the common fund.</p>

<p>Every group needs a policy on how to manage the savings of members who :</p> <ol style="list-style-type: none"> <li>leave the group voluntarily</li> <li>Are asked to leave for some reason.</li> </ol> <p>Payment of interest to members on savings deposited in the common fund is still not a widespread practice but one that is worth considering and promoting.</p> <p>Many groups permit their members to save for a particular purpose e.g. weekly savings to build up the necessary amount to pay a Bank Loan installment when it falls due. Such practices should be encourages.</p>	<p>While contributions are non refundable , the practice of withholding savings of members leaving the group (either voluntarily or forcibly) should be discouraged. There are instances where such a decisions has resulted in a drop in savings among other members who fear the same consequences.</p>
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**LOAN RELATED**

What to promote	What to discourage
<p>All loan applications must be addressed to the group or to the office bearers of the group and must be scrutinized and approved , modified or rejected in group meeting only and minuted accordingly.</p> <p>Repayment schedules must be finalized and minuted when loans are disbursed.</p> <p>Service/ interest charge on loan must be clearly separated from repayments that rates are more easily managed.</p> <p>Promissory notes obtained by many groups for large loans should be between the group and the member.</p> <p>Loans (cash or cheques) must be disbursed only at group meetings</p>	<p>Care should be taken to ensure that few members do not monopolies all loans.</p> <p>Large loans for a singe member must be avoided until the group is financially strong and has systems of administration that are adequate to motive and guide members and impose sanctions for deviant behaviour.</p> <p>The tendency to first decide on who should get a loan and then to assess how much money there is in the group and if there is a deficit to ask the CRPs to meet it, is not credit management, it should be discouraged at all costs.</p> <p>Loans must not, be disbursed to persons other than the group member who has actually applied for it.</p>

<p>The practice of giving a second loan before the first is repaid should be carefully assessed , particularly if there are overdue installments.</p> <p>When the Banks advance loans they should be given to the group on the basis of its performance and not made out in the names of the individual members. Care should be taken to ensure that the Bank loan is considered by the m embers as “their” money as part of their common fund.</p>	
<b>BOOK KEEPING RELATED</b>	
What to Promote	What to discourage
<p>All groups require training to keep basic books and documents, all record must be kept in a safe box with the group either in the meeting place or with one of the office bearers.</p> <p>All books must be kept up to date , with transactions being recorded as soon as they occur</p> <p>All groups must close the books by the end of the calender financial year.</p> <p>Groups must be helped to develop and maintain their own systems and records for book keeping.</p>	<p>The practice of keeping books with CRP staff or in the office should be discouraged.</p> <p>Money for purchase of books and stationery may come from the programmes at the initial instance but not on a continuing basis.</p> <p>Initially CRPs/ Book-keepers may have to assist the groups in maintaining their books and documents but not on a permanent basis.</p> <p>If a group retains a person on an honorarium/ wage basis to keep accounts/ minutes , the money will have to be generated by the group and not expected from the Programmes.</p>
<b>AUDIT RELATED</b>	
What to Promote	What to Discourage
<p>Accounts must be audited at least once a year</p> <p>Auditors must ensure that concerned staff and group representatives re present at the time of audit.</p> <p>Audit reports must be presented to the group in a language in which they can be understood by all members</p> <p>Audit reports should be taken note for</p>	<p>Disposal of group owned assets cannot be undertaken without the approval of members and appropriate documentation.</p> <p>Members who have purchased assets with group assistance cannot dispose off the same while loan installments are still due, without adequate reasons that have the approval of other members.</p>

immediate and appropriate follow up action. A regular recorded system should be established by the project offices/ apex group to follow up audit remarks.	
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### **Book Keeping and Accounting at Self Help Group level:**

Self Help Groups and Village Organizations will mobilize resources from different sources. Group corpus or resources at village organization level will keep on increasing through establishment of linkages for resource mobilization. Sustainability of these institution of poor will depend upon efficient management of their resources. For this financial management and book keeping are very much essential. Financial Management becomes all the more important with SHGs taking up livelihood activities through internal and external loan.

#### **Books of Accounts to be maintained by the Groups:-**

- Cash/ Bank Book
- Ledger/Loan Ledger/ Saving Ledger
- Vouchers
- Receipt and Payment Register

#### **Cash Book:**

- The cash book is a register to record all financial transactions of the Village Organization
- Both Bank and Cash columns are necessary in the Cash Book to show all the bank and cash transactions.
- The transactions are either receipts or payments.
- All transactions are first recorded in receipts/ payment voucher at the time of receiving or giving the payment.
- All payments and receipts are recorded showing the head of account
- The cash and bank balance shall be certified by the secretary and treasurer on daily basis.

- On the date of the receipt/ payment itself , receipts and payment voucher are entered into the Cash and bank loan.

**The format of the Cash Book is given below:**

Date	Head of Account with Particulars	LF	Amount (Rs)		Date	Head of Account with Particulars	LF	Amount (Rs)	
			Cash	Bank				Cash	Bank

### **Vouchers:**

There will be two types of Vouchers at SHG level:

- Receipts Voucher
- Payment Vouchers

### **Receipts Vouchers:-**

SHGs shall issue receipts vouchers for every receipt made by the groups against savings, Bank loan or the receipts.

**The format of the receipt Voucher is given below:-**

----- SHG, Village-----

**RECEIPT**

**Receipt No:**

**Received from- (Name and Address)**

**Membership No:**

<b>Sl. No.</b>	<b>Particulars</b>	<b>Amount</b>	
<b>1</b>	<b>Savings</b>	<b>Rs</b>	<b>s</b>
<b>2</b>	<b>Loan Repayment</b>		
<b>3</b>	<b>Membership Fees</b>		
<b>4</b>	<b>Interest on loan</b>		
<b>5</b>	<b>Others to be specified</b>		
<b>Total</b>			

**Rs in Words:**

**Book Keeper/CM**

**Secretary/ Treasurer**

**Points to be noted in preparing receipts:**

- All receipts are to be prepared in duplicate
- The duplicate copy of the receipt will be retained by the SHG and the original to the person paying the amount to the SHG.
- All receipts must be serially numbered and dated.
- All receipts must be signed by the Treasurer.
- All receipts must be accounted for in the cash Book on the date of the receipt itself.
- Any corrections in the receipts must be countersigned by the Treasurer.
- The amount in figure and words must agree.

**Payment / Expenditure Vouchers:**

- Every payment / Expenditure must have some evidence which shows that payments has been made.
- Vouchers are prepared for every payment/ Expenditure.
- There are two types of payment vouchers ie. Internal Vouchers and External Vouchers.
- When the bills are received from the supplier or Shopkeeper or service provider against any payment or expenditure , those vouchers are called External vouchers.
- When the vouchers are prepared internally against any payments/ Expenditure those vouchers are called Internal Vouchers. In big organization internal vouchers are prepared on the basis of external vouchers.
- In small organizations only external vouchers are kept as a proof of expenditure.
- If no external vouchers are received for any expenditure than SHG may prepare internal vouchers duly signed by the person who has power to make the ppayment and expenditure as a proof of expenditure. In SHG the voucher must be signed by Secretary and Treasurer.

**The format for Payment Voucher is given below:**

.....SHG, Village.....				
<b>Payment Voucher No:</b>		<b>Date:</b>		
<b>Payment made to:</b>				
Description	Head of Account	Payment Towards	Amount	
			<b>Rs.</b>	<b>P</b>

**Amount in words: Rs:.....only**

**We certify that supplies/services have been rendered and that the payment of Rupees....(in words), is in accordance with the project principles and is fair and reasonable.**

.....

**Date:..... CM/ Book keeper                      Secretary/ Treasurer**

**Received this in payment of the account, the sum of Rupees.....only**

The details in the Payment Voucher shall be filled with the following particulars :

- Who received the payment.
- The reason for making the payment
- The mode of payment- cash or cheque
- Particulars of the bills/ receipts enclosed to the voucher
- When payments are made by cheque, the invoice for which the payment is made shall be attached to the voucher.
- Receipts have to be obtained for all payments and later on attached to the Payment Voucher.
- Payment vouchers must be authenticated by the person authorize to approve the payments.
- Whenever advance payments are made, it should be mentioned in the Payment Voucher as “Payment of Advance for.....”
- Preparation of payment voucher is optional for the SHG.

**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 format for a ledger folio is given below:**

<b>Date</b>	<b>Cash book Page No</b>	<b>Description</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
		<b>TOTAL</b>			

### **Loan Ledger:**

Since the maor activity in a SHG group is providing loan the members a separate loan ledger are maintained for each and ever member. The Loan ledgers consist of following information:

- Name and Address of the member
- Amount of Loan
- Rate of Interest
- No. of Installments for repaymen
- Purpose of loan
- Amount of Loan Given
- Amount of loan repaid.

### **Receipts and Payments Statements:**

- The receipt and payment statement shows the funds spent.
- The receipts and payments statement will be prepared for every month and submitted in monthly financial report
- Monthly Financial report of the Village Organization: The VO will prepare a consolidated monthly financial report based on its Trial Balance.

### **Financial Report for the Month of ..... of the Village Organization**

#### **Receipt and Payment Statement**

<b>RECEIPTS</b>		<b>PAYMENTS</b>	<b>Rs</b>
Opening Balance		6. Initial Loan to the SHGs	
1. Cash in hand		7. Livelihood Fund	
2. Cash at bank		8. Social Fund	
3. Contributions received		9. Service Sector	
-Cash			

-Labour		10. Other Expenditures	
Initial loan to SHGs			
Livelihood Fund			
Social Fund			
Service Sector			
5. Other Receipts		<b>Closing Balance</b>	
-Donations		11. Cash in hand	
		12. Cash at bank	
<b>Total</b>		<b>Total</b>	

**Date:**.....

**Signatures**.....

.....

**Book keeper**

**Treasurer**

**Note:**.....

Book keepers will be involved for hand holding training on Book keeping and maintenance of accounts in Self Help Groups and Village Organizations. Series of training programmes will also be organized on book keepers in the decentralized manner.

## **CHAPTER-7**

### **CREDIT LINKAGE THROUGH FINANCIAL INCLUSION :**

#### **Criteria a Group Should fulfill to Avail of a Bank Loan :**

Banks usually apply the following criteria to assess whether an SHG is eligible for a bank loan :

- The SHGs should have credit transactions using its own common fund for at least 6 months prior to the application for a bank loan.
- The group should have no loan or interest overdue, particularly to any external source.
- All members should have access to loans from the group's common fund.
- There should be evidence of regular minimum savings by all members.
- The group's minutes books and books of accounts should be properly maintained
- There should be evidence of regular meetings as per the norms established by the group with a minimum of 80% attendance at any meeting.
- The groups' common fund should be in regular circulation.
- There should be periodic audit of the group's accounts and careful follow up on the audit report.

#### **Terms Conditions and Procedures Involved in Obtaining a Bank Loan :**

The following are the terms, conditions and procedures involved in obtaining a bank loan:

- Bank loans have a repayment period , which is fixed after the SHG negotiates with the Bank.
- The group will pay interest to the bank on the loan amount . The interest rate will depend upon bank norms.

- The group may lend this money to individual members at any interest rate they decide upon.
- The Bank loan is to the group and not to the individuals in the group., hence if any one person is a defaulter the whole group will be held responsible.
- Banks require certain documents in order to process the loan.
- It may take a considerable amount of time to process a bank loan application, hence the group should plan well in advance if they require a loan by a specific month or date.
- The SHG must apply for a loan amount based on its capacity to repay the bank, which in turn will depend on the SHG's capacity to revolve the money and recover it from its members.

### **When should Groups start giving Internal Loans :**

- It is a good practice to give loans to members from the very first month after starting the Group.
- One should not hesitate to do this just because the savings add up to a small amount in the first month.
- The poor mostly have many small requirements.
- For instance, they need about Rs.200 /- every month to buy their rations.
- There are many benefits of giving internal loans in the very first month of a Group .
- The members realize the benefits of the Group from the beginning and develop fondles towards the Groups.
- The Group fund grows with the inflow of interest on loans.
- The members won't have to depend on money lenders . On loans taken from other sources, the interest is very high. The interest charged by the Group is convenient for members.
- The interest received is distributed among the members in the form of bonus. This bonus is added to the savings of the members.
- The members are forced to do bonded labour when they can't pay outside loans.

- The loans given by the Group come associated with two good qualities- Self Reliance and self pride.
- The practice of internal loans is a sign of the confidence the group has in its members.

### **How is an Self Help Group - a suitable Source of Credit for the poor :**

A suitable credit delivery system for the poor must have the following features :

- It must be based on affinity, so that members trust one another sufficiently to act as guarantors for each other and utilize peer pressure to ensure proper loan use and repayment.
- It must be open to lend small amounts of money to service daily needs such as food, clothing, education , health etc.
- It must provide timely credit.
- It must have affordable rates of interest
- It must not require formal security
- It must not lead to other forms of exploitation.

### **Action to be taken for Financial Inclusion:**

- Identification of bank branches.
- Opening of accounts.
- Availing services offered by bank for total financial inclusion.
- Preparation of viable projects by helping good SHGs to prepare viable livelihood projects for credit support.
- Exploring possibilities of linkages with alternative credit delivery sources / micro credit plan.

### **Reference Books :**

- Govt. of India Manual for SHG
- Operational Manual SHGs (JEEVIKA)
- The MYRADA experience- A manual for Capacity Building of Self Help Groups Affinity Groups – 2<sup>nd</sup> Addition.
- The Micro Finance Review Journal of the Centre for Micro Finance Research – Bankers Institute of Rural Development, Luknow.
- A handbook for trainers on Participatory local Development – FAO Regional Office for Asia and the Pacific, Bangkok, Thailand, August 2003