

## **Revolving Fund to SHGs, Community Investment Fund to SHGs and Vulnerability Reduction Fund to VOs - interim Guidance Notes for Intensive Blocks**

**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 the 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 off 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.

*Note: In case of Persons with Disability and elderly, the SHG can be of women, men or both. The size of the S.H.G can be a minimum of 5.*

2. The SHG should have been practising ‘panchasutra’ for the last 3-4 months (15 weeks):
  - a. The members’ attendance in the group meetings is atleast 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).

*Note: In case of Persons with Disability and elderly, the SHG can be of women, men or both.*

- (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 to VO based on a set of triggers like enrollment of at least 5 SHGs, opening of bank account, etc. Then the VO will get a dose of CIF to be lent to SHGs against MCPs. 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, it would receive bulk CIF (seed capital) and the CLF in turn would sanction and release the amount to the VO for lending to SHGs on the basis of the appraised MCP.

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 to the S.H.G, whereas 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 District Missions that an S.H.G may be provided C.I.F ranging from Rs.50,000/- up to Rs. 1,10,000/- as CIF loan through MCP process so that about half of the members of SHG on priority and on rotation access atleast Rs.15,000-Rs. 20,000 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.

*Note: a) The CIF will be provided directly to those SHGs which were either newly formed during the CRP round or revived during the CRP Round.*

*b) It is expected that there will be 5-8 such SHGs in a village. The SHGs formed subsequently by the “Active Women ” or the VO will receive CIF through the VO. This will be the recycled C.I.F (repayment by earlier SHGs to the VO) or the funds coming to the VO from the CLF.*

*c) With regard to the repayment of CIF given to SHGs of Persons with Disability and elderly, they can repay to Village Organization as they are part of VO.*

3.6 With the help of PRPs every month, the list of eligible SHGs are to be finalized based on the revised guidelines and the eligibility criteria and the State Missions shall release the funds for RF and CIF to the SHGs’ Bank accounts directly. The PRPs and Cluster Coordinators 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 Cluster coordinators/ Block Program Manager 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.

3.7 **Eligibility criteria for a VO to access Vulnerability Reduction Fund (VRF):-** VRF is a Revolving Fund given to VO and it will reside in the VO as VO’s permanent fund which will not be returned to CLF. The objective of VRF is to enable VO to address the vulnerabilities in the village (food insecurity, health risk, VO level collective action for addressing any social issues, provide assistance or care for those who can’t be supported through SHG). VRF is a replenishable amount at the VO level. VRF is one of the important sources for capitalization of VO. The criteria for accessing VRF:

- i. VO should be atleast 6 months old
- ii. All SHGs enrolled in the VO shall be following panchasutras
- iii. VO should have its building (own/rented) for conducting its meetings

- iv. All VO members should have received VO formation training and VO EC members have undergone VO management training
- v. VO should have its own bank account and have accessed VO start-up fund for procuring infrastructure required for smooth conduct of VO meetings
- vi. VO should be holding regular meetings with fixed agenda
- vii. VO should have engaged a trained book keeper to write its records and proper maintenance of VO records
- viii. CIF and Bank linkages recovery in the SHGs should have been 100%
- ix. VO access VRF by submitting a proposal/resolution with specific activities identified and target families to be covered with the VRF.

Since the VRF is meant for social needs, the repayment terms can be softer. The number of installments can be more and the interest rate can be less than what is charged for the CIF loans. In deserving cases, there can be a moratorium of 3 months on repayment of principal and interest.

### 3.8 Entitlements to the CBOs:-

With regard to the entitlements of project funds to various tiers of the community institutions (SHG-VO-CLF), following is the provision under NRLM:

S.No	Entitlement	Amount in Rs.	Operational arrangement
1	Revolving Fund to SHG	Rs.10,000-15,000/-	This is a permanent fund of the SHG. It shall reside in SHG and be used for inter-lending within SHG.
2	Community Investment fund to SHG	Rs.50,000-1,10,000/-	This is a long-term loan given to SHGs. The SHG to repay the loan to VO and VO to CLF as per the installments and interest rate fixed by the CLF. Although SRLM will release CIF to SHGs/VOs in the absence of CLF, once CLF is

			formed it will recover the CIF from SHGs/VOs in long term installments. CIF amount will permanently reside in CLF who will function as custodian of CIF. CLF will ensure proper utilization and rotation of CIF to cover new SHGs on first priority and later on the remaining SHGs on demand basis.
3	Vulnerability Reduction Fund	Rs.1,50,000/- to each VO	Like Revolving Fund to an SHG, this is a Revolving Fund to a VO. It will reside in the VO and will not be repayable to CLF. This amount will be used for addressing the felt social needs of the VO. This money will be used for lending to SHGs at flexible terms.

One important aspect of the provision of entitlements to CBOs is that in case of SC/ST and Persons with Disability, 50% more funds can be given. In case of Particular Vulnerable Tribal Groups (PVTG), this entitlement will be doubled (100% more).

3.9 The purpose of provision of above entitlements to CBOs is to smoothen their consumption and investment needs and demonstrate financial soundness to attract credit from the mainstream banking system besides achieving financial self-reliance and sustainability. Hence, all districts are required to take up suitable measures for building the human and institutional capacity to internalize and manage these entitlements in an effective and efficient manner.

**STARTUP FOR VO and C.L.F-Startup** fund is one time fund given to CLFs and VOs to purchase necessary items to set up an office like: chairs, almirah, table, blackboard, carpets etc.

**For VO**

Sr. No.	Cost Item(One time only ,at the time of formation)	Total Cost
1	Chairs, Almirah, Table Blackboard, carpets etc.	Rs. 35,000



## For C.L.F

Sr. No.	Cost Item(One time only ,at the time of formation)	Total Cost
1	Chairs, Almirah, Table, Blackboard, carpets ,Desktop ,Printer etc.	Rs. 70,000

### Guidelines for disbursement of Startup Fund

- 1 Federation should have building to set up an office.
- 2 This Fund will be used by the Office Bearers of Federations with the consent of Federation's EC members.
- 3 Purchase should be need based and at competitive rates.
4. A Separate stock register needs to be maintained for any purchase and it should be duly attested by office bearers of federations.
5. All transactions needs to be done through CHEQUE/RTGS/NIFT .

**Joint Development Commissioner cum  
Chief Executive Officer,  
PSRLM.**

