

# **SELF-HELP GROUPS METHODOLOGY**

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## **(VISION-OBJECTIVES AND FUNCTIONING)**

### **1. PERSPECTIVE AND VISION**

The institution perceives its role as a facilitator of change and thus envisages the Holistic, Integrated Development of Adivasis and Tribals, through a process of conscientisation, mobilisation and economic empowerment, whereby they become self-reliant and self-sufficient and rightfully claim their political status in society to become makers of their own destiny wherein they could live with human dignity.

Formation of women's Self-Help Groups (SHGs) and their empowerment through micro-credit financing is visualised as an essential and major activity in the Holistic Integrated Development of the Adivasis and Tribals. Women's SHGs can bring about a radical change in the social status of women and can contribute to the socio-economic transformation of the community and society.

The process of socio-economic transformation that has begun through the Self-Help Groups is marred by the heavy indebtedness of SHG members due to loans taken from moneylenders and mortgaged lands. The institution therefore envisages assisting SHG members to redeem their loans and mortgaged lands through micro-credit finance made available through a revolving fund.

### **2. SELF-HELP GROUP GOALS**

The following broad goals have been visualised to translate the above vision of SHGs into a reality:

1. To establish a forum wherein women can critically analyse their socio-economic situation and act as catalyst to bring about social change.
2. To build up self-confidence and spirit of cooperation among women.
3. Economic empowerment of women in society aimed at self-reliance and self-sufficiency.

4. To eliminate the role of moneylender.
5. To establish a linkage with the Banks, Government infrastructures and other institutions for socio-economic development through SHGs.

### **3. STAGES IN SHG FORMATION AND GROWTH**

#### **3.1 Animation / Motivation and Criteria For Selecting a Village**

Animating and motivating women regarding the vision, concept and objectives of a SHG before forming groups takes about one to three months. This is done through regular visits, discussions and reflections at forth-nightly meetings.

Women from villages approach GCS for information about SHGs and guidance in forming groups in their villages. Besides GCS on its own initiative approaches villages to promote SHGs.

#### **A village is identified or selected on the following criteria**

- ⇒ Villages or communities that are in the interior and are marginalised.
- ⇒ Villages where people express a felt need or desire for assistance and guidance.
- ⇒ Villages where people are willing to work together in a community spirit on a participatory basis.

#### **3.2. Formation**

Formation of a SHG takes about 2 months. The formation stage involves the following:

- ⇒ Deciding on an appropriate name for the SHG, electing a President and Secretary and formulating, understanding and accepting by-laws. Formulating by-laws requires at least two meetings of all members in a period of one month.
- ⇒ Opening the SHG Bank Account, and initiating the groups into maintaining records and registers (savings and contribution register, attendance register, minutes book, etc) and books of accounts (cash book, bank book and ledgers) takes another one month.

The government norms for SHGs stipulate that there should not be less than 10 members and not more than 20 members. Groups formed and functioning within the

government norms are eligible to receive subsidies from the government and loans from banks. GCS insists that a SHG should have a minimum number of 15 members. If the number of members exceeds 20, the group will have to be legally registered.

### **3.3. Training For Self Reliance**

Gana Chetana Samaj has a schedule plan of a two year package programme to build the capacity of SHG Presidents and Secretaries and group members, in view of making them self-reliant within a period of two years. The two year package programme is at the following three levels:

#### **3.3.1. Monthly Supervision And Monitoring**

Once the groups are formed an SHG animator (staff) visits the groups once every month and guides and directs the secretary in maintaining records and registers books of accounts. The animator also assists the Presidents and Secretaries in conducting meetings properly to ensure participation of all members and a spirit of team management. In doing so, the animator supervises and monitors the performance and progress and growth of the group. Every month the animators prepare a monthly status of all the SHGs.

#### **3.3.2. Three-Day Capacity Building Programmes for Pres. and Secretaries of SHGs**

To build the Capacity of Presidents and Secretaries of SHGs, GCS conducts four three-day residential programmers in two years i.e. two programmes each year. The objectives and methodology of the programmes are as stated below:

##### **⇒ Objective**

- To enhance the skills and capacities of Presidents and Secretaries of Self-help groups for efficient management and administration of SHGs.
- To make the groups self reliant in administration and management whereby they would gradually be able to manage the affairs of their group without any outside assistance.

⇒ **Methodology**

- Inputs Sessions
- Guided Practical Exercises
- Role Play
- Group discussions
- Simulation games
- Observations, discussions and reflections on games

⇒ **Topics For One Day Programmes for Members**

The topics of the 4 Modules of the Capacity Building Programmes are:

1. Trust and Self Confidence
2. Team Building
3. Cooperation
4. Solidarity and formation of strong pressure groups- through Federations.

**3.3.3. One-Day Capacity building Programmes for all SHG members**

These Programmes are conducted for each group every four to six months. Minimum two such Capacity Building Programmes are conducted in the first year and two in the second year. The method involves stimulation games, observations, reflections and discussions. The themes of the four Programmes are – Trust, Cooperation, Team Building and Solidarity through formation of Pressure Groups.

Within the two year period the SHGs are gradually weaned. After two years inputs of monthly supervision and monitoring and capacity building programmes the groups should normally be able to function independently without any help from outside. They are only offered guidance and consultancy services whenever required. GCS then promotes Federation of SHGs. The Federations take over the supervision and monitoring of its member SHGs, after they are weaned away from GCS. Thereafter, Gana Chetana Staff are free to form other groups and similarly build up their capacity within a period of two years thus multiplying its services and reaching out to many more marginalized tribals and adivasis in Assam.

## **4. MICRO-CREDIT FINANCING**

### **4.1. Building up Internal Resources**

From the very first month the members of a SHG start saving a fixed amount (Rs. 20/- in most cases) every month as stated in their rules and regulations. A fine of Re. 1/- per month is charged for defaulters as per the rules and regulations of the SHG. A bank account is opened in the name of the group with the President and Secretary as its authorized signatories. The money is not touched for a period of six months, neither is any external financial help given to the groups.

### **4.2. Micro-credit from SHG Savings**

After a period of six months from the date of their formation, SHGs start giving small loans to their members from their own savings. Maximum amount of their own savings is disbursed in small loans to members for generating income. Each SHG takes independent decisions regarding loans to its members. The purpose, terms and procedures etc. for loans are governed by their by-laws.

### **4.3. Micro-Credit Interest**

As per their by-laws, each SHG charges an interest of 36% per annum on micro-credit finance to its members. Therefore groups find it more profitable to utilize maximum amount of their savings in micro-credit finance to members rather than keep the money blocked in the bank at a rate of just – approximately, 4% interest per annum. The rate of 36% interest per annum may seem to be quite high, but most of the SHGs in Assam and for that matter in the country charge this rate of interest (some charge a higher amount). A 36% interest rate is considered quite reasonable by most SHGs, based on the following logic:

- i. Money lenders charge an exorbitant, exploitative rate of interest ranging from 120% to 480% per annum. Incredible though it sounds it is quite true. The rate of interest is not spoken in terms of percentage per annum but in terms of Rs. 10/- for every Rs. 100/- per month. Some money lenders collect Rs. 10/- per month for every loan of Rs. 100/- while still others collect Rs. 10/- per week for every loan of Rs. 100/- (i.e. 120% to 480% per annum ) Compared to moneylenders, 36% int. per ann. is quite reasonable.
- ii. The more convincing argument is that the interest charged would remain with the group and would help to build the corpus of the group rather than go to outsiders as in the case of moneylenders. Building up the group's corpus fund would further enable the group to extend more micro-credit finance to its members.

**As at date some groups are generating an interest of approximately Rs. 3,000/- per month ( on a loan of Rs. 1,00,000/-) while their monthly savings is**

**only Rs 400/\_ ( i.e Rs. 20/- per member x 20 members). The financial status of Supohie SHG of N.K. Bakola village as at 31 March 2006 is amazing. Their total saving of 19 members for 6 years and 3 months @ Rs. 20 /- per member per month was Rs. 35,340/- only while the interest on loans they have generated for the same period was 1,98,415/- !!!**

#### **4.4. Micro-credit from NGO**

Gana Chetana Samaj gives loans to SHGs from its Revolving Fund only after a group is accustomed to micro-credit financing through its own savings for a period of, not less than, six months. The loans are given only after evaluating or rating the group's performance on the basis of the NABARD (National Bank For Agriculture and Rural Development) format. The loans are given through the Federation and not directly to the groups.

In January 2002 all the SHGs promoted by Gana Chetana Samaj, having 'Nabomilan Mahila Gut' affixed to their respective names, decided to form a Federation. On 08 February 2006, the Federation has been registered under the Societies Registration Act of 1860, by the name of " MASK" i.e. 'Mahila Shakti Kendra' The application for a loan is discussed through the area coordinators meeting of the Federation (MASK), at which the loans are sanctioned. The Federation acts as a strong pressure group for repayment of loans with interest.

#### **⇒ Criteria For Selecting a SHG for Micro-credit Financing**

1. Regularity in monthly savings of all members
2. Regularity in depositing monthly savings in their bank account every month.
3. Loans to members from SHGs own savings for a minimum period of six months
4. Proper maintenance of registers and records – minutes book, attendance register, daily diary, record of loan applications etc.
5. Proper maintenance of books of accounts- cash book, bank book, general ledgers, individual ledgers, loan ledgers etc.
6. Proper maintenance of Loan Demand Schedules and Repayment Schedules.
7. Participation by all members at monthly meetings.
8. Awareness of all members regarding rules and regulations and financial position of their SHG.

9. Participation by all members in the one-day capacity building programmes organised by GCS.
10. Participation by President and Secretary in the three-day capacity building programmes and any exposure tours organised by GCS.
11. Participation in any common activity, rally or agitation to address any social issue either at the group, village or cluster level.

⇒ **Amount**

The maximum amount of loan given to any SHG does not exceed four times the amount of their savings at the time of disbursing the loan.

⇒ **Terms and Conditions**

The total amount of loan for a SHG is given to the group and the group sanctions loans to its individual members. The terms and conditions of which are governed by the SHGs by-laws.

⇒ **Purpose of loan**

The by-laws of SHGs state that loans will be given chiefly for productive purposes. However, in extreme emergencies loans are also given for medical purposes too.

⇒ **Interest on External Loans : (From NGO or Bank)**

As regards interest on loans, as stated above, the by-laws of all the SHGs stipulate that 36% interest will be charged on loans given to its members. SHGs retain the whole amount of 36% interest received from loans given from their own savings. However, on loans given by Gana Chetana Samaj, 12% of the interest charged is paid to Gana Chetana Samaj, and 12% is kept by the SHG to build its own corpus fund. In view of becoming self-sufficient Gana Chetana Samaj also plans to build a corpus fund from the 12 % interest earned from the revolving fund given by Gana Chetana Samaj.

To support or maintain their own Federation (MASK), the groups have unanimously decided to contribute 12 % of their interest on all external loans to their Federation. The purpose for this contribution is that their Federation will be able to supervise and monitor their growth and progress and conduct ongoing training programmes for them.

### **Summary of Break-up of 36% Interest Utilisation:**

- i. In case of internal lending (from own savings) total 36% int. is retained by the groups.
- ii. In case of external loans –loans from NGO or Bank:
  - a) 12% int. retained by the groups
  - b) 12% (approx) given to the NGO or institution giving the loan
  - c) 12% contributed to the Federation of all SHGs.

### **5. SHG RECORDS-REGISTERS AND BOOKS OF ACCOUNTS :**

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| 1. Savings Register   | 7. Attendance Register   |
| 2. Cash Book  | (To record attendance at meetings-<br>which are held at least once a month)                        |
| 3. Bank Book  | 8. Daily Diary   |
| 4. General Ledger<br>(Individual's Savings Ledger, Contri.<br>& Exp. Ledgers, Interest Ledgers, etc.) | 9. Monthly Trial Balance   |
| 5. Loan ledger  | 10. Member's loan applications and<br>their respective Demand and<br>Repayment schedules of loans. |
| 6. Proceedings or Minutes Book  | 11. Individual Member's Pass Books   |

### **6. DOCUMENTATION BYNGO :**

1. SHG Profile – as per format
2. Profile of Individual Members of an SHG –as per format
3. Profile SHGs promoted by the NGO
4. Monthly Status of all SHGs
5. Evaluation or Rating Results of SHGs
6. In case of loans given by the NGO- SHGs loan applications, agreements if any, Demand and Repayment Schedules of loans given, Promissory Notes etc.

## **7. SHG-LINKAGE TO SGSY PROGRAMME THROUGH THE BANK:**

After a period of six months experience in internal micro-credit financing, (from group savings) and a further six months experience in external micro-credit financing (from the NGO) Gana Chetana Samaj and MASK, assist the SHGs to be linked to the “Swarnjayanti Gram Swarozgar Yojana” (SGSY). SGSY means “Golden Jubilee Village Self-Employment Programme”, of the Government of India launched in April 1999. To avail of financial assistance under this programme the SHG has to get a certificate from the bank. The bank issues the certificate only after it does an evaluation / rating of the group based on NABARD (National Bank For Agriculture and Rural Development) format. Most Banks accept the evaluation / rating of SHGs done by Gana Chetana Samaj or MASK (the Federation of SHGs), by endorsing the evaluation with their stamp and signature on the evaluation form of Gana Chetana Samaj or MASK. If the group passes in the rating the Bank recommends the group to the Block Development Office (Local Government at the Block level within each District) for assistance under the SGSY Programme. The Block releases Rupees Ten thousand as a revolving fund and the Bank loans a further amount of Rupees Fifteen thousand only @ approx.12% interest per annum to the group for productive purposes to generate income.

## **8. DIRECT BANK LINKAGE:**

Gana Chetana Samaj and MASK also assist the groups in being directly linked to the Banks for micro-credit finance. Banks give loans to SHGs in the ratio of 1:1 up to 1:4. i.e. If the group’s cumulative savings is Rs. 2,000/- the Bank will first give a loan of Rs. 2,000/ only i.e. 1:1. Depending on the groups performance and functioning with regard to the loan repayment, the Bank may if it is satisfied, give a loan of 1:2 (e.g. If the group’s savings goes up to Rs. 2,500/- the Bank will give a loan of Rs. 5,000/- ). If the Bank decides to give a ban of 1:4, the amount of loan on savings of Rs. 2,500/- would be Rs. 10,000/- Banks entertain applications for direct bank linkage only after MASK or Gana Chetana Samaj evaluates the groups.

## **9. FACTORS DETERMINING SUCCESS OF A SELF-HELP GROUP:**

The success of a group depends on the following factors independent of their educational or social status:

1. A good leader. i.e. a President or Secretary who has a vision; who can animate direct and motivate group members; who has the confidence of all the members and can pull the team together; etc.
2. Enthusiasm and discipline among members in faithfully depositing their monthly savings, interest on loans, and refunding loans in the proper

instalments as per their demand and repayment schedules. Regular attendance at group meetings.

3. Team spirit and team management of the affairs and finances of the group. Active participation by all the members in the reflections, discussions and decision making process.
4. Adherence to the by-laws made by the group itself i.e. managing the affairs of the group and conducting business of the group according the by-laws.
5. Group pressure on defaulting members.
6. Maintenance of proper records , registers and books of accounts.
7. Transparency and accountability.
8. Participation in Training Programmes and group activities.
9. Addressing social issues of injustices and exploitation.

Once the Groups are linked to the Block and the Bank they become independent from the institution and their Federation, MASK, then takes full care and responsibility for them.

01 April 2006

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