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Government of India
Ministry of Rural Development
Department of Rural Development

6th Floor, Hotel Samrat
Kautilya Marg, Chanakyapuri
New Delhi
Dated: the 23rd September, 2013.

To

1. The Commissioner,
State Rural Livelihoods Mission,
Maharashtra, Chhattisgarh, Jharkhand, Madhya Pradesh, Rajasthan, West Bengal, Gujarat,
Assam, Karnataka, Uttar Pradesh, Jammu & Kashmir, Haryana.
2. The Mission Director
State Rural Livelihoods Mission,
Maharashtra, Chhattisgarh, Jharkhand, Madhya Pradesh, Rajasthan, West Bengal, Gujarat,
Assam, Karnataka, Uttar Pradesh, Jammu & Kashmir, Haryana.


Subject: Revised guidelines on Revolving Fund and Community Investment Fund to SHGs-reg

Sir

I am directed to enclose herewith a copy of revised guideline for Revolving Fund and Community Investment fund to SHGs for your kind information and necessary action

Encl: As above

Yours Faithfully


(P. C. Bhaskar)
Assistant Director (RL)



**Revolving Fund to SHGs and Community Investment Fund to SHGs - interim
Guidance Notes for Resource Blocks**

**(These need to be incorporated by the S.R.L.M into their Community Operational Manual
(C.O.M))**

1. **Background:** Under the intensive Social Mobilization approach, once the poor Women are organized into their own institutions, they need to be supported with resources to meet their felt needs. These needs include consumption needs, redemption of high cost outstanding debt, livelihoods enhancement and other priorities like education, health etc. Some of these needs would be met if they are provided with Revolving Fund (RF) to SHGs and Community Investment Fund to Village Organizations. In the Resource Blocks, a good number of SHGs adopting 5 principles of Model S.H.Gs, the 'Panchasutras' have emerged. These SHGs have also positioned trained Book Keepers for writing their books.

2. **Revolving Fund to the SHGs**

2.1 Savings is a small fund regularly contributed by the members, to lend to each other within the S.H.G to meet the urgent household needs of members. As the age of the group increases this savings and accumulated interest develops into a S.H.G corpus and it belongs to all the members. It creates a deep ownership on that fund. To accelerate the process of internal lending and increase the size of the corpus, the revolving fund is thought of as a mechanism in the development of SHGs.

2.2 The criteria for provision of revolving fund to SHG -

1. It is a S.H.G of women from *poorest of the poor* and *poor* households as its members. Priority should be given to S.H.G s of the poorest of the poor
2. The SHG should have been practicing 'panchasutra' for the last 3-4 months (15 weeks):

- a. The members' attendance in the group meetings is at least 90% and above.
 - b. Members are saving regularly as per the agreed norms.
 - c. There is a regular internal lending of savings to the members for their small needs.
 - d. These loans are regularly recovered, maintaining at least 95% recovery at S.H.Gs level.
 - e. A trained Book Keeper is engaged by the group and books (Meeting minutes book, Savings cum attendance register, Cashbook, Loan ledger and Member's pass book) are written in the same group meetings.
3. The group has opened an SB Account in any Bank Branch.
 4. All the members of the group have received **three days member level training** on SHG concept, group management and panchasutras.
 5. A commitment from the group that the revolving fund will be utilized for internal lending to the members along with savings.
 6. After the provision of revolving fund also, the group agrees to continue panchasutra, good management and financial norms in its meetings.
- 2.3 Every SHG satisfying the above criteria may be provided with a revolving fund of Rs.10,000-15,000/- by the State Mission directly into the group's Bank Account. There should not be any delays in the release of RF and clear service standards should be specified for each of the structures of S.R.L.M. **Within one month of the day of submitting request by the S.H.G, the R.F should be released to the eligible SHG by the SRLM.**

3. Community Investment Fund (CIF) to SHGs through Micro Credit Plan (M.C.P) mode

3.1 SHGs adopting panchasutra and following good management and financial norms and demonstrating proper use of savings, and revolving fund (wherever the S.H.G has received R.F), need to be supported further with provision of CIF through Micro-credit Plan (MCP) mode for enlarging their opportunities for livelihoods and various other social needs. This would enable members of the SHG to access loans and undertake income generation activities individually as per the Micro Credit Plan and increase their incomes.

3.2 Eligibility criteria for an SHG to access CIF loan through MCP process -

- (i) It should be an SHG of women from poor and poorest of the poor households that has been following Panchasutra at least for the last 6 months (26 weeks or more).
- (ii) It should have regular internal lending of savings and revolving fund to the members by small loans for the last 6 months.
- (iii) It should have developed its Participatory Micro-credit Plan, duly following the seven step process.
- (iv) It should give a commitment that even after receiving CIF loan through MCP Process, the members of the group will run the management duly adopting panchasutras and good management and financial norms.

3.3 Every SHG satisfying the above criteria is eligible for CIF loan through MCP Process.

- (i) However, SRLM would directly release CIF to SHGs that have completed six months of weekly meetings as a purely interim measure till the VO and CLF are formed and become operational. SHG would submit its MCP duly following the seven step process to the loose forum of Village Organization (forum of leaders of SHGs in the

- village) for its appraisal, if the VO is not formed. On the basis of appraised MCP and recommendation of VO, SRLM would release the CIF to the SHG as a loan for it to implement the MCP.
- (ii) Where V.O is formed, the Executive Committee of the VO would do the appraisal (in the presence and/or support of DMMU representative). The SRLM will then release the amount as a loan to VO for onward release to the SHG. The SHGs have to repay the installments to the VO and the VO will park the installments payable to the CLF in the V.O's Bank account initially and later on when the CLF is formed, the installment amounts will be transferred to the CLF account.
 - (iii) If CLF is formed, CLF would receive bulk CIF (seed capital) and the CLF in turn would sanction and release the amount to the VO for onward release to SHG on the basis of the appraised MCP with the recommendation of the VO.
- 3.4 The SHGs which have completed six months of weekly meetings, but not received revolving fund nor CIF through MCPs so far shall receive revolving fund and the CIF amount through MCP simultaneously without any further delay. The revolving fund is released as a grant, where as the CIF is a group loan to the SHGs directly through MCP Process. This would enable the SHGs to utilize revolving fund for small consumption needs and the group loan through CIF will enable the SHG members to utilize the funds for food security, income generation activities and other social needs as identified and prioritized by them.
- 3.5 It is suggested to the State Missions that on an average, one SHG may be provided @ Rs. 50,000 - Rs.60,000/- as CIF loan through MCP process so that the about half of the members of SHG on priority and on rotation access at least Rs.10,000/- loan per member for undertaking interventions in the MCP. The SHG should be facilitated to give priority to the poorest of the poor and most vulnerable members within their SHG in accessing the loans.

These limits (quantum of CIF) could be revised by Cluster Level Federations based on their experience, and demand for CIF loans.

- 3.6 The list of eligible SHGs are to be finalized based on the revised guidelines and the eligibility criteria. The list will be prepared by the Professional Resource Persons (PRPs) deputed by the National Resource Organization / N.G.Os and the Community Coordinators of the SRLMs. The State Missions shall release the funds for RF and CIF to the SHGs' Bank accounts directly. The PRPs and CCs shall attend the meetings of SHGs and facilitate the process to ensure that the RF and CIF through MCPs are fully utilized for lending to the members without allowing the funds to remain idle in the Bank Accounts. Once the funds are released, the grounding at the SHG level shall be completed within a week positively. The PRPs and the CCs/ ACs are personally responsible to ensure fulfillment of the above guidelines relating to identification of eligible SHGs and utilization of funds immediately after release to the SHGs by the State Missions.

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