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Government of Jammu & Kashmir

Office of the Mission Director,

J&K State Rural Livelihoods Mission,

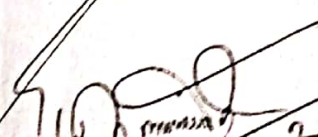
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Subject:- Capitalization Management Guidelines for CBOs.

Enclosed is the capitalization guideline for CBOs. The DPMs/BPMs shall facilitate these guidelines for the community based organizations to ensure proper fund flow and its recycling by the CBOs.


(Abdul Rashid War) KAS
Mission Director

MD/JKSRLM/54/2014-Part-I/300

Dated: 30-09-2019

Copy to:-

1. Additional Mission Director, JKSRLM, Jammu/Kashmir for information.
2. All SPMs/DPMs/BPMs for information and necessary action.

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Capitalization Management Guidelines

1. Background

Under JKSRLM, 'Umeed' is a poverty alleviation programme focusing on women empowerment through self-managed and sustainable institutional platforms of women, financial inclusion and sustainable livelihoods, aimed at removal of rural poverty.

The core belief is that the poor have innate capabilities and a strong desire to come out of poverty. Ground level experience has shown that these latent capabilities in each poor person can be unleashed when the poor are organized, supported, nurtured and capacitated through knowledge, skills and information and provided continuous access to resources. The best institutions to do this are the institutions of the poor women themselves.

The community structures are given the important role right from mobilizing poor and vulnerable women into Self Help Groups; federating the SHGs further into higher community institutions like Village Organization, Cluster Level Federation and Block Level Federations; trained in managing their institutions; trained in investing in livelihoods and in capital management. The three tier hierarchical community institutions at the community level helps the community to access the funds at ease without the hassles of going through hefty paper work. The community institutions acts as mini banks owned by the community.

The Capitalization support from the Mission in the shape of Revolving Fund (RF) and Community Investment Fund (CIF) is routed through Community Based Organizations (CBOs) i.e. Village Organizations (VOs) and Cluster Level Federations (CLF). The Capitalization amount is provided to the SHG members as loan on the basis of Micro-Credit Plan (MCP) for enlarging their opportunities for livelihoods. This would enable members of SHG to access loans and undertake income generation activities individually as per the Micro credit Plan and increase their income.

The repayments are again invested by the Community among members to enhance their livelihoods. The entire capital remains with the Self Help Groups and their federations as 'a resource in perpetuity'.

The purpose of routing Capitalization to Community Based Organizations (CBOs) is to strengthen their existing livelihoods, in-calculate the habit of repayment, increase their investment needs in multiple livelihoods and demonstrate financial soundness to leverage at least 4 to 6 times the amount in terms of institutional credit. It is expected that this would help each rural HHs to graduate from their current unviable and risky livelihoods to more viable and sustainable livelihoods and thus come out of poverty.

1.1 Capilization Eligibility for CBOs

- CBOs (VO/CLFs) have established norms/Bye-laws.
- CBO has opened bank Account.
- The Executive Committee (EC) of CBOs meets on regular basis as per the norms and documents the proceeding of their meetings.
- CBO (VO and CLF) has formed Monitoring Sub-committees to cater the follow-up process of MCP utilization.
- The CBOs has well trained dedicated book keeper and Books of record is being maintained.
- Training to CBO's Executive Committee members on MCP appraisal and fund management has conducted.

1.2 Micro Credit Plan (MCP)

The preparation of Micro Credit Plan process should be according to the need of SHG members. Process should start after the formation of VO and the SHGs must have completed 6 months of weekly meeting (24 weekly meetings).

Step – 1: Preparation of Micro – Credit Investment Plan indicating member wise livelihoods activities proposed, financial costs and repayment schedules.

Step- 2: Prioritization Plan

Step- 3: Rotation Plan

Note:

1. *Micro Credit Plan of individual SHG members shall only be considered who have Aadhaar Card.*
2. *The SHG members whose MCP have been prepared, shall be covered mandatorily under PMJJY / PMJSY for getting any types of funds (RF, CIF, VO/CLF loan, Bank loan)*

2 Revolving Fund

Saving is a small fund regularly contributed by the members, to lend to each other within the SHG to meet the urgent household needs of members. As the age of the group increases this savings and accumulated interest develops into SHG corpus and it belongs to all the members. It creates a deep ownership on that fund. To accelerate the process, increase the size of the corpus, and imbibe the habit of repayments, the Revolving Fund is provided to the SHG through their respective Village Organization.

2.1 The criteria for provision of Revolving Fund to SHG:

- a. It is a SHG of rural women, identified through, Participatory identification of Poor (PIP) and on the basis of SECC.

Note: In case of persons with disability and elderly, the SHG can be of women, men or both. The size of SHG can be 8-15, depending upon the topography of the area.

- b. The SHG should have been practicing the 'PanchSutra', for the last 3-4 months (15 weeks):
 - i. The members' attendance in the group meeting should at least be 90% and above.
 - ii. Members are saving regularly as per the norms.
 - iii. There is a regular internal lending of savings to the members for their small needs.
 - iv. These loans are regularly recovered, maintaining at least 95% recovery at the SHG level.
 - iv. A trained Book Keeper is engaged by the SHG and books of accounts are written in the SHG meetings.
- c. The group has opened an SB account in any Bank branch.
- d. All the members of the group have received three days' member level training on the SHG concept, group management and panchutras by the ICRPs team.
- e. A commitment from the group that the Revolving Fund will be utilized for internal lending to the members along with the savings.
- f. After the provision of Revolving Fund also, the SHG agrees to continue panchasutras, good management and financial norms in its meetings.

2.2 RF Amount

RF amount shall be provided to the eligible SHGs through respective VO through Micro Credit Plan (MCP) process. RF per SHG will be Rs. 15,000/-

2.3 Procedure for the release of RF

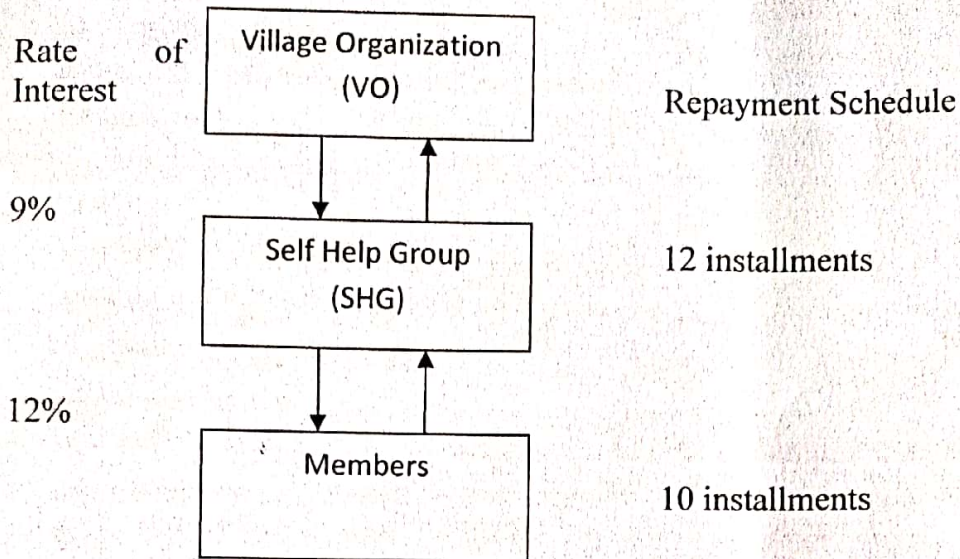
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- i. Based upon the recommendation received from VO to BMMU to Mission, the Mission will release the amount of RF as per sequence in the online fund module of DAY-NRLM in to the Bank Account of CLF/VO through PFMS.
 - ii. The VOs will release the amount of RF to eligible SHGs by payees account cheque/NEFT/RTGS transfer immediately by organizing special meeting of the concerned federation. **All CBOs shall restrain from any cash transactions.**
 - iii. The SHGs shall release the amount of RF to two members by account payee's cheque/NEFT/RTGS transfer immediately. They shall also restrain from any cash transaction.
 - iv. The SHG members have to repay the RF in installments to the SHGs and from SHG to VO as per the schedule forming Annexure I(a), and I(b).
 - v. The repayments shall in no case be paid /received through community cadre.
 - vi. Loan from VO to SHG and SHG to members shall be ongoing process.

2.4 MCP Approval Process

- i. SHGs shall prepare MCP with the support of COM.
- ii. SHGs shall submit MCP to the VOs in the Executive Committee meeting to be held bi-monthly for its appraisal.
- iii. VO-Executive Committees will appraise MCP in the meeting (same day) and shall follow prioritization plan submitted by the SHGs.
- iv. VO will issue payees account cheque or transfer by NEFT/RTGS based on approved MCP amount to SHGs as a loan to SHG, which in turn shall follow the same process for release of funds to the SHG members.
- v. Representative from BMMU may also attend the VO- EC meeting. Their role will be as a facilitator and will not be a signatory to any cheque / advice or any other payments.

2.5 Fund Flow- Rate of Interest and Installments

VO to SHG at reducing rate of interest- 9% per annum with 12 installments. SHG to SHG members at reducing rate of interest- 12% per annum with 10 installments. Initially out of available RF at VO level, it will be priority for VO to provide 1st dose of loan to each SHG. Regarding 2nd dose of loan, VO EC will take decision based on available funds and MCPs submitted by SHGs / new SHGs formed after two years of saturation of the block.



3 CIF

SHGs adopting 'Panchsutra' and following good management and financial norms and demonstrating proper use of saving and Revolving Fund (wherever the SHG has received RF), need to be supported further with provision of CIF for broadening their opportunities for livelihoods.

3.1 CIF Amount

CIF amount shall be provided to the eligible SHGs through respective VO/CLF through Micro Credit Plan (MCP) process. CIF per SHG will be Rs. 65,000.00 which shall be provided in two tranches, one @ Rs. 40,000.00 and another @ Rs. 25,000.00. In case CIF amount is released less than as indicated However, subject to the availability of sufficient funds, CIF can be provided in single doze @ Rs. 65,000.00 to all SHGs or @Rs 1,10,000.00 to 50% eligible SHGs in that case remaining SHGs shall receive CIF from recycled CIF repayments.

Note:

1. *CIF-II shall not be recommended for a particular CLF unless CIF-I is not disbursed to all eligible SHGs.*
2. *To ensure good financial health of CBOs, the repayments along with group fund/interest should be regular and the funds with the CBOs must not remain idle.*
3. *Defaulters should be discouraged to avail repeat loans to create financial discipline amongst the SHG members and should not be further recommended for credit-linkage.*
4. *Honorarium of community cadre should be incentivized with the successful facilitation of regular repayment.*

3.2 Procedure for the release of CIF

- i. Based upon the recommendation received from VO/CLF to BMMU and from BMMU to Mission, the Mission will release the amount of CIF as per sequence in the online fund module of DAY-NRLM in the Bank Account of CLF/VO through PFMS.
- ii. The VOs/CLFs will release the amount of CIF to eligible SHGs by payees account cheque/NEFT/RTGS transfer immediately by organizing special meeting of the concerned federation. **All CBOs shall restrain from any cash transactions.**
- iii. The SHGs shall release the amount of CIF to a maximum of three members and minimum of two members by account payee's cheque/NEFT/RTGS transfer immediately. They shall also restrain from any cash transaction.
- iv. The SHG members have to repay the CIF in installment to the SHGs and SHG to VO and from VO to CLF as per the schedule forming Annexure II (a), II(b) and II(c).
- v. The repayments shall in no case be paid /received through community cadre.
- vi. Loan from CLF to VO and VO to SHG shall be an ongoing process.

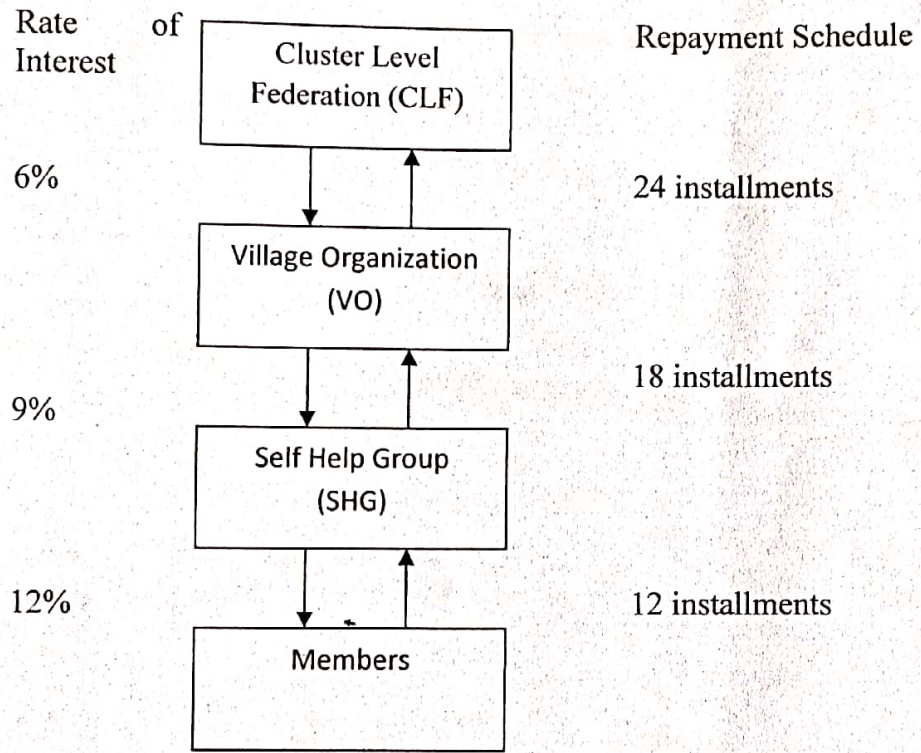
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- ii. SHGs will submit MCP to the VOs in the Executive Committee meeting to be held bi-monthly for its appraisal.
- iii. VO-Executive Committees will appraise MCP in the meeting (same day) and shall follow prioritization plan submitted by the SHGs.
- iv. VOs shall submit the requisition and its MCP to the CLFs.
- v. CLF will issue payees account cheque or transfer by NEFT/RTGS based on approved MCP amount to SHGs as a loan to VO, which in turn shall follow the same process for release of funds to the SHGs.
- vi. Representative from BMMU may also attend the CLF- EC meeting. Their role will be as a facilitator and will not be a signatory to any cheque / advice or any other payments.

3.4 Fund Flow- Rate of Interest and Installments

CLF to VO at reducing rate of interest- 6% per annum with **24 installments**. VO to SHG at reducing rate of interest- 9% per annum with **18 installments**. SHG to Member at reducing rate of interest-12% per annum with **12 installments**. Initially out of available CIF at VO level, it will be priority for VO to provide 1st dose of loan to each SHG. Regarding 2nd dose of loan, VO EC will take decision based on available fund and MCPs submitted by SHGs.

As per the practice in vogue CIF-I is released through VOs, however henceforth an interim CLF shall be formed with the representation of available formed VOs without placement of its cadre till the due capitalization for its SHGs is released to the CLF. This will ensure routing of capitalization through CLF and placement of cadre in synchronization with capital flow. Once all the VOs are federated with the CLF, the election for EC, OB for CLF shall be done again to have a wider representation.



3.5 CIF Eligibility for SHGs

- SHGs following "Panchasutra" at least for 6 months (24 weekly meeting).
- SHG is a member of VO and following the norms related to VO i.e. paid membership fee, regular monthly saving, etc.
- The representatives of SHGs regularly attend the meetings of VO.
- 90% of the members attend the meeting of SHGs regularly.
- SHG follows the Panchasutras- Weekly meeting, weekly saving, internal lending, regular repayment and regular bookkeeping.
- SHG has trained and dedicated book keeper and books of accounts are updated regularly.
- Training to SHG on MCP preparation has been conducted.
- SHG is able to prepare Participatory Micro Credit Plan (MCP) duly following the process to cater the needs and requirements of its members taking into prioritization of loans and rotation plan.

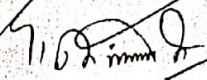
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- It should give a commitment that even after receiving CIF loan through MCP process, the members of the group will run the management duly adopting panchsutra, good management and financial norms.

4. Vulnerability Reduction Fund

Like Revolving Fund (RF) to SHG, Vulnerability Reduction Fund(VRF) is a revolving fund to 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 SHG members and will reside in VO as its own corpus. This amount can be used for lending to SHG at flexible terms. The amount of VRF will Rs 10000/- per SHG.

One important aspect of provision of this entitlement through CBOs is that in case of SC/ST and persons with disability 50% more fund can be given.

Note: Detailed Guidelines of VRF stands issued vide no. MD/JKSRLM/54/2014 dated 10.08.2016.


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