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GOVERNMENT OF ASSAM

অসম ৰাজ্যিক গ্ৰামীণ জীৱিকা অভিযান

ASSAM STATE RURAL LIVELIHOODS MISSION SOCIETY

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Subject: Guidance Note on Community Investment Fund (CIF) to SHGs and their Federations through Micro Credit Plan (MCP) Mode.

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2) ASRLMS/RF-CIF/237/2013-14/62 dtd.29.10.2013

Under the intensive social mobilization approach, once the poor women are organized into their own institutions, they need to be supported with resource 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 (CIF) to Cluster Level Federations (CLFs). ***The CIF is ultimately a grant to CLF; however, it is a loan to VO, SHG and members.*** In the present status, in most of the Intensive Blocks, CLFs are yet to be formed and the CLFs that have been formed in many blocks are yet to be operational and functional. So, ***CIF is being released to the SHGs as well as Village Organizations (VOs) as a purely interim measure to support SHG members for enlarging livelihoods opportunities.*** As and when the CLFs are formed and becomes operational and functional, the CIF released to the SHGs and VOs are to be managed by the CLFs.

1.1 SHGs adopting 'Panchasutras' and following good management and financial norms and demonstrating proper use of savings, and Revolving Fund (wherever the SHGs has received RF), need to be supported further with provision of CIF through Micro Credit Plan(MCP) mode for enlarging their opportunities for livelihoods and other social needs. This would enable members of the SHG to access loans and undertake income generating activities individually as per the Micro Credit Plan and increase their incomes.

1.2 Triggers for preparing MCP by an SHG to access CIF loan:

- i. It should be an SHG of women (under NRLM) 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 (RF) to the members by small loans for the last 6 months. At least 80% of the corpus of the SHG should be outstanding (i.e. disbursed to members as loan) at the time of preparation of MCP.
- iii. The loans should be regularly repaid (on time as per repayment schedule) by the members maintaining at least 95% repayment rate.
- iv. The SHG should have a Savings Bank Account.
- v. The SHG Members should have received the basic training on SHG, including orientation training on MCP.

1.3 Steps for the preparation of MCP:

The seven steps need to be adhered to, while preparing MCP for the group. These steps have been enumerated:

Step I - SHG profile preparation

- Members of the family and their occupation.

Step II - Collecting Comprehensive Information of the members/households

- Members of the family and their occupation.
- Assets detail: Land, Cattle, Type of house etc.
- Entitlements: Job card, PDS, Ration Card, BPL card etc.
- Vulnerability of the family
- Collecting Information about Livelihood activities of the members

Step III- Income-Expenditure (including high cost debts)

- Sources of income and expenditure at household level
- Liability: Debt, Mortgage, Borrowing etc.
- Detailed livelihoods profile of a family (for understanding livelihoods path)

Step IV - Needs assessment and Family Investment Plan:

- Purpose of loan
- Required loan amount and own contribution by a family (members contribution, Amount required from SHG)
- Income per month of the family
- Repayment Plan (No. of installment and value)
- Performance of the member in the SHG (regularity in saving, repayment and attendance etc)
- Capacity building needs: Information, skill development, leveraging institutional facilities

Step V- Prioritization of members

- Priority would be given to the poorest of the poor households
- Emergency needs to be considered (health/education/seasonality)
- Office bearers should not be given undue priority.

Step VI- Credit Rotation Plan in group based on prioritization:

Step VII- MOU between SHG, VO and BMMU/DMMU

1.4 Processes involved in MCP:

1.4.1. Before preparation of MCP:

- Determining the eligibility of particular SHG for MCP on criteria mentioned above (VO-EC in support of BC would accomplish this task)
- Ensuring presence of all members during the MCP preparation
- Ensuring appropriate meeting place for MCP preparation

1.4.2. During Preparation of MCP:

MCP preparation would be done over 4-5 days as per the process detailed below:

- Discussion on objective of MCP with the SHGs by the BC (would ensure Participation of all members)
- Discussion on Household profiles of SHG members (Family members, education, health status, physical status, occupation, Resources, Assets, Liabilities, access to entitlements, outstanding debts, food security issues, special category)

- Discussion on member profile of the Group – identifying current challenges/ hurdles faced
- Sharing/ Discussion on the future plan of each member of the Group
- The Group members will prepare/confirm their plans with their family members (immediate & long-term plan)
- Discussion on individual members' and households' future plan in the group
- Prioritization of members individual plan
- Assessment of needs for execution of members individual plan (Financial needs; technical support needs; convergence support needs)
- Prioritization of needs of members individual plans at group level
- Discussion on sources of needs (financial; technical; convergence)
- Facilitator should incorporate all the details in the MCP format **only** after having a detailed discussion with SHG members and the SHG as a group
- The SHG would submit application to VO-EC or MCP appraisal committee for appraisal and sanction
- Receipt of fund by the SHG from VO/CLF through VO/BMMU/DMMU.
- Disbursement of fund to SHG as per MCP.

1.5.1 Appraisal of MCP

- After preparation of MCP, it would be submitted to VO-EC (in presence of VO)/MCP Appraisal Committee (in absence of a VO).
- In absence of VO, a MCP Appraisal committee (Village level/cluster level/block level) involving 3-5 selected SHG representatives, representatives from 2-3 others VOs from of the cluster, representative of BMMU would be formed. Representative of the DMMU may also be included.
- The committee in presence of all the members should appraise the MCP based on the criteria mentioned in the following section.
- This committee should meet regularly every fortnight on fixed dates.
- The committee would take into consideration all MCPs prepared during the last fortnight for appraisal and approval.
- For appraisal of the MCPs, the meeting of the MCP committee should be organised at a location closer to the location of the SHGs.
- During the appraisal process of MCPs, representative of the SHGs who submitted their MCPs should be compulsorily present.

1.5.2 Criteria for appraisal

- Correctness of information provided
- Participation of all members during preparation
- There should be due emphasis on prioritizing the needs of the poorest members of the Group
- All the members in the Group should have skills and knowledge to implement their investment plan
- What is the contribution of members (money/labour etc.)

Based on the above criterion, the MCP committee would approve and recommend MCPs to the BMMUs for release of CIF. BMMU/ DMMU based on the recommendation of the MCP committee would release the funds directly to the SHG.

1.6 Eligibility criteria for an SHG for availing CIF Loan: The SHG must have an approved MCP prepared duly following the seven step process.

1.7 Every SHG satisfying the above criteria is eligible for CIF loan through MCP process.

1.8.1 Release of CIF directly to SHGs (in absence of Village Organization)

In absence of VO, SHG will submit the MCPs to **MCP Appraisal Committee**. Appraisal and approval of MCPs will be done by the Committee in presence and/support of BMMU representatives. On the basis of appraised MCP, CIF (for approved MCPs only) will be released directly to SHGs from respective DMMU (in Intensive Districts)/BMMU (in Non-Intensive Districts) as a loan to SHG. After getting CIF, the SHG will disburse the CIF to its members in the SHG meeting so that about half of the members of SHG access loan based on prioritization for undertaking interventions as per MCP and rest of the members will access loan from repayment on rotation basis. The credit disbursement and repayment plan should also be recorded in the minutes of the meeting. After disbursement of CIF to members, SHG will submit a **Utilization Certificate** to their respective BMMUs (Non-Intensive Districts)/DMMUs (through BMMUs in Intensive districts). As and when the VO is formed and becomes operational and functional, the amount of CIF released to the SHGs will be considered as loan outstanding and demand for CIF i.e. CIF repayment schedule will be prepared in the VO, and SHGs will repay the CIF loan instalments from the next month onward. **The Mission will release CIF directly to SHGs not more than 50% of the SHGs (i.e. 5-6 SHGs in a village). The remaining SHGs shall receive CIF from recycled CIF repayments.**

1.8.2 Release of CIF to Village Organizations (VOs)

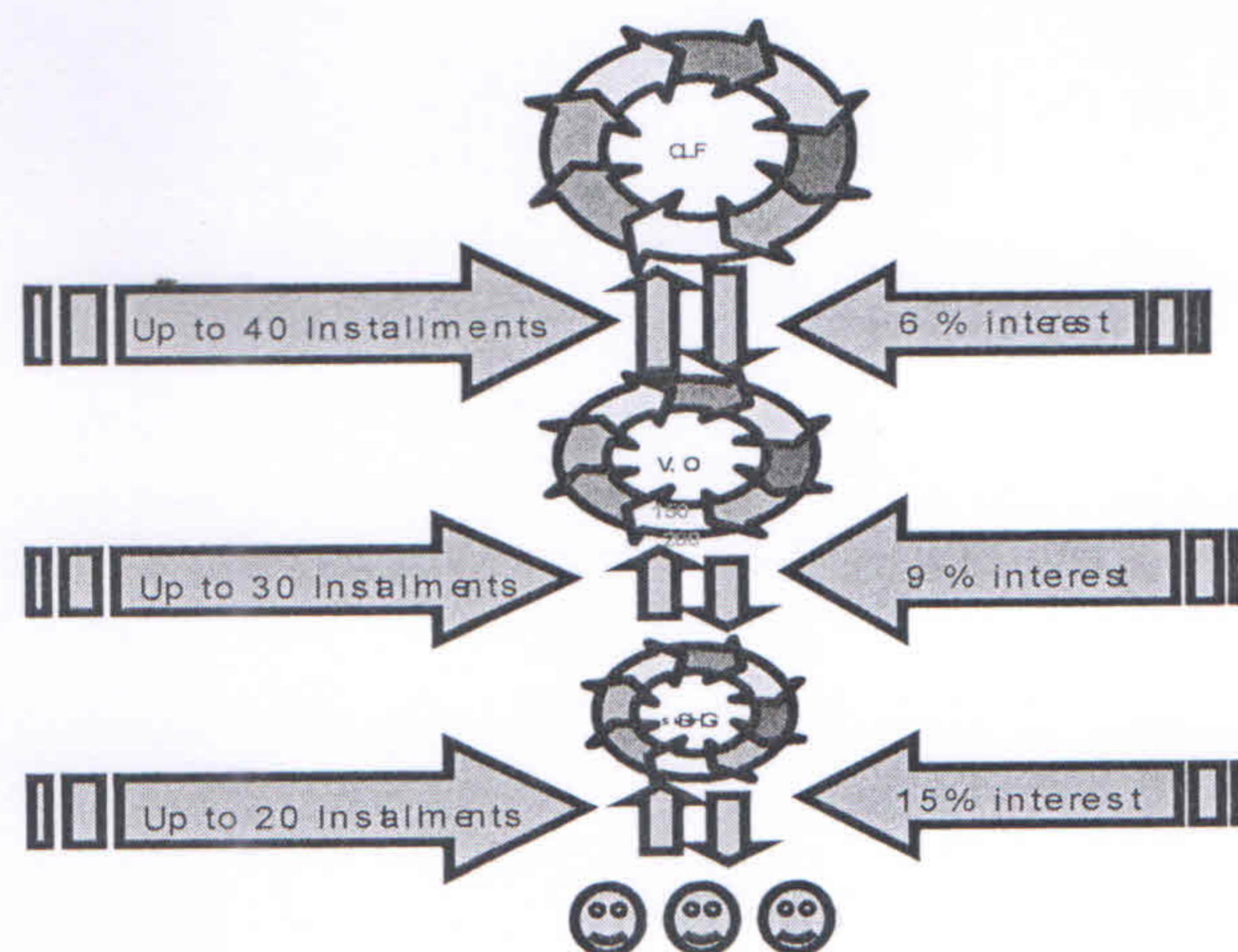
Where VO is formed, the Executive Committee of the VO would do the appraisal (in the presence and/or support of BMMU representative) of MCPs prepared by SHGs, in the VO-EC meeting. Based on need, a special VO-EC meeting may also be convened for appraisal and approval of the MCPs. Then VO will request respective BMMU for release of CIF (only for approved MCPs) to the VO. In Intensive Districts, BMMU will request respective DMMU for release the CIF directly to the VO. In Non-Intensive Districts, BMMU will release CIF to VO. In both the cases, CIF will be released to the VO for **50% of the SHGs** whose MCPs have been approved by VO-EC as a loan to VO for onward release to SHG. After disbursement of CIF to SHGs, VO will submit a **Utilization Certificate** to their respective BMMUs (Non-Intensive Districts)/DMMUs (through BMMUs in Intensive districts). The SHGs have to repay the instalments to the VO from the next month of receiving CIF and the VO will park the instalments payable to the CLF in the VO's bank account initially and later on when the CLF is formed, the instalments amounts will be transferred to the CLF account. The VO will extend credit the remaining amount to the SHGs based on approved MCP.

1.8.3 Release of CIF to Cluster Level Federation (CLF):

When CLF is formed, CLF would sanction and release the amount to the VO for onward release to SHGs on the basis of appraised MCP with the recommendation of the VO. *The necessary guidance note in this regard will be issued in due course.*

1.8.4 DMMU/BMMU will release CIF to SHGs/VOs @ Rs. 50000.00 per SHG as CIF loan through MCP process, so that about half of the members of SHG on priority and on rotation access at least Rs.10000.00 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.

1.9 Fund Utilization, Instalments of Repayment and Interest Rate: The diagrammatic representation of fund utilization and management of CIF at different level of community institutions are as follows:



- ❖ A member of the SHG can get CIF loan at the annual interest rate of 15% from the SHG and has opportunity to repay back in maximum 20 instalments.
- ❖ The SHG can get CIF loan at the annual interest rate of 9% from the VO and has opportunity to repay back in maximum 30 instalments.
- ❖ The VO can get CIF loan at the annual interest rate of 6% from the CLF and has opportunity to repay back in maximum 40 instalments.

Note: If there is any deviation in the existing outstanding CIF loans, necessary changes should be made on the outstanding amount i.e. if there is any difference in the interest rate; new interest rate will be effective on the outstanding amount only.

The interest charged by the CLF and the difference between the charged interest rate and the repaid interest rate at SHG and VO level would be kept for maintaining and sustaining these community institutions towards their managerial and operational purposes including their community cadres service charge/remuneration in due course. Till the formation and strengthening of VO, the SHG will keep rotating the CIF within the Group to cater its members' credit need or keep in the SHG savings bank account. In the same manner, till the formation of CLF the VO will keep rotating the CIF in the VO to meet the credit needs of its SHGs.

1.10 Implementation arrangement: Timeline and Responsibilities:

Sl. No.	Particulars	Timeline	Responsibility
1	Identification of eligible SHGs in a cluster		BC
2	Preparation of MCPs by eligible SHGs (7 steps process)	10 Days	BC
3	Appraisal and Approval of MCPs	3 Days	BC

4	Request for Release of CIF	2 Days	BC
5	Approval from Competent Authority and release of fund to SHGs/VO (in Non-Intensive Districts)	5 Days	BPM
6	Communication to DMMU by BMMU	3 Days	BPM
7	Approval from Competent Authority and release of fund to SHGs/VO (in Intensive Districts)	5 Days	DPM
8	Submission of Utilization Certificate by the SHGs/VOs to VOs/BMMU/DMMU after availing CIF	15 Days	BC

1.11 Post Fund Release Monitoring: In absence of VO, BPMs and BCs shall monitor disbursement of Fund by SHGs to its members as well as utilization of fund by members as per approved MCPs. In presence of VO, Bank Linkage & Repayment sub-committee will monitor the disbursement of fund by SHGs to its member, utilization of fund by members (as per approved MCP) and repayment of CIF loan by SHGs to VOs.

1.12 The BPMs and BCs shall attend the meetings of SHGs and facilitate the process to ensure that the 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 BCs and BPMs are personally responsible to ensure fulfilment of the above guideline relating to the identification of eligible SHGs and utilization of funds immediately after release to the SHGs by DMMU/BMMU.

1.13 Specific Note: A) After formation of VO, it may happen that CIF has been availed by more than 50% of its member SHGs through MCP process. In that case, more SHGs that have been already formed may become member of the VOs and can avail CIF loan from the VOs by preparing MCPs. Otherwise; the concerned Block Coordinator will convene a joint meeting of VO-ECs of two neighbouring VOs in a common convenient place. Both VO-EC will discuss and decide to share CIF and accordingly demand will be generated. The VO (whose member SHGs have already received CIF) will transfer the amount to the other VO accordingly from the repayment from its member SHGs. Block Coordinator will be responsible for necessary communications with the BMMU.

B) The SHG having more than Rs.15000.00 (Fifteen Thousand) in Fixed Deposit Account will not be eligible for CIF till its withdrawal from bank for inter-lending.

C) SHG has to prepare MCPs every time for availing CIF loan from VO/CLF which will be appraised and approved at VO level.

D) The SHGs which have completed six months of weekly meetings, but not received RF nor CIF through MCPs so far, shall receive Revolving Fund and the CIF amount through MCP simultaneously. This would enable the SHGs to utilize RF for small consumption needs and CIF will enable the SHG members to utilize the funds for livelihoods enhancement.

This guidance note will come into force with immediate effect.

This is for your information and to take necessary action.

Yours faithfully



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Memo No: ASRLMS/RF-CIS/237/2013-14/132-A

Date: 04.07.2015

Copy to:

1. The SO to the Chief Secretary, Govt. of Assam for appraisal of the Chief Secretary.
2. The Additional Chief Secretary to the Govt. of Assam, P&RD Department for favour of kind information
3. The Commissioner, P & RD Department, Govt. of Assam for favour of kind information
4. The Principal Secretary, BTAD Districts, Karbi Anglong and Dima Hasao District for favour of kind information and necessary action.
5. The Deputy Commissioner, All Districts, Assam for favour of kind information and necessary action.
6. The District Project Manager, Intensive Districts, ASRLMS for information and necessary action.
7. The Block Development Officer, Intensive Blocks, for information and necessary action
8. The Block Project Manager, Intensive Blocks, ASRLMS for information and necessary action
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