Chapter-IV
Formation, Organisation structure and working of Self Help groups

Chapter four deals with the formation and organisation of self help groups and there working this chapter also includes SHG and bank linkage and also the gives detail about fund management of self help groups.

Self-help group is a method of organising the poor people and the marginalized to come together to solve their individual problem. The SHG method is used by the government, NGOs and others worldwide. Take the example of the Grameen Bank of Bangladesh, it is a people bank formed by the poor to provide easy loans for themselves. The poor collect their savings and save it in their own banks. In return they receive easy access to loans with a small rate of interest to start their micro unit enterprise. Thousands of the poor and the marginalized population in Bangladesh are building their lives, their families and their society through Self help groups\(^1\). The 9th five year plan of the government of India had given due recognition on the importance and the relevance of the Self-help group method to implement developmental schemes at the grassroots level.

All over the world there is a realization that the best way to tackle poverty and enable the community to improve its quality of life is through
social mobilization of poor, especially women into Self help Groups. Ever since Independence a number of innovative schemes have been launched for the upliftment of women in our country. Indian government has taken lot of initiatives to strengthen the institutional rural credit System and development programmes. However formal sector credit agencies find it difficult to reach vast majority of rural people. The problem highlighted above required a complete paradigm shift where the flexible and responsive system meets the needs of the rural poor. Viewing it in the welfare programmes of ninth five year plan (1997—2002) and shifting the concept of “development to empowerment” the Indian Government adopted the approach of ‘Self Help Groups (SHGs)’ to uplift the rural poor women focusing on the following aspects

**They are:**

- Direct involvement of women in programming and management.
- Effective collaboration with community organization.
- Organizing and strengthening of women’s Self Help Group (SHGs).
- Sensitization and advocacy of gender just society.
- Organizing women in different groups to undertake certain productive activities to earn their Livelihood and to develop rural community.
What is Self Help?

From our childhood days, we hear sayings like:

- Self help is the best help’
- Unity is strength’
- United we stand, divided we fall’

We have heard the story of the birds caught in a net. They could not escape one by one. But when they flew together in a group, they escaped. We know that one stick is easy to break. But it is difficult to break a bundle (group) of sticks. The SHGs show us how unity is strength. They show us how self help could be the best help. It is useful if we can encourage and help poor people to form SHGs. How do We Start? Even a thousand-mile journey starts with a single step forward. The first step for forming an SHG is also simple –

- Visit the very poor families in your village
- Talk to them
- If the people do not know you, first talk to them about yourself.

It is important to be known to the people and to win their trust. Talk to the elders in the village, explain your plan to them and request for their support.
Whenever you visit a poor family, Speak to the womenfolk Ask what is the most important issue for the family. Every time you visit such families, please tell them that you are not distributing or promising any subsidy money under any scheme. This is very important to avoid misunderstanding at later stages. This is called ‘Preliminary Survey’. This helps you to understand the needs of each individual family. You will need to visit the same families again. When you see them for the second time, you will be able to tell each family how you have seen and spoken to other families, who also have very similar problems like them. By visiting the families, you will be able to know which of those families could come together in Self-Help Groups. You will also understand what their common requirements and problems are.

4.1 Origin of Self Help Group Movement

The concept of SHG serves the Principle “by the women, of the women and for the women” The origin of SHG is from the brainchild of GRAMIN BANK of Bangladesh, which was found by the economist, Prof Mohammed Yunus of Chittagong University in the Year 1975 This was exclusively established for the poor. Self Help Group is a small economically homogeneous and affinity group of rural poor which is voluntarily ready to
contribute to common fund to be lent to its members as per group decision, which works for group’s solidarity, self-group, awareness, social and economic empowerment in the way of democratic functioning\textsuperscript{4}. The Self Help Group movement became a silent revolution within a short span in the rural credit delivery system in many parts of the world. It has been documented that nearly 53 developing countries including that have taken up this on a large scale. In 1997, World Micro Credit Summit at Washington converged the developed and the developing countries to tackle the serious problem of poverty by using micro credit as a tool to empower the poorest sections. A global movement has been launched to reach 100 million of the world’s poorest families by the year 2005\textsuperscript{5}.

- Access to various promotional assistance.

- Assurance of freedom, quality, self-reliance and empowerment.

4.2 WHAT ARE SHG

- SHG is a development group for the poor and marginalized
- It is recognized by the government and does not require any formal registration
- The purpose of the SHG is to build the functional capacity of the poor and the marginalized in the field of employment and income generating activities
People are responsible for their own future by organising themselves into SHGs.

**Stages of SHGs**

The following are the 3 stages of evolution of SHG.

— Group formation.

— Capital formation through the revolving fund and skill development.

— Taking up economic activity for income generation.

**Formation of SHG**

Formation of SHGs begins with an assessment of member’s strength. People are motivated to collect information and initiatives they have taken in the past to resolve problems and to initiate collective or group action. Information on income and borrowings and seasonality on the availability and use of natural resources and skills and markets on people perception of poverty and its causes of the various social groups in society, their mutual interdependence should also be collected. ‘Participatory Rural Appraisal exercises including meetings with various groups in the villages and outside with poor families in public and private a structural analysis of the society
and exercises that brings to the surface gender biases, in society within caste, creed color and employment benefits are appropriate instruments to collect information that is necessary in order to identify... affinity groups. The members are saving money, regularly. An account is open in the nearest bank or post office. Basic’ records such as attendance register, minute’s book, and savings ledgers are maintained.

**Identification of SHGs**

It must be understood that the basis of the Self Help affinity group exists prior to any intervention. The members are linked by a common hand like caste, sub caste, blood community, and place of origin or activity. The interventions whether formed by the NGO, Bank or Government must have the experience to identify these natural groups which are commonly called affinity groups which links together the group members therefore is not primarily the need for credit but a capital stock of relationship built on mutual trust.

Of group members on a degree of social and economic homogeneity the group offers the best opportunity to realize the latent and often suppressed aspirations to develop economically, and socially. The regular visits to the village meetings with informal groups gathered around tea
shops, temples, water spots, markets, provision shops, milk collection center special care or few of the popular strategies used. Involvement of the entire village in a common action like desalting a pound or building around also helps to. Identify these groups, provided people organize the action themselves. It is noticed that, it is encouraged to plan such project people tends to work in affinity’ groups.

**Promotion of SHG’s.**

SHGs are organic in terms of their development and pass through various phases before getting stabilized. To begin with SHGs have to stabilize the regularity of meetings, participation of members maintaining of books, regular transactions of savings: and leading among members with little or no Outside support. The process of stabilization is influenced by various factors which include the span of SHG awareness of members, leadership, interaction among members, training programmes and common activities undertaken by the group.

According to Dhan Foundation (1998) the pre formation period of the group may be 1-2 months in which the initial identification of the group is done. During the formation period 3-6 months often self-selected 15-20 women form a SHG. Evolving of rules and norms for conducting the
meetings takes place. They begin to save and maintain accounts. SHG members training and animators training programmes are arranged. Literacy and numeric classes are also conducted for the members. In the stabilization period 7-12 months SHGs regularize and increase savings. They start and repaying of loans. They begin to interact with other groups, Government and private institutions. Groups are linked to the banks and they begin to avail bank loans. SHGs join the cluster and block level federations in the panchayats: They begin to involve in common issues too It includes of their living conditions, basic amenities, etc. NGOs are expected to reduce their direct integrations with the SHGs. So that the groups would become self-reliant.

During growth period 19-25 months, the linkage with the banks are intensified NGOs enable them to venture into productive activities Their cluster level activities are improved The expansion and diversification period (25 months and above) focuses on creating assets for individual members or for the groups. Each SHG has to become an individual institution and the federations have to manage to supervise the SHGs. NGOs support in formalizing linkages with other institutions.
**Social Movement**

A social movement has thus begun wherein rural women started saving money by forming themselves into small groups and come together to decide all issues which affect their lives. During the last 5-6 years, saving movement caught up the imagination of women as a means of Self Help Groups through which they are trying to mould their destiny. It may be rated as the most successful anti-poverty programme and contribution to women’s empowerment and the expectation continue to be high, the need for taking a look at the present status has been felt. Thus women empowered by economic independence can contribute to society and at the same time improve their standard of living and self-esteem can be demonstrated and taken to logical and where an empowerment of women folk will take their rightful place in the path of progress.\(^\text{10}\)

Social movement is therefore, a prolonged action of deprived homogeneous group to strengthen the roots of the group in the society to which the group belongs. The collective mobilization for action directed towards transformation of the structure of a system can be understood as a social movement. Social movement which is an offshoot of social change may *appear* in any one of the stages of change depending upon certain
system conditions. Mukerji. ‘P.N. (1997) analyses social movement as a productive of social structure and the consequences for it is an agent of change. Social movement can further be distinguished on the basis of change and ideology of the movement. Movement can be aimed at reforms in social life or oriented in bringing about changes in superordinate or subordinate relationships and finally towards bringing about revolutionary change in every sphere of life and in basic values\textsuperscript{11}.

4.3 SOCIO ECONOMIC CHANGES THROUGH SHGs

Villages are faced with problems related to poverty illiteracy, lack of skills health care etc. These are problems that cannot be tackled individually but can be better solved through group efforts. Today these groups known as Self help groups have become the vehicle of change for the poor and marginalized.

4.3.1 Empowerment of Women through Self Help groups

The empowerment of women through. Self Help Groups (SHG) would lead to benefits not only to the individual woman and women groups but also for the families and community as a whole through collective action for development\textsuperscript{12}. These groups have a common perception of need and
impulse towards collective action Empowering women not just for meeting their economic needs but also through more holistic social development.

4.4 How are Groups Formed?

When you speak to families in a locality, you will find that some kind of mutual liking already exists between many of them, some known reasons for mutual affinities are:

- Similar experience of poverty
- Similar living conditions
- Same kind of livelihood
- Same community or caste
- Same place of origin

It will be easy at this stage to find out which families are likely to get together better. What type of families do we visit, for forming SHGs? Ask these questions about each family:

1. Does the family have only one earning member?
2. Does the family bring drinking water from far away place?
3. Are the women compelled to go far in the open in the absence of latrine?
4. Are there old illiterate members in the family?
5. Are there permanently ill members in the family?
6. Are there children in the family who do not go to school?

7. Is there a drug addict or a drunkard in the family?

8. Is their house made of row material?

9. Do they regularly borrow from the moneylender?

10. Do they eat less than two meals a day?

11. Do they belong to scheduled castes or scheduled tribes?

IF ‘YES’ IS THE ANSWER FOR THREE OR FOUR OF THESE QUESTIONS, YOU CAN CONSIDER THE FAMILY AS POOR.

4.4.1 GUIDING PRINCIPLES FOR FORMTION OF SHGs

The strong belief by the individual to bring about change through collective efforts

· Effort is built on mutual trust and mutual support

· Every individual is equal and responsible

· Every individual is committed to the cause of the group

· Decision is based on the principles of consensus

· The belief and commitment by an individual that through the group their standard of living will improve

· Savings is the foundation on which to build the group for collective action.
4.4.2 Best Practices in Self Help Groups- Group Formation Methods

Getting a group formed takes time and skills. Development workers must pay frequent visits, to the community where the group is to be formed and devote time to talk to the people and getting to know them. Some sort of investigation into the problems of people and their response patterns, beforehand will surely help. There is no one best way to form groups however, the following sequence of events have been found to be consistent in yielding good results:

• A meeting with local opinion leaders and elders to develop mutual confidence.

• Use of rural mass media like Burrakatha Street plays, puppet shows, folk songs etc for sensitizing and motivating community members.

• Providing clear picture about the theme of Self Help Group programme soon after the cultural event.

• Enlisting support of community volunteers for animation purpose and to do the talking with people.

• Holding of focus meetings of interested members to clarify doubts and address feats.
4.5. MEMBERSHIP

An SHG shall have a membership of not less than 10 persons or more than 20.

- Members should reside in the same village
- Membership should be based on affinity
- The groups could be mixed/male or female
- The members of the groups should preferable be from the low-income group.

4.5.1 Membership in Self Help Group

It is important that people from poor households are made aware and made to recognize the significance of collective efforts in solving problems that seem impossible with individual efforts, by voluntarily deciding to put their efforts together to help increase their access to financial services, economic services like technological training in skill and enterprise management, material support and marketing facilities, etc besides a host of other social services.
4.5.2 Homogeneity Factor

The greater the extent to which individuals share activities, the more they will interact and, the higher, the probability that they will form a group. Interaction enables people to discover common interests, likes and dislikes, attitudes or sentiments.\textsuperscript{14} There are other important factors which encourage homogeneous group formation VIZ.,

- **Gender:** Gender focus of groups has been quite successful in promoting. Gender concerns particularly in the context of economic empowerment of women.

- **Neighborhoods:** People who live in the same neighborhoods are likely to form stronger groups than people who live in different areas.

- **Community:** People with similar social background exhibit similar coping behavior in times of crises hence will be able to extend mutual support.

- **Occupation:** People in similar occupation tend to be cohesive and group action is often found successful in confronting common problems. Besides these, other factors like age, physical or social disability, management of community resource/asset are also being tried out for building up community organizations.
4.5.3 Membership Requirements

- Size of group is normally restricted to 15—20

- Members to facilitate participatory processes.

- Members of a group should be at least 18 years of age.

- Members should be aware of rights and obligations of membership.

- Members must share understanding on objectives and vision of group.

- Finally, membership by mutual selection is a solitary means to build group solidarity.¹⁵

Mutual selection process entails the participant to expressly indicate the list of all people who could be trusted with their money. Persons with negative characteristics tend to be left out of such formed trust groups and that with the positive attributes tends to be included.

4.5.4 Rights and Obligations of Members

- Every member has a right to determine goals, objectives and vision of the group

- Every member has a right to participate in every activity of the group.
• Every member has a right to participate in group meetings and decision making.

• Every member has a right to participate in the leadership function.

• Every member has right to access loans from the pooled corpus funds of the group.

• Every member has a right to share in the group’s wealth.

• Every member has a right to scrutinize group’s records and inspect property.

• Every member has a right to withdraw from membership in genuine circumstances.

• Every member is under obligation to accept goals, objectives and vision of the group.

• Every member is under obligation to participate in all group activities.

• Every member is under obligation to make oneself aware and abide by group norms and rules.
• Every member is under obligation to participate in group meetings and decision making.

• Every member is under obligation to contribute minimum agreed thrift amount to the group.

• Every member is under obligation to act with diligence in discharge of group responsibilities.

• Every member -is under obligation to discharge debt liability contracted by the group.

• Every member is under obligation to participate in supervision of group finances/businesses.

• Every member is under obligation to defend the group at all flora.

It is quite interesting to note that the rights and obligations of members are almost convergent mainly on account of Self Help Group being a member owned, managed and controlled institution. Every ordinary member is also a part of management. Hence, transparency is the watch word.¹⁶

**4.5.5 Governance in self help groups**

Strong savings and credit groups owned and managed by the community itself need competent and committed development facilitators,
strong cadre of leaders, and enlightened and alert members; Hence the governance of Self Help Groups that promotes democratic traditions is crucial for its success. Evolution of norms or rules and regulations for self-governance, participatory decision making, diligence and self-discipline among group members coupled with strong enforcement mechanism are sufficient conditions for transparency in group operations. These rules and regulations are not mere statements but reflect the understanding of group norms by members through their conduct in group activities. Rules and regulations of the group, therefore, need to apprehend conflict situation in day to day functioning of group and provide ready solutions.

These could broadly cover:

- Groups to have unique name to give it a distinct identity.
- Goals and objectives of group formation.
- Membership issues—optimal size, entry norms, exit policy.
- Extraordinary issues concerning membership— expulsion. and cooption of members.
- Leadership structure—positions, roles and responsibilities.
- Positioning of leaders—tenure, selection and change process.
• Financial services—savings and credit products.

• Fund management—cash management, interest rates, expenditures.

• Decision making—decision making apparatus, styles and record keeping.

• Enforcements of decisions made by the group.

• Enforcement of group norms—discipline procedure.

• Relationships management with service agencies—Banks, SHPIIDRDA, etc.

While stability of group membership is strongly encouraged, it is possible that a few members could be co-opted into, the groups to attain optimality in group size, alternately delinquent members could be expelled, in which case the groups ‘could undertake a situational analysis and take appropriate decision.18 However, core objectives of the group and rule for self-governance should not be lost sight of.

4.5.6 How are Group Meetings Organised?

Before Self-Help Groups are formed, hold a meeting of the community leaders and elders of the village. Explain to them your plan to
form SHGs. You will get support from them. This is very important. This is called community participation.

This will also give acceptance to your work in the village. This is the right time to tell everyone that the meetings are not for “giving” anything, but to “enable” the poor families to come together and help each other. It will be very useful if you explain the basic principles of Self-Help Group in this meeting.

4.5.7 How do SHGs take shape?

After meeting the elders and community leaders, you are now ready to call SHG members for a meeting. You can get one member from each of the identified families to come for a meeting on a convenient day. This can be called “a start up meeting”.

During the meeting, you will get a lot of questions. Your answers will help them slowly understand the concept further.

Please allow sufficient time for the members to understand the different aspects of group formation. The process of forming groups normally takes five to six months. Once the group is formed, it takes one to one and a half years to settle to a stable pattern. Membership During the initial meetings, following things may happen:
• Some members leave
• Some new members come in
• The members slowly learn to decide subjects for meetings
• They learn to conduct meetings
• They understand the value of records and documents
• They want to remain together and help each other.

4.6 Leadership in SHG:

One member of the group needs to take the lead. How is this person identified? The best way is to ask the following questions within the group:

<table>
<thead>
<tr>
<th>QUESTIONS</th>
<th>ANSWERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Who should decide everything for the SHG ?</td>
<td>All members should decide</td>
</tr>
<tr>
<td>Who benefits from the SHG ?</td>
<td>All members benefit</td>
</tr>
<tr>
<td>Who should do the work ?</td>
<td>All should share the work</td>
</tr>
<tr>
<td>How can the work be shared?</td>
<td>Agree on one person to take up the work by rotation</td>
</tr>
</tbody>
</table>

This way, the members will understand the reason for rotation of the responsibilities. This will make it easy to choose a member to take initiative for the following main activities Book keeping Organising meetings. These
are normal stages. This will give you the confidence that you are moving in
the right direction.

4.6.1 Leadership Responsibilities

It is apt to realize that leadership in a Self Help Group is a Verb and
not a Noun. The range of leadership responsibilities includes the following:

• Providing guidance for group activities.

• Assisting in information sharing among group members.

• Helping define problems and identify solutions.

• Facilitating appraisal of group performance.

• Encouraging members to offer ideas and opinions.

• Resolving conflicts and disputes between group members.

• Conducting meetings and facilitating group decisions.

• Organizing implementing and coordinating group plans.

• Facilitating financial transactions during group meetings.

• Maintaining and keeping records of accounts.
• Maintaining a bank account on behalf of the group.

• Representing the group’s interests to outside bodies.

• Conducting negotiations and doing business with other organisations.

• Rendering truthful and correct accounts to members.

Considering the wide ranging responsibilities of leaders in Self Help Groups, responsibility sharing mechanism by assigning different leadership roles to several members must be worked out. This entails:

• Grouping of leadership responsibilities and identifying leader positions.

• Affording clarity in roles and responsibilities of different leadership positions.\textsuperscript{21}

• Selecting leaders for discharging expected leadership roles on consensual basis.

• Developing systems and procedures where ordinary members are required to assist leaders in discharge of routine functions.
• Providing in built mechanism for rotation of leadership at least once in two years with clear succession plans for smooth change-over of leadership, similar to that found in rotary clubs.

• Adopting a methodology for changing leaders in case of non-fulfillment of expected roles.

4.7 How do SHGs function?

Simple rules are required for SHGs to function. The following are some important rules:

• Common agreement on when to meet
• Decision on time and place of meetings
• Agreed penalties for non-attendance
• Agreement on amount of saving
• Giving small loans to each other
• Taking loan from banks, repayment habits

Training of the members is an important need for proper functioning of SHGs. These areas for training could do well to the members:

• Basic mathematics
• Writing of books
• Scheduling of meetings
• Social aspects like women empowerment
• Basics of lending money, borrowing, repaying

Most effective method of training of SHG members is to take them to a good working SHG and allowing free interaction with its members. Let us now look at an SHG little closely, and understand its characteristics and functions.

4.8 Characteristics of SHG:

The ideal size of an SHG is 10 to 20 members.

(In a bigger group, members cannot actively participate.)

The group need not be registered.

From one family, only one member.

(More families can join SHGs this way.)

The group consists of either only men or of only women.

(Mixed groups are generally not preferred.)

Women’s groups are generally found to perform better.

Members have the same social and financial background.

(Members interact more freely this way.)

The group should meet regularly.

(Members understand each other better if they meet weekly.)

Compulsory attendance. (Full attendance for larger participation.)
4.9 Book keeping by the SHG:

Simple and clear books for all transactions to be maintained. If no member is able to maintain the books, someone to be engaged by the group for the purpose. Animator can also help.

4.9.1 Minutes Book:

The proceedings of meetings, the rules of the group, names of the members, etc. are recorded in this book.

4.9.2 Savings and Loan Register:

Shows the savings of members separately and of the group as a whole. Details of individual loans, repayments, interest collected, balance, etc. are entered here.

4.9.3 Weekly Register:

Summary of receipts and payments on a weekly basis. Updated every meeting.

4.9.4 Members’ Pass books:

Individual members’ passbooks encourage regular savings.

4.10 Functions of SHGs:

(a) Savings and Thrift:

The amount may be small, but savings have to be a regular and continuous habit with all the members. ‘Savings first — Credit later’ should be the
motto of every group member. Group members learn how to handle large amounts of cash through savings. This is useful when they use bank loans.

(b) Internal lending:

The savings to be used as loans for members. The purpose, amount, rate of interest, etc., to be decided by the group itself. Proper accounts to be kept by the SHG. Opening savings bank account with bank. Enabling SHG members to obtain loans from banks, and repaying the same.

(c) Discussing problems:

Every meeting, the group will discuss and try to find solutions to the problems faced by the members of the group.

4.11 Linking of SHGs to Bank

- Opening of savings bank account
- Internal Lending by the SHG
- Assessment of the SHG
- Checklist for assessment of SHG
- Repayment of loans by the SHG

Soon after an SHG is formed and one or two meetings held where the savings are collected, a savings bank account can be opened in the name of the SHG. The following steps will explain to you how this can be done.23
Step 1 – Opening of S/B Account for the SHG

The Reserve Bank of India has issued instructions to all commercial banks and regional rural banks, permitting them to open SB A/cs of registered or unregistered SHGs. SB A/c in the name of SHG could be opened after obtaining from the group the following documents:

Resolution from the SHG:

The SHG has to pass a resolution in the group meeting, signed by all members, indicating their decision to open SB A/c with the bank. This resolution should be filed with the bank.

Authorization from the SHG:

The SHG should authorize at least three members, any two of whom, to jointly operate upon their account. The resolution along with the filled in application form duly introduced by the promoter may be filed with the bank branch.

Copy of the rules and regulations of the SHG:

This is not a must. If the group has not formulated any such rules or regulations, loans can be sanctioned without them. A savings bank account passbook may be issued to the SHG. This should be in the name of the SHG and not in the name of any individual/s.
**Step 2 – Conduct of internal lending by the SHG**

After saving for a minimum period of 2 to 3 months, the common savings fund should be used by the SHG for lending to its own members. The purpose, terms and conditions for lending to its members, rate of interest etc., may be decided by the group through discussions during its meeting. (RBI and NABARD have permitted the members to decide on these aspects.) The interest is usually kept as 2 or 3 rupees per hundred rupee per month. Please remember that interest per month is better understood in villages, than annual interest. Simple and clear books of account of savings and lending should be kept by the SHG. Through internal landings, the members of the SHG will learn to properly manage, utilize and repay their SHG loans.\(^{25}\)

This will be of help, when they later borrow from the bank.

**Step 3 – Assessment of SHGs**

We need to know whether the SHG has been functioning well.

**Step 4 – Sanction of Credit Facility to the SHG**

**In whose name is the loan issued?**

The loan is *always* sanctioned and issued in the name of the group.

(Not in the name of the individual members.)
What is the quantum of loan? How is the quantum decided?

The amount of loan to the SHG can be to the tune of 1 to 4 times of its savings.

What constitutes the savings of the group?

• The group’s balance in the SB A/c
• Amount held as cash with the authorized persons
• Amount internally lent amongst the members
• Amount received as interest on the loans
• Any other contributions received by the group like grants, donation, etc.

What are the purposes for which the loan can be given to the SHG?

• Loan may be granted by the SHG for various purposes to its members.
• The bank does not decide the purposes for which the SHG gives loans to its members.
• The purpose can be emergency needs like illness in the family, marriage, etc. or buying of assets for income generation acquisition of assets.
• The group will discuss and decide about the purpose for which loans are to be given to its individual members by the SHG.
**Who makes the repayment?**

The SHG makes the repayment to the bank. (The group is collectively responsible for the repayment of the loan.)

**What is the collateral security for the bank?**

RBI/NABARD rules stipulate that no collateral security should be taken from SHGs by banks. Collateral security is not necessary for the loans sanctioned to SHGs because:

The members of SHGs know that the bank loan is their own money like savings. They are aware that they are jointly responsible for the repayment. Therefore, they exert moral pressure on the borrowing members for repayment. Because of this, the bank gets a much better repayment from the SHG.

**Can the bank hold the SB A/c balance of the SHG as a security?**

No. This will prevent the SHG from lending from its internal savings.

**What is the rate of interest to be charged for the loans granted to SHG by the bank?**

The Reserve Bank of India has allowed the banks freedom to decide on the interest rates to be charged to the SHGs. *What is the rate of interest to be charged by the SHGs to its members?* The rate of interest to be charged
by the group to its members should be left to the group. This is usually 2 or 3 rupees per hundred rupees of loans.

**List of documents required by banks for lending to SHGs**

(i) Inter-se Agreement to be executed by all the members of the Self Help Group. (This is an agreement by the members with the bank, authorizing a minimum of three members to operate the group’s account with the bank.)

(ii) Application to be submitted by SHG to bank branch while applying for loan assistance. (This includes details of the purposes for which the SHG gives loan to its members.)

(iii) Articles of Agreement for use by the bank while financing SHGs. (This contains the duly stamped agreement between the bank and the SHG wherein both the parties agree to abide by the terms and condition set thereon.) The group members are collectively responsible for the repayment of loans to the bank. Under no circumstance, the SHG should allow any of its members to default to the bank.

**4.11.1 Banking Relationship.**

Self Help Groups are primarily savings and credit groups and availing savings and credit services from local banks is a logical extension of their growth strategy to meet increasing credit demand from members. Moreover,
accessing savings services from banks will provide safety to the pooled funds. It is expected that groups will demonstrate desired maturity in terms of group and financial dynamics leading to inculcation of banking habits in the groups. It would also make possible the bringing about of general improvement in the nature, and scale of operations that would accelerate economic development.  

- Open savings account in group’s name with the service area branch concerned.

- Regular operations in the group’s savings account will help build healthy relationship with bank.

- Groups to: assess their future’ fund requirements and articulate the credit gap in micro-credit plans.

- Groups to have clarity on issues relating to eligibility conditions, credit entitlement and legal obligations arising out of credit linkage with banks.

- Groups and banker must hold discussions at loan appraisal stage for enabling banker to arrive at a credit decision.
• Terms and conditions of credit extended by banks including implication of joint and several liability in the event of credit linkage must be clearly understood by all members of the group.29

• Groups must assimilate bank loans with their corpus fund by extending need based loans to those members who could not access loans earlier from out of pooled savings. Here, the group must take care not to deviate from the financing norms (quantum of loan, rate of interest, Prepayment period) already laid down for giving loans out of their pooled thrift amounts merely because outside funds are injected into the group corpus.

• Groups must ensure on-time payment of bank loans by setting aside a portion of total collections made in each meeting for honoring repayment’, obligation to the bank. In other words, groups will square up the default amount of any borrowing member and pass on the installment amount to the bank as per contracted repayment schedule

• Continuity of thrift and need based internal lending even after receipt of bank loan will strengthen Self Help Group processes and any attempt to obstruct or discontinue it can only be a self-inflicting move.
• Banks must reward for on-time repayment by means of repeat and higher
finance.

SHGs also promoted democratic culture and provided women with
opportunities to imbibe norms of behavior that are based on mutual respect.
Hence they were able to foster concern even in internal lending of loans
based on the individual needs and priorities.\textsuperscript{30} It provided a firm based for
dialogue and co-operation in programmes with other institutions like
Government departments, co-operatives, financial and Panchayat Raj
Institutions. The SHGs engaged not only in productive economic activities
but also in social empowerment and capacity building of rural women.
Health education, medical facilities, literacy, alternative agriculture
practices, leader- ship qualities and team building are other activities of
SHGs. various studies revealed that SHGs ensured we feeling among the
members achieving the group cohesiveness and accorded a social identity to
the rural women.\textsuperscript{31} It also enabled them for collective bargaining while
keeping up their dignity the “non-productive and non-assets worthy”, naive
village women had become agents of social change and economic
development of the community through decentralized means of
empowerment. Empowerment, therefore, is closely linked to economic
independence. Nothing succeeds better than the self help. And when efforts
are supported by the Government and private agencies the results could be extremely granting.

Today, there are two lakh self-help group women focused around economic activities like savings, collective marketing, and promotion of individual enterprise and in the process of moving into the main stream of society. In the, process, leadership qualities blossom, discipline prevails and true democracy beginning to function. This also helps add value to the work they do, their families and their communities.

**Table 4.1: SHGs bank linkage in the Jalna district.**  
(As on 31<sup>st</sup> March, 2009)

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Banks</th>
<th>No. of SHGs bank linked</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>SBI</td>
<td>103</td>
<td>16.07</td>
</tr>
<tr>
<td>2</td>
<td>BOM</td>
<td>471</td>
<td>73.48</td>
</tr>
<tr>
<td>3</td>
<td>BOI</td>
<td>10</td>
<td>01.56</td>
</tr>
<tr>
<td>4</td>
<td>CBI</td>
<td>7</td>
<td>01.09</td>
</tr>
<tr>
<td>5</td>
<td>UBI</td>
<td>4</td>
<td>00.62</td>
</tr>
<tr>
<td>6</td>
<td>SB</td>
<td>7</td>
<td>01.09</td>
</tr>
<tr>
<td>7</td>
<td>DENA</td>
<td>0</td>
<td>00.00</td>
</tr>
<tr>
<td>8</td>
<td>BOB</td>
<td>3</td>
<td>00.47</td>
</tr>
<tr>
<td>9</td>
<td>SBH</td>
<td>36</td>
<td>05.62</td>
</tr>
<tr>
<td>10</td>
<td>AB</td>
<td>0</td>
<td>00.00</td>
</tr>
<tr>
<td></td>
<td><strong>SUB TOTAL</strong></td>
<td><strong>641</strong></td>
<td><strong>100.00</strong></td>
</tr>
<tr>
<td>11</td>
<td>RRBs</td>
<td>512</td>
<td>93.60</td>
</tr>
<tr>
<td>12</td>
<td>DCCB</td>
<td>35</td>
<td>06.40</td>
</tr>
<tr>
<td>13</td>
<td>Urban Banks</td>
<td>0</td>
<td>00.00</td>
</tr>
<tr>
<td></td>
<td><strong>SUB TOTAL</strong></td>
<td><strong>547</strong></td>
<td><strong>100.00</strong></td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL</strong></td>
<td><strong>1188</strong></td>
<td></td>
</tr>
</tbody>
</table>

(Source: NABARD, Regional review meet, at Beed, back ground paper, pp.4)
It reflects from table 4.1 that as far as SHGs bank linkage in the Jalna district is concerned. There were 641 SHGs as on 31st Mar, 2007 were bank linked by nationalized banks out of 641 SHGs credit linked in the Jalna district. Highest number of SHGs were credit linked by Bank of Maharashtra (BOM) i.e. 471(73.48%). On the other hand, lowest number of the SHGs were credit linked by bank of Baroda (BOB) i.e. 3(0.47%). None of the SHGs was credit linked by DENA and Allahbad banks as on 31st Mar.2001.

It can be also observed from table 5.8 that there were aggregate 547 SHGs were credit linked by RRB’s, DCCB and urban banks. Highest numbers of SHGs were credit linked by RRBs i.e.512 (93.60%) as on 31st Mar.2007. On the other hand, lowest number of the SHGs were credit linked by DCCB i.e. 35 (6.40%). No one SHG was credit linked by urban banks as on 31st Mar. 2007 in the Jalna district.

Thus, it can be found from table 4.1 that Bank of Maharashtra and RRBs working significantly for the SHGs bank linkage program in the Jalna district.
Saving account opened by SHGs in the Jalna district:

Table 4.2: Saving account opened by SHGs in the Jalna district
(As on 31\textsuperscript{st} March, 2009)

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Name of the bank</th>
<th>No. of SHGs</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>AJGB</td>
<td>46</td>
<td>61.33</td>
</tr>
<tr>
<td>2</td>
<td>SBI</td>
<td>03</td>
<td>04.00</td>
</tr>
<tr>
<td>3</td>
<td>SB</td>
<td>01</td>
<td>01.33</td>
</tr>
<tr>
<td>4</td>
<td>M.B.</td>
<td>18</td>
<td>24.00</td>
</tr>
<tr>
<td>5</td>
<td>S.B.H.</td>
<td>07</td>
<td>09.34</td>
</tr>
<tr>
<td>6</td>
<td>U.B.I.</td>
<td>0</td>
<td>00.00</td>
</tr>
<tr>
<td>7</td>
<td>A.B.</td>
<td>0</td>
<td>00.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>75</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

(Source: Field Survey, 2009)

It is disclosed from table 4.2 that for the study purpose of saving account opened by SHGs there were aggregate 75 respondents opinions were collected. Highest number of SHGs saving account were opened in AJGB i.e. 46(61.33\%) AJGB also working as a SHPI in the Jalna district. On the other hand, lowest number of saving account were opened in the Syndicate bank i.e. 01(1.33\%).

Thus, it can be seen from table 4.2 that AJGB playing significant role in the formation and bank linkage of SHGs. None of SHGs saving account were found opened in the UBI and AB.
Bank finance to SHGs in the Jalna district:

It is observed from table 4.3 that as far as finance provided by banks to SHGs in the Jalna district is concerned. There were Rs. 126.63 lakh disbursed to 95 SHGs as on 31st March. 2009 in the Jalna district.

**Table 4.3: Bank finance to SHGs in the Jalna district**

(As of 31st Mar. 2009) (Rs. In lakhs)

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Banks</th>
<th>No. of SHGs</th>
<th>Finance</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>AJGB</td>
<td>44</td>
<td>51.70</td>
<td>40.83</td>
</tr>
<tr>
<td>2</td>
<td>SBI</td>
<td>08</td>
<td>10.58</td>
<td>08.36</td>
</tr>
<tr>
<td>3</td>
<td>S.B.</td>
<td>03</td>
<td>04.20</td>
<td>03.32</td>
</tr>
<tr>
<td>4</td>
<td>M.B.</td>
<td>20</td>
<td>29.39</td>
<td>23.21</td>
</tr>
<tr>
<td>5</td>
<td>S.B.H.</td>
<td>14</td>
<td>21.30</td>
<td>16.82</td>
</tr>
<tr>
<td>6</td>
<td>U.B.I.</td>
<td>05</td>
<td>08.46</td>
<td>06.68</td>
</tr>
<tr>
<td>7</td>
<td>A.B.</td>
<td>01</td>
<td>01.00</td>
<td>00.79</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>95</td>
<td>126.63</td>
<td>100.00</td>
</tr>
</tbody>
</table>

(Source: DRDA, Office record, 31st March. 09)

It can be seen from table 4.3 that highest amount of bank finance was provided by AJGB to 44 SHGs i.e. Rs. 51.70 lakh (40.83%). On the other hand, lowest amount of bank finance to SHGs was provided by Allahbad bank i.e. 1.00;akh (0.79%) as on 31st March 2009.

Block wise bank finance provided to SHGs in the Jalna district:

It can be seen from table 4.4 that as far as block wise finance provided to SHGs is concerned. There were 151 SHGs were financed as on 31st March. 2009.
Table 4.4: Block wise bank finance provided to SHGs in the Jalna district
(As on 31st March 2009)

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Block Name</th>
<th>No. of SHGs</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Jalna</td>
<td>20</td>
<td>13.25</td>
</tr>
<tr>
<td>2</td>
<td>Badnapur</td>
<td>17</td>
<td>11.25</td>
</tr>
<tr>
<td>3</td>
<td>Ambad</td>
<td>20</td>
<td>13.25</td>
</tr>
<tr>
<td>4</td>
<td>Ghansawangi</td>
<td>19</td>
<td>12.58</td>
</tr>
<tr>
<td>5</td>
<td>Partur</td>
<td>18</td>
<td>11.92</td>
</tr>
<tr>
<td>6</td>
<td>Mantha</td>
<td>15</td>
<td>09.93</td>
</tr>
<tr>
<td>7</td>
<td>Bhokardan</td>
<td>26</td>
<td>17.22</td>
</tr>
<tr>
<td>8</td>
<td>Jafrabad</td>
<td>16</td>
<td>10.60</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>151</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

(Source: DRDA office record, March 2009)

It can be also seen from table 4.4 that highest number of SHGs were bank financed in the Bhokardan block i.e.26 (17.22%), while lowest number of SHGs bank financed in the Mantha block i.e.15(9.93%) out of the 151 SHGs bank financed in the Jalna district.
Working capital sanctioned by banks to SHGs in the Jalna district:

Table 4.5: Working capital sanctioned by banks to SHGs in the Jalna district
(As on 31<sup>st</sup> March 2009)(No. of SHGs)

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Block name</th>
<th>Working capital sanctioned</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Jalna</td>
<td>30</td>
<td>14.49</td>
</tr>
<tr>
<td>2</td>
<td>Badnapur</td>
<td>06</td>
<td>02.90</td>
</tr>
<tr>
<td>3</td>
<td>Ambad</td>
<td>26</td>
<td>12.56</td>
</tr>
<tr>
<td>4</td>
<td>Ghansawangi</td>
<td>19</td>
<td>09.18</td>
</tr>
<tr>
<td>5</td>
<td>Partur</td>
<td>07</td>
<td>03.38</td>
</tr>
<tr>
<td>6</td>
<td>Mantha</td>
<td>17</td>
<td>08.22</td>
</tr>
<tr>
<td>7</td>
<td>Bhokardan</td>
<td>65</td>
<td>31.40</td>
</tr>
<tr>
<td>8</td>
<td>Jafrabad</td>
<td>37</td>
<td>17.87</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>207</td>
<td>100.00</td>
</tr>
</tbody>
</table>

(Source: DRDA office record 31<sup>st</sup> March 2009)

It is observed from table that as far as working capital sanctioned by banks to SHGs is concerned. There were aggregate 207 SHGs to whom working capital was sanctioned as on 31<sup>st</sup> March 2009. Highest number of SHGs, working capital sanctioned in the Bhokardan block i.e. 65(31.40%) Lowest number of SHGs working capital sanctioned in the Badnapur block i.e. 6(2.90%)

4.12 Spreading the Message of SHGs

How can you spread the message of SHGs?

You can involve effectively in formation, nurturing and linking the SHGs to a local bank. Please get in touch with our regional office in your...
State, who will be happy to provide you with all information and support in this regard.

4.12.1 Meetings

Group meetings include times when members gather either periodically or at short notice to discuss the activities of the group and decide on its future actions. All activities in Self Help Group revolve around meetings at which member’s access savings and credit services, share experiences, learn from each other and also receive education and training.

• Meeting is a forum for group action and facilitates information sharing among members.

• Meetings are to be convened at regular intervals as per the convenience of the members.

• While frequency of meetings is guided by the convenience of members, the critical determinant is the ability of members to discharge financial obligation to the group. In other words, thrift, credit and record keeping functions must converge with the meeting at least once a month.
• Meetings must be held at a mutually decided place, date and time. In other words, meetings are conducted at same place, on the same day and at same time each they are held

• In the absence of common meeting place, meetings could be held at the house of each member by rotation.

• Active participation in the deliberations by all members must be encouraged with expression of free and frank views. However, involvement of non-members in the decision making process should be strictly objected to.

• Structured agenda for group meeting with definite sequence of activities to be pursued (viz., attendance, review of decisions of previous meeting, thrift, repayments, loans and social issues) will make meetings effective.

• Deliberations on other social and community issues together with, routing financial matters are found to consolidate group dynamics.

• Sharing of various responsibilities among the members during the meeting process.

• Attendance of members taken before commencement of deliberations at the meeting enables effective member participation.
• Meetings should have near—full attendance of members, any absence of members, any absence of members must be viewed seriously

• Penal provisions like tines, penalties, etc. must be enforced for late coming/leave without prior intimation.

• Chronic absenteeism in meetings are generally discouraged by withholding or delaying other pecuniary benefits to members

4.12.2 Savings Function

Poor look for saving services from formal financial institutions without a safe place to put their savings, the poor tend to invest it in “assets” such as gold, silver, livestock etc. which can be pawned or sold in times of need. Thrift contributions by members to the group must be perceived as a savings product serving long term financial security needs. As such savings are generated by poor households either by refraining from consumption or postponement of their not so urgent needs. The thrift contribution reflects confidence of members on the group and is seen as an index of their stake in the process. Thrift management is perhaps the most important function in a Self Help Group. Some of the best practices in this include:

• Thrift collection could commence from first meeting itself.
• Periodicity and quantum of thrift decided by group members themselves keeping in view the ability of poorest member among them to pay the agreed amount at predetermined intervals.

• Minimum compulsory thrift contributions to be made by all members.

• Withdrawals against compulsory thrift contributions are not permitted unless the member withdraws from primary membership.

• Groups must insist for on-time contribution by members.

• Groups must collect thrift contribution in the presence of all members during the meetings only.

• Thrift collections must be utilized form lending to group members and must not be kept idle.

• Penal provisions like fines, penalties, etc. must be enforced against late payment or default in thrift.

• Chronic default in on-time thrift contributions by members are generally discouraged by with holding or delaying other pecuniary benefits to members.\textsuperscript{34} At times penalties for late/non-payment include fees, denial of higher loan amounts or longer waiting periods for loans.
• Delayed thrift contributions must not be received outside meetings

• Additional or seasonal savings are encouraged by a few number of groups

But it is again desirable to have equal savings without interest implications keeping in view the weak fund management capability of many groups. However, whenever optional savings are offered it is suggested that suitable compensation (interest) is provided to address the equity question among various members.

• It is desirable to make payment pf. thrift amount to a member withdrawing from the group for genuine reasons.

• Continuity of thrift’ is the Jugular of Self Help Group process and any attempt to obstruct or discontinue it after receipt of Revolving Fund, Subsidy, Grant or even Bank loan can only be a self-inflicting move

4.12.3 Credit Function

Providing credit access to members of poor household on sustainable basis is the primary objective of Self Help Group. A well conceived loan programme in a Self Help Group will enhance its attractiveness to the members. These loans are often given for various purposes without insistence on collateral but are available at cost. There is no compulsion to avail, of loan
facility, as such those who avail loans have to make a choice to pay the cost, or have no credit at all. Some ‘of the ‘best practices in the area of credit function management include:

- Self Help Groups typically offer small, short-term loans for meeting emergent and consumption requirement only to their members.

- The internal lending must preferably commence from the data of first pooling of savings. Need based lending is strongly recommended by active groups.

- Loans are extended keeping in view the nature of need of particular member. Preference in borrower evaluation is, however, given to those who are regular in attendance at meetings and timely payment of thrift amounts.

- Group must have a system of giving, differential priorities to several purposes for taking loaning decisions. Here urgency of purpose is given precedence while selecting a borrowing member.

- Groups must establish a process to assess of credit requirement for arriving at loan quantum, efficacy of such system need to be- seen in the context of particular Self Help Group.
• In a few groups, the loan quantum is in proportion to the individual member’s total thrift contribution. Decision of groups indicating differential loan quanta based on the purpose and person availing the loan reflects their maturity.

• All credit decisions must be taken at the meetings only after giving due consideration to opinion of all members.

• Large loans to members are suitably collateralized considering the risk perception of the group. Often, groups go in for chattel financing wherein a borrower offers a critical productive asset as security for loan.

• Terms of credit like interest rate and schedule of loan repayments are negotiated and conveyed clearly to the borrowing member.

• Flexible repayment schedules are worked out by groups taking into consideration the various income-flows of the household and repayment capacity of the member concerned.

• Monthly or even weekly repayments (wherever weekly meetings are held) of both principal and interest payments are found to be convenient to both borrowers and the group to liquidate the loan liability.
• Separate schedules for principal and interest payments may be stipulated as they are easy to comprehend even by illiterate borrowers.

• Loans could be issued to the borrowing members in the presence of other members of the group.

• Groups ensure proper end-use on credit as also management of asset, wherever created. This practice must be continued at frequent intervals till the loan is fully repaid by the borrowing member.

• Concurrent loans are generally discouraged by most groups in view of small fund base. But wherever they are given, rigorous appraisal must be undertaken on the purpose, genuine need of borrower and her performance in the earlier loan.

• Reward for on-time repayment may be given to members in the form of future access to higher loan amounts.

• Penal provisions like fines, penalties, etc. must be enforced against late payment or default in loan repayment.

• Chronic default in on-time loan repayment by members are generally discouraged by withholding or delaying other pecuniary benefits to
members. At times penalties for late/non-payment include fees, denial of higher loan amounts or longer waiting periods for further loans.

- Continuity of need based internal lending will strengthen Self Help Group processes and any attempt to obstruct or discontinue it after receipt of Revolving Fund, Subsidy, Grand or even a Bank Loan can only be a self-destructive move.

4.13 Fund Management in Self Help Groups

Mobilizing micro thrifts is only part of a comprehensive savings service Self Help Groups. Small savings from resource-poor households need operative protection against loss of deposits. Misappropriate in savings and credit groups as well as imprudent lending from, internally generated deposits threaten the security of savings programme. They have to be shielded against the financial and non-financial risks. It is, therefore, considered necessary that high standards are set in the area of fund management which covers the following:

- Group fund generally comprises member thrift, interest earned on internal loans, fines and penalties levied on defaulting members, loans and grants received in the name of the group. The groups are not expected to
discriminate between the sources of fund for meeting loaning requirements. In other words, the savings, loan repayments, interest payments, fines and penalties paid by member will be pooled in the meeting for on-lending to the group members.

• Efficient cash management in a meeting reflects the fund management capability of the group. Idle fund are a drag on the group.

• Responsibility sharing in cash management at each meeting on rotation basis for assisting the group leaders will not, only promote transparency but also enhance fund management competence among group members.

• Managing of savings account with local branch is another important area in fund management. All Cash collections made at a meeting may be deposited into the bank and withdrawals made for disbursing the loans. While members could take turns for depositing the cash into bank, the persons authorized and the borrower concerned could thaw the money from bank. However, groups maintaining up to date records could consider extending loans out of pooled fund during the meetings itself. Periodic reconciliation of accounts with bank transactions is considered useful.
• Preparation of micro-credit plans in groups by groups improves considerably the credit absorption capacity as it entails acquisition of planning and financial skill among group leaders.

• In the initial stage only short term loans are extended, usually for periods ranging from 3—12 months, to enable larger number of members access credit facility from the group. However, insistence on monthly repayments from borrowing members will accelerate the velocity of lending within the group., which also partially reflect equity in loan access to group members.

• Groups must have a policy on interest rates. Most groups charge interest rates that are linked to contemporary market rates. It is also desirable to build in risk factor in the interest rate structure in long term.

• Generally interest is not paid to the members on the compulsory savings. Even in cases where interest is computed on compulsory thrift contributions, the same is merged with the member savings rendering the very process in fructuous.

• Coming to interest rate an loans, a few groups have been charging differential interest rates to their borrowers keeping in view the purpose of loan which can be considered good. However, the groups are not expected to soften their rates in the short term with the receipt of grant or loan funds
from institutional sources. It must be appreciated that the interest charged on
loan is a source for raising additional capital to fund the corpus base. However, the interest maybe charged on outstanding loan amounts as against
interest rates charged by a few on EMI or flat rate basis.

• Members must be made aware of their cumulative thrift contributions and
loan outstanding.

• Investment of pooled savings in a common asset (even a productive one)
and blocking internal lending will in fact run counter to the objective of
giving sustainable credit access to poor households. Further, the risk of
investing entire corpus in a singular activity is fraught with risks.

• Groups incurring regular expenditure towards cost of bank transactions,
honorarium to book keeper etc. could consider collecting additional amounts
every month from their members to avoid erosion of loaning funds.

• A few groups have been holding small cash balance, say of Rs. 200/- to Rs.
300/- to give hand loans to members for meeting emergent credit
requirements.
4.14 Record keeping

Record keeping is possibly the most crucial function in a Self Help Group often confined to the periphery. An efficient record keeping assumes significance for promoting transparency in the system considering the need for providing safety of micro deposits pooled in savings and credit programmes.\textsuperscript{37} An effective information system that supports their self-management efforts is sine-quo-non for sustainability of Self Help Groups. Such system can be considered effective when it is easily understood and appeals to cognitive abilities of ignorant and illiterate community. Besides, it must be credible, verifiable and facilitate quick recall of stored information in the perception of users. Some of the best practices in record keeping area could reflect upon the following issues:

- Critical self-awareness must be created among groups on issues relating to record keeping.
- Groups must assume the responsibility for safe keeping of records.
- Group members must be trained to recognize books of accounts and their structure.
- Groups must be encouraged to discuss on nature and contents of records.
• Groups must be encouraged to hire services of local book keeper to upkeep records in case of non-availability of literate members in the group capable of writing the records.

• Groups must be strongly encouraged to compensate for services rendered by book keeper.

• Groups must ensure that books are updated while the meeting is in progress.

• Groups must ensure that book writer reads out the nothings made by him in various books.

• Groups must develop a practice of closing the books of accounts by year end.

• Cross checking of books across groups (peer audit) could be encouraged for audit purposes.

• Groups must encourage its members to learn to read and write their own books in the

• Members must cultivate habit of confirming entries in member passbook
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