



COMMUNITY BASED SUSTAINABLE FOREST MANAGEMENT FOR WATER RESOURCE CONSERVATION

TECHNICAL GUIDELINE

Self Help Groups



Project Result 3: **Security and Improvement of livelihood**

Target group: (DPMU, NGOs, CSOs)

Version: **05.03.2023**

TABLE OF CONTENT

1	Chapter 1	1
1.1	Introduction	1
1.1.1	Definition of SHG	1
1.1.2	Principle of SHGs (Panchasutra norms):	2
1.1.3	Regular Meetings of SHGs	2
1.1.4	Regular Savings	2
1.1.5	Regular Inter-lending (inter-loaning)	2
1.1.6	Membership in Self-help Groups (SHGs)	3
2	Chapter 2	3
2.1	Formation of SHG	3
2.1.1	Mobilization and formation of SHG	3
2.1.2	Framing Rules and Regulations of SHG	4
2.1.3	Rules & Regulations	4
2.1.4	Developing leadership in SHGs	6
2.1.5	Revival of Existing SHG	7
2.1.6	In-depth Assessment of Existing SHGs in reference to Konshakhul village	7
2.1.7	Developing capability for conflict resolution	10
3	Chapter 3	10
3.1	Funding of SHG	10
3.1.1	Establishing credit linkages with banks	10
3.1.2	Developing and Managing Common Funds	10
3.1.3	Establishing SHG Linkages	11
3.1.4	Creating SHG Convergence	11
3.1.5	Revolving Fund and Income Generating Activities	11
3.1.6	Release of Seed Money	12
3.1.7	Revolving the Seed Money	12
3.1.8	Repayment of Loan	12
4	Chapter 4	12
4.1	Micro-enterprise development activities/Income Generating Activities (IGA)	12
4.1.1	Identification of Income Generation/Micro-enterprise development activities	12
4.1.2	Preparation of Business Plan	13
4.1.3	Approval of Business Plans	13

4.1.4	Enterprise development and Value Addition.....	14
4.1.5	Actual Production process.....	14
4.1.6	Management Plan.....	14
4.1.7	Exploring, maintaining and expanding market linkages	14
4.1.8	Skill Development and Training.....	14
4.1.9	Quality and Branding.....	15
5	Chapter 5	16
5.1	Federations, its role and importance	16
5.1.1	Federation of Self-Help Groups.....	16
6	Chapter 6	17
6.1	Grading of SHGs.....	17
7	Chapter 7	17
7.1	Monitoring & Reporting	17

All rights are reserved. No part of this publication may be reproduced, distributed, or transmitted in any form or by any means, including photocopying, recording, or other electronic or mechanical methods, without the prior written permission of the publisher at the address below.

Address: Manipur Forest Department Sanjenthong, Imphal - 795 001 Manipur

Phone: 03852 450 165

Fax: 03852 452 504

Email: pccf-mn@nic.in

LIST OF ANNEXES

- Annexure 01:** Membership cum Saving Register
- Annexure 02:** Saving Bank Account
- Annexure 03:** Loan Account
- Annexure 04:** SHG Attendance, Saving & Contribution Register
- Annexure 05:** Cash Book
- Annexure 06:** Self Help Group (SHG) Assessment Format
- Annexure 07:** Receipt Payment Voucher

LIST OF TABLES

- Table 1:** Responsibilities of office bearers of SHGs
- Table 2:** Assessment Information
- Table 3:** SHG Assessment Indicators (Tick Mark)
- Table 4:** Value chain concept and benefit
- Table 5:** Tentative Lists of Income Generating Activities (IGAs) collected through questionnaire from 3 (three) villages of Ukhru viz., Choithar, Shirui, Langdang and 3 (three) villages from Kangpokpi viz., Maohing, Lungphou, Konsakhul
- Table 6:** Rationale of Federation

Abbreviations

CF	Community Forestry
CLF	Cluster Level Federation
COSFOM	Community Based Sustainable Forest Management for Water Resource Conservation
CSO	Civil Society Organisation
DLF	District Level Federation
DMU	Divisional Management Unit
FPO	Farmers Producer Organisation
FPO	Fruits Products Order
FSUs	Field Support Units
IGA	Income Generation Activities
ITIs	Industrial Training Institutes
M&E	Monitoring & Evaluation
NABARD	National Bank for Agriculture and Rural Development
NGO	Non-Governmental Organization
NGO	Non-Government Organisation
NSDP	National Skill Development Programme
PFA	Prevention of Food Adulteration Act
PwDs	Persons with Disability
RMK	Rashtriya Mahila Kosh
SRLM	State Rural Livelihood Mission
VLF	Village Level Federation
WRCGs	Water Resource Conservation Groups

1 Chapter 1

1.1 Introduction

As envisaged in the Feasibility Study, livelihood activities can be carried out either through existing SHGs or new ones provided they are homogeneous socially and with a common interest and needs. SHGs can undertake any permissible activity jointly as a group or the group may decide to support individual(s) for the activities under the umbrella of the main SHG. In case of individual support under the SHGs, the individual will be accountable to the main SHG for finances and performance. However, financial support to enterprising individual or household could also be considered subject to more stringent criteria. Financial support to individuals who prepares and submit a viable livelihood proposal may be considered by the committee formed within the SHG. The plan has to be approved by the committee before extending financial support.

As per the COSFOM project members of the SHG must belong to women folk only, women play an important role in development of the country's economic and also in elevating the economic status of their families. SHG has been evolved to organize the rural poor to meet their productive and consumption needs of their saving. This has led boost to the process of women's empowerment and therefore, are now gaining acceptance as an alternative system of credit need delivery especially to the people who are the poorest of poor.

At the village level, SHG are one of the most important institution for implementing livelihood activities and micro credit along with Water Resource Conservation Groups (WRCGs). Therefore, the Project focus on formation and strengthening of SHGs and revolving fund for livelihood development. The major areas focused in the guidelines include formation & strengthening of SHGs, revolving fund management, promoting income generation activities (IGA), federating SHGs and capacity building of different stakeholders, external linkages & convergence for sustainability along with monitoring & reporting mechanism.

SHG will prioritize poorest of the poor and the most vulnerable section of the community/village. Vulnerable members in the group are given utmost priority. They may include:

- Destitute
- Women-headed-households, Widows/Single women
- Persons with Disability (PwDs)
- Elderly
- Chronically ill
- Any others

1.1.1 Definition of SHG

- SHG group is an affinity homogenous group, with the members belonging to the same community and living in the vicinity of each other. Each SHG consist of 10-20 women.
- SHG members shall follow the norms of **Panchasutra** – regular meetings, regular savings, regular inter- lending, regular repayment and maintenance of proper books of account. (in compliance with the Guidelines of Ministry of Rural Development, Govt. of India).

1.1.2 Principle of SHGs (Panchasutra norms):

The existing SHGs/newly formed SHGs under the project will follow the principle of *Panchasutra* norms as explained.

1.1.3 Regular Meetings of SHGs

- The meeting may be chaired by President, Secretary and Treasurer or any member of the group.
- Members of SHG shall meet at regular intervals. The meetings can be either weekly, fortnightly or monthly depending upon the decision taken by the members of the Group.
- Every member of the Group shall be present at the meeting.
- The Group should ensure the maintenance of a membership register and minutes register.
- The date, time and venue for the next meeting should be decided in the previous meeting.
- The meeting should be held on a rotation basis at a member's house or at a common central place, which is accessible to all members, apart from places of worship.

1.1.4 Regular Savings

- The Members of the Group will contribute a fixed amount as savings either weekly, fortnightly or monthly based on the capacity or decision of the most vulnerable (poorest) members of the Group.
- Once the group make a decent saving, it could start internal lending to its member for income generating activities.

1.1.5 Regular Inter-lending (inter-loaning)

- SHGs will be trained in promoting the concept of inter-lending, which is one of the key activities of the group. The process of inter-lending will be started after the group gets involved in regular saving, trust and mutual confidence among its members.
- Internal lending will depend on:
 - i) Amount of money a member can borrow
 - ii) Purpose of the loan
 - iii) Rate of interest
 - iv) Repayment period
 - v) Late payment fine

SHGs will be advised to give only small amounts of loan in the beginning, so that the credit needs of all the members can be met.

1.1.6 Regular repayment

- SHG members will repay by instalment on a monthly basis so that it can be reinvested. The amount and number of monthly instalment may be decided by the members based on the type of activity proposed, business plan and their savings. The repayment amount may be return within a maximum of 18 months.

- Repayment will be the **collective** responsibility of all the members of the borrowing SHG. The concern SHG will collect the repayment amount, including interest, from the concerned member keeping in mind the repayment schedule.
- Repayment will only be made in SHG meetings. SHG will ascertain that the payment receipt has been handed over to the loanee member in the meeting.

1.1.7 *Maintenance of book of Account (Book keeping)*

- The SHG will be facilitated and trained in maintaining the books of record.
- The books of records to be maintained in the project will include:
 - i) Membership register
 - ii) Attendance register
 - iii) Minutes register
 - iv) Cash book
 - v) Saving & loan ledger
 - vi) Bank ledger and
 - vii) Bank passbook.

The books of record will be audited annually.

1.1.8 *Membership in Self-help Groups (SHGs)*

- Individuals who belong to the same socio-economic background
- One person from each family
- An SHG may consist of 10-20 members

2 Chapter 2

2.1 Formation of SHG

2.1.1 *Mobilization and formation of SHG*

SHG members will be encouraged for saving by explaining the concerns of poor people, such as falling in a debt trap, need of money in unanticipated emergencies, taking loan from moneylenders at high interest rate, mortgaging assets for taking loan, inaccessibility of bank loans, eligibility criteria for bank loans, particularly for women who do not own properties as collaterals, etc.

The members will also motivated that SHG is a forum where everyone does some saving, everyone can access to loan through inter-lending to meet basic needs, the collective savings can become the source for attracting larger funds from banks and government institutions, it is easier for bank to associate with institution, etc.

Field Support Units (FSUs) and the facilitating NGO(s) will be equipped with required capacities by the PMU team for selection, formation and strengthening of SHGs. In addition, training manual and implementation guidelines will be developed for follow up. In turn, the FSU and the NGOs will facilitate capacity building of SHGs through formal trainings, orientation, on-the-job training,

hand-holding support, etc. The suitable locations will be identified, if required, for exposure visits of SHGs.

SHGs will be selected from amongst the existing ones based on the Principle of *Panchasutra* norms. New SHGs will be formed where they are non-existent.

Meetings will be conducted in the village to float an idea of SHG formation by sharing the concept of saving and credit as a core activity of the group and to motivate members to form their own group on the basis of their common interest, between those who feel bound by trust, mutual respect and affection (affinity).

Members will be allowed to form their SHG based on their shared common characteristics such as same sex, ethnicity, clan, occupation, poverty attributes, etc. (homogeneity). Focus will be laid on involvement of women and families from socio-economically backward segments. The number of SHG members is normally kept 10-20 at a rate of 1 member/household.

2.1.2 Framing Rules and Regulations of SHG

SHGs will be facilitated to frame their by-laws focussing on objectives of the group, procedure for election of representatives, periodic change of representatives, time and periodicity of meetings, amount and periodicity of savings, operation of the bank account, procedure for sanctioning of loans, maximum amount of loan, restrictions on the purpose of loan, rate of interest to be charged, repayment period, fines/penalties for non-attendance in meetings, late payment of savings, late or non-payment of loan instalments or other undesirable behaviour, activities to be taken up by the group other than saving and credit, procedure for withdrawal from membership, benefit-sharing distribution among members of income from group business, etc.

The rules and regulations (by-laws) will be framed after extensive discussions within the group. These rules will be written in the local language at the end of the second meeting of the group. The rules will be evolved through consensus. No rule will be imposed on SHGs that members consider difficult to follow. "What will work for them?" should be the guiding principle. There will be flexibility to modify the rules as the group gains experience. The rules will be signed by each member.

2.1.3 Rules & Regulations

1. Name of the Group :
2. Office Address :
3. Vision:
4. Objectives :
 - To establish forum wherein women can critically analyse their socio-economic situation.
 - To build up self-confidence and spirit of co-operation among women.
 - Economic empowerment of women in society aimed at self-reliance and self-sufficiency.
 - To eliminate the role of money lender.
 - To establish linkages with banks, line departments and other institutions for socio-economic development.

I. Savings Bank Account

- The member will open a Savings Bank Account of SHG at a Nationalised Bank. Savings account will be opened in name of the Group.

II. Rate of interest

- The rate of interest within the group is fixed and shall not exceed 2% per annum.

III. Attendance

- All the members who attend the meeting should sign the attendance register and members who do not sign the attendance will be treated absent.
- If a member is not able to attend SHG meeting, she should submit application of leave to the President or inform the reason, which will be read to the house and decided by the members.

IV. Proceedings of the Meeting

- The Secretary will place the proceeding of the preceding meeting and the President and the Secretary will sign the proceedings only after the approval by the house.
- Reading out the agendas of the meeting by the chairperson and taking other agendas if any.
- Discussion will be as per the decided agendas only.
- The Secretary should record all the proceedings of the meeting in the minute book.
- The Secretary should read out the proceedings and share the information related to total saving, loan due, interest amount, interest due, earning of the group and repayment of loan by the loanees during the meeting.

V. Vote

- If a group decides to elect its member, one person is eligible to vote only once.
- A member who has not paid their membership will not be eligible to vote.
- In the event of any member getting equal vote, the chairperson of the SHG has the deciding/casting vote.

VI. Amendment of Rules and Regulation

- To amend the rules and regulation all the members of the group should be present.
- To amend rules and regulation of the SHG at least 80% of the members should approve it.

VII. Contribution

- The members may contribute along with savings an additional amount as per their requirement on their own will.
- The saving, contribution, earnings, income and interest should be recorded in the appropriate books of accounting at the time of meeting.

VIII. Loan

- The loan will be given only to the group members.
- Person desiring to take a loan should submit an application stating clearly the purpose to the secretary before meeting starts.
- Loan will be extended primarily for income generative activities.
- No person can submit more than one application at a time.
- Loan applications will be discussed and decided by the group at the meeting.
- After it is approved by the group the person should fill in the loan schedule and agreement of loan repayment.
- The loan amount will be dispatched at the meeting and in case of shortage of cash, the secretary can withdraw from the bank and give it to the person.

IX. Distribution of income

- All the movable and immovable asset of the group will be in the name of the group.
- Income and profits earned will be spent to fulfil group's objectives.
- Resources can mobilise through membership fees, donation, group earning, grants savings, interest, social work contribution, etc. to meet the group objectives.
- Income from the collective business should be distributed equally among members.

X. Withdrawal of membership

- In the event of resignation, the membership fees will not be refunded but her saving and interest proportionate to her principal amount will be refunded.
- In the event of death or mental ill, health the nominee will receive the saving amount and other benefits.
- The SHG reserved the right to dismiss a member who do not abide by the rules and regulations and whose behaviour is offensive to the objectives of the group.

XI. Admission of new members

- New memberships will be entirely decided by the groups.
- No individual can be a member in more than two groups.
- The rules, terms and condition are explained to a person desiring to be a member of the group.
- A person who is willing to abide by the terms, rules and regulation of the group will be given a membership.
- The admitted member should sign in the declaration of the rules and regulation of the document.

XII. Dissolving

- To dissolve the group all the members should be present and it should be approved by all the members.

XIII. Declaration

- The above-mentioned rules and regulations were read out to us/me and we have understood the terms and conditions and signed the same.

2.1.4 Developing leadership in SHGs

SHGs will be facilitated to democratically elect leaders, as respected and mutually accepted leaders encourage other members to participate in group activities, including decision making. The leaders who are responsible, impartial and supportive to others will be motivated to lead SHGs.

SHG leaders with specific responsibilities will be selected through consensus by all group members. The term of office bearers will be specified. The new leaders will be selected after the end of the term of the existing leaders as changing the leaders periodically will be encouraged.

SHGs will be oriented on the roles and individual and collective responsibilities of each office bearer including President, Secretary, and Treasurer as stated in Table 1.

President: The President has to chair and preside over every meeting. He will initiate the discussion on agendas that comes up in the meeting. The president can call for a meeting in case if any emergency arises. He has to sign in the minutes and cash book. He is also the authorize signatory for signing the cheque books and cash withdrawal. In his absence the members will decide who will chair the meeting.

Secretary: The Secretary will read out the minutes of the previous meeting for final approval and he will also sign the minute's book and cash book. He is also the authorize signatory for signing the cheque books and cash withdrawal.

Treasurer: The treasurer will collect the savings in every meeting. He will be responsible for safe custody of the cash, cheque book and books of accounts of the group. He is also the authorize signatory for signing the cheque book or any financial transaction. He will read out the financial transaction in every meeting.

Tenure: The Office Bearers are elected for a fixed tenure of 2 years.

Table 1: Responsibilities of office bearers of SHGs

Office bearer	President	Secretary	Treasurer
Individual responsibility	<ul style="list-style-type: none"> • Conduct meetings • Resolve conflicts • Facilitate collective decisions • Share information 	<ul style="list-style-type: none"> • Inform on dates of meetings • Define meeting agenda • Record attendance • Prepare minutes of meetings • Safeguard key of cash box 	<ul style="list-style-type: none"> • Carry out all financial transactions • Keep custody of cash • Monitor loan utilization and repayment
Collective responsibility	<ul style="list-style-type: none"> • Represent the group in other forums • Deal with the bank • Appraise loan applications • Plan and implement programmes 		

2.1.5 Revival of Existing SHG

In the case of existing SHGs, once the members of the group are interested to take part in the project, the first thing to be done is financial audit of the SHG. After the audit is done, the following actions shall be taken up:

- If any of the members have avail loan from the group, prepare the repayment schedule for each member and the members should follow the repayment schedule.
- If the SHG has availed any bank loan, repayment schedule for both SHG to repay to bank and members to repay in the SHG are to be prepared.
- In case members of the earlier SHG are from different habitations, then the members from other habitations are asked to leave the said group and join in other group in their own habitation. Also new members from the same habitation may join the said group.

2.1.6 In-depth Assessment of Existing SHGs in reference to Konshakhul village

The following format was used for in-depth assessment of the only SHG in Konshakhul village on 28th of April.

Table 2: Assessment Information

1	Date of SHG Assessment	April 28 2019
2	Divisional Management Unit (DMU)	Kangpokpi

3	Field Support Unit (FSU)	Singda
4	Name of Village	Konshakhul
5	Name of SHG	Chuncham Phom SHG
6	Type of SHG (Men/Women/Mixed)	Only Women
7	No of SHG Members	9
8	Socio-economic category of SHG	Liangmai Tribes
9	Date of SHG formation	During 2015
10	Date of Bank account opening	No bank account
11	Total Cash in banks as on date	Nil
12	Loan outstanding to bank as on date	Nil
13	Loan outstanding to SHG by members	Rs. 50,000/-

Table 3: SHG Assessment Indicators (Tick Mark)

(Scores: Excellent = 4, Good = 3, Satisfactory = 2, Un-satisfactory = 1)

Sl. No.		Excellent	Good	Satisfactory	Un-satisfactory	Remarks
1	Vision, Mission and Strategies			2		
2	Size of SHG			2		
3	Economic status of members			2		
4	Social status of members			2		
5	Meetings Frequency, Time and place				1	Meet once a year
6	Attendance of members at meetings	4				
7	Participation of members in decision making			2		Only office bearers take decisions
8	Participation of members in responsibility sharing		3			
9	Leadership		3			
10	Rules and Regulations				1	No formal SHG rules
11	Savings				1	Once a year
12	Sanctioning of Loans			2		Only office bearers decide
13	Loan Repayments		3			
14	Rotation of Common Fund		3			
15	Idle Capital	4				Mostly rotating
16	Cash handling		3			
17	Resource mobilization				1	No initiative
18	Book keeping and Documentation			2		Saving and loan registers maintain
19	Audits				1	No audit
20	Training programmes				1	No training
21	Planning, Implementing, Monitoring and Evaluating programmes				1	
22	Social Actions and Community Action Programmes		3			Loan for health & education purpose
23	Education, Literacy and Numeracy		3			
	Total	8	21	14	7	

2.1.7 *Developing capability for conflict resolution*

Conflicts are natural to social life as people have different values, beliefs, attitudes and behaviours. Conflict management is an important component of social change processes and therefore the design of the SHG formation integrates conflict management.

If the conflicts are not resolved within the group, the responsible FSU (potentially with the facilitation of the NGO contracted by the Project) will help in addressing the problem through discussion on the conflict with different members, understanding and analysing the root cause of disagreement, scoping the willingness and limits of all conflicting parties towards compromise, identifying the pros and cons of each of the possible solutions, brokering the most effective and collective solution, implementing it and monitoring the adherence of conflicting parties to the resolution, etc.

3 Chapter 3

3.1 Funding of SHG

3.1.1 *Establishing credit linkages with banks*

SHGs will be equipped to ensure that they meet the eligibility criteria to access bank loans. These include:-

- i) Defined minimum savings regularly
- ii) 6 months of existence,
- iii) Regular repayment of inter-lending loan
- iv) Regular meetings
- v) Audited accounts
- vi) Defaulter status
- vii) Maintenance of meeting minutes,
- viii) Maintenance of books and account,
- ix) Orientation on bank procedures, etc.

SHGs will also be oriented on bank procedures for accessing the loan such as prescribed application form, group's assessment/grading, guarantee for repayment, requirement of documents, etc.

In order to avoid any future conflicts within the group on inter-lending of bank loan amount, the project will educate SHG members regarding every provision in the banks' lending policy, involve all members in framing the SHG's lending policy, make members aware that if they follow the policies strictly they will not face problems in the future, build up the capability of leaders to do follow-up and monitoring, educate the members about the need to penalise defaulters and even to remove habitual defaulters from membership, etc.

SHG members will be encouraged to take only small loans initially and will increase the loan size gradually. This will give them the necessary skills to manage their funds and enterprises properly. They will also be educated that charging of interest is necessary to build up the group's own common fund to achieve financial sustainability, and thus to meet the cost of interest paid to the bank and other expenses.

3.1.2 *Developing and Managing Common Funds*

SHGs will be oriented on managing the common fund so as to ensure that the surplus money is invested intelligently, money is not kept idle in the bank but lent to members. In addition, money

is borrowed only when the SHG has the ability to repay it on time, money is not spent on unnecessary ceremonies or other administrative expenses, in also all the financial transactions takes place in the meetings itself. This will ensure that all members get involved in the management of the common fund.

SHGs will be advised to ensure that only eligible members get loans, all loanees repay loans in time, payment of bank instalments is never delayed, loan from the credit limit sanctioned is drawn only when needed and money is rotated.

SHGs will be educated on the concept of Risk Fund and they will be advised to avoid depletion of capital to create security to the corpus, to give confidence to the banking institutions and to provide a sense of security to members and also build up sustainability and confidence.

3.1.3 Establishing SHG Linkages

Relying on the assessment of village level institutions, such as Village Authority, Women's group, Watershed Committee, Youth Club/Sports Club, Farmers Producer Organisation (FPO), Government offices, Service centres, etc. linkages to SHGs will be sought.

Initiative will be taken to establish linkages with the important institutions with a view to strengthen relationship for exchange of information, access resources and facilities, gain support for achieving the goals of the SHG for capacity building, start activities that can benefit a wider section of the village community, achieve financial sustenance of the SHG and benefit from Government schemes for which women/poor are eligible but may be currently deprived of due to the absence of linkages, lessen exploitation through collective strength.

3.1.4 Creating SHG Convergence

Different Government departments and agencies offer a diverse array of services to people living in rural areas. Most of these programmes work in isolation and villagers do not have enough information about them. Convergence of services is an effort to make such services available to villagers in an integrated manner. A list of key departments will be prepared that are of potential benefit to the SHG.

Various programmes and schemes under different departments will be studied which are likely to benefit SHGs. The list will include State Rural Livelihood Mission (SRLM), National Skill Development Programme (NSDP), Industrial Training Institutes (ITIs), credible and capable NGOs, Market support agencies Rashtriya Mahila Kosh (RMK), Ayushman Yojna, Ujjawala Yojna, Balika Samridhi Yojana, Rural Women Development and Empowerment Programme (Swashakti), MGNREGA, Rural Drinking Water Supply Programme, Rural Sanitation Programme, National Bank for Agriculture and Rural Development (NABARD) and many others.

3.1.5 Revolving Fund and Income Generating Activities

Existing/Newly formed SHGs by the COSFOM project will be supported with a seed money of INR 40,000 each as microfinance support to undertake various on-farm, off-farm, non-farm and NTFP/forest-based Income Generation/Micro-enterprise development activities aiming at improved livelihood of their members. Microfinance support for consumption and other social purposes will be discouraged. SHGs will be solely responsible for implementing the revolving fund management but will receive support by the project team along with the facilitating NGO.

Using targeted training relying on the training of trainers approach, the project team and the facilitating NGO will be equipped with required capacities on microfinance and Income Generation Activities (IGA). In addition to training and orientation programmes, training manual and implementation guidelines will be provided to facilitators by PMU. In turn, they will facilitate capacity building of SHGs through training, orientation, on the job training, hand-holding support, etc. Additionally, if required, suitable opportunities will be identified for exposure visits for SHGs.

3.1.6 Release of Seed Money

SHGs will utilize their contribution part first and will issue a utilization certificate and will make an application to the DPMU/PMU for release of loan. The DPMU/PMU will decide the number of instalments depending upon nature of the business. SHG will produce utilization certificate of the previous instalments for release of the following instalment

In case some SHG needs the whole amount of Rs. 40,000/ in one instalment, the DPMU/PMU can sanction the amount after examining the nature of the business plan and putting suitable conditions in place. The payment will be made online or through cheque. In no circumstances should cash payment be encouraged. NGO/DPMU staff will make field inspections before disbursing the following instalment.

3.1.7 Revolving the Seed Money

Once the repayment of the loan starts, SHGs will start the selection process for the second round of inter-lending based on the priorities of the members in case of individual-based IGAs. The process of activity identification, business plan preparation, approval, etc. will be repeated as followed in the first round of loaning process.

3.1.8 Repayment of Loan

In case of an individual-based business, the loan duration and repayment schedule will be decided within the SHG as per the business plan. However, the repayment period will not be more than 18 months. Repayment will be the “collective responsibility of all the members of the borrowing SHG”. The concerned SHG will collect the repayment amount, including interest, from the concerned member keeping in mind the repayment schedule.

Repayment will only be made in SHG meetings. SHG will ascertain that the payment receipt has been handed over to the loanee member in SHG meeting. The SHG will deal with its defaulting member according to its own norms.

4 Chapter 4

4.1 Micro-enterprise development activities/Income Generating Activities (IGA)

4.1.1 Identification of Income Generation/Micro-enterprise development activities

The broad livelihood options will emerge during the Village Micro Planning (VMP) process based on the needs and priorities of the different socio-economic sections of the village community. The preliminary selection of the livelihood options will be facilitated by the VMP team based on feasibility, fairness, cost-effectiveness and sustainability. However, the activities will finally be decided on by SHGs themselves.

SHGs will conduct an internal meeting to decide whether the group will be interested in taking up individual-based IGAs or group-based collective micro-enterprise development. In case of collective enterprise development, focus will be laid on identifying needs and desires of communities in a participatory manner, developing possible business plans and discussing options with communities and relevant stakeholders for developing the community-based micro-enterprises in partnerships with other private businesses if any.

If the group members decide to opt for individual based IGAs, SHG will select 4-6 members in the first round for loaning on the basis of seed money available. The selection of SHG members for first round will be decided by SHG on the basis of their regular contribution to the “corpus”,

repayment capacity, attendance in the SHG meetings and their contribution, etc. In such cases the interest rate on loan, repayment period and maximum amount of borrowing and uses of the fund shall be decided by the SHG members in their general body meeting.

An activity in which the member has experience and skills is less likely to fail. Selection of an appropriate activity is very important, since the failure of the activity leads to non-repayment of the loan and financial loss to the group. The member may be forced to leave the group, and if more members have to do this the group will disintegrate. Therefore, the efforts will be made to select the members for loaning who will be willing to take an IGA and will have clarity of running the business.

The selected individual members for the first round of loaning process will be advised to share the business activity to the group for consensus building and finalising the same. After the activity is finalised, the selected members will be advised to prepare a business plan with the help of FSU/NGO as per the prescribed format for approval by DPMU.

In case of collective activity, SHG will identify a micro-enterprise development and will share the initial thoughts to FSU/NGO. If found satisfactory, SHG will develop the business plan with the help of FSU/NGO in the prescribed format for approval by DPMU.

4.1.2 Preparation of Business Plan

The business plan to be prepared by the selected SHGs will be the basis for providing microfinance support to promote/strengthen an IGA. The formats for business plan preparation will be developed by the project team.

The format for business plan preparation will include type of proposed business, access to technology, access to knowledge & skills, access to raw material required to run the business, total cost to be involved (recurring and non-recurring both), beneficiary contribution, feasibility assessment, marketing linkages/value chain, gestation period, profitability analysis, repayment schedule, etc.

In case the microfinance support under the project is not adequate to carry out the proposed collective interventions, the project will facilitate SHGs to explore financial support from banks on the basis of past history of the existing group's association with the respective bank along with corpus funds of SHG available in the bank from their regular savings. In such cases the project may facilitate the bank in carrying out the rating of the SHGs for eligibility for accessing to the bank loans, if required by the bank.

The technical feasibility and economic viability assessment of the proposed based business plans will be carried out by the FSU/NGO. However, the input will be provided by project team to facilitate the NGO in assessment of the business plans. Value Chain Analysis will be conducted for the selected collective business plans especially focussing on NTFPs.

SHGs will be motivated to contribute around 10% loan amount of the business activity in form of cash or kind. A uniform rate of interest on the loan amount will be decided by SHGs themselves. The repayment schedule will be prepared in the business plan and the beneficiaries will be expected to repay the loan in equal instalments.

4.1.3 Approval of Business Plans

The loan application along with the resolution and business plans prepared by SHGs for individual/collective activities will be submitted to the DPMU for examination and approval in the prescribed formats.

After thorough examination and making other verifications, the business plans will be approved in the DPMU. The DPMU will issue a Sanction Letter to the SHG.

4.1.4 Enterprise development and Value Addition

- i) Market Demand: Market demand needs to be properly estimated. While estimating demand, one should be careful to analyse the factors affecting the same and sensitivity of the demand to different parameters and probability of the parameters.
- ii) Local resources, local knowledge and technology, suitability of the enterprise, availability of raw material and labour, etc with respect to the area and the region.
- iii) Cost and Benefit analysis and sensitivity analysis of the cost or benefit to various parameters.
- iv) The involvement of capital investment and the capacity to operate. The access to the capital and the cost thereof.
- v) Logistic support: for both inbound and outbound materials to the enterprise.
- vi) Social appropriateness:-Whether the kind of enterprise chosen is contrary to the culture and social norms.

4.1.5 Actual Production process

- i) Availability of suitable location.
- ii) Possibility of continuous supply of raw materials.
- iii) The level of technology needed and availability of technology/machineries. The technology chosen should be feasible and should be analysed *viz a viz* demand.
- iv) Availability and cost of Power/Water, etc.
- v) Availability and cost of labour.
- vi) Capital required its source and cost of capital.
- vii) Access to transportations.
- viii) The inventory (stock) management and cost.

4.1.6 Management Plan

- i) Formation of a Management committee.
- ii) Formulation of rules and regulations for management committee
- iii) Accountability of the management staff and others.
- iv) Staffing and work allocation according to capability
- v) Long term and short term production plan
- vi) Maintenance of sale and purchase records.
- vii) The payment cycle i.e., in how many days the cash flows back from the sales.

4.1.7 Exploring, maintaining and expanding market linkages

It should be a continuous process.

4.1.8 Skill Development and Training

- i) Identifying the appropriate personnel and their skills.

- ii) Training need assessment .Identification of type and amount of training that would be required for each person.
- iii) Based on the above training need assessment, the training curriculum will be developed.
- iv) Sourcing of funds for training.
- v) Hire the professionals.
- vi) Send the trainees to suitable institutions /organizations.

4.1.9 Quality and Branding

Quality is defined by the expectation of the customer. So, for different customers, the definition of quality changes. It is hence important to define one's target customer and synchronize the quality as per their expectations.

- i) For raw agricultural and horticultural commodities, Grading, Sorting and Cleaning along with proper Packaging the product helps define the quality.
- ii) Use of the registered Brand name helps establish market identity, quality assurance and built customer preference.
- iii) Quality enforcement through legal registration of production units of Fruits Products Order (FPO) under the Food Safety and Standards Act of 2006, Sale Tax, Industries and Commerce Department, Prevention of Food Adulteration (PFA) Act whichever applicable.
- iv) There are also ways of quality assurance through voluntary registration under AGMARK, ISO, etc.
- v) There are specific labelling norms laid down by law specific to the type of the product marketed. Labels describe the product to the consumer and hence must not be misleading.

Date of manufacture, best before use, and of the manufacturer, name of the marketer, the ingredients used, whether of vegetable or animal origin, the MRP, etc. are some of the important components of the label. Over and above that certain declaration like nutritional aspects, organic, free of child labour etc. may be added for gaining consumer.

Table 4: Value chain concept and benefit

<i>a) Value Chain Analysis why –</i>
- model and situational analysis
- understand functions, bottlenecks, failure & opportunities
- tool to develop a joint vision, objectives & strategy
- tool to monitor impact
- facilitate business decisions
Why value chain analysis?
- It analyse a situation
- It gives a clear picture what are the steps not done/not fulfilled
- It says about other opportunities for particular field
- It says about the missing link/gaps

- It says about the strategy/procedure/future role of development
- It clearly says the bottleneck of outmost development.
- It will collect/invite all possible options to accomplish the task and will select the most suitable/productive ones.
- It will enable one for quick & assured results

Table 5: Tentative Lists of Income Generating Activities (IGAs) collected through questionnaire from 3 (three) villages of Ukhrul viz., Choithar, Shirui, Langdang and 3 (three) villages from Kangpokpi viz., Maohing, Lungphou, Konsakhul

Agriculture	Horticulture	Livestock	Handloom & Handicraft	If any others
Paddy cultivation, Maize	Fruit processing, Floriculture, Potato, Cabbage, Plum candy, Lemon pickle, Banana farming, Wild apple candy, King Chilly pickle, Orange, Yam, Maize, Ginger, Turmeric, Cane fruit, Fig fruit, Soya bean, Carrot, Pineapple plantation, Mango, Passion fruit, Spring onion, Grape, Sugarcane, Pear, Strawberry, Black berry, Guava, Gooseberry, Apple	Piggery, Poultry, Fishery, Duckery, Goater, Cattle farming (buffalo), Poultry	Weaving, Handicraft, Tailoring, Bamboo handicraft	Piggery, Poultry, Fishery, Duckery, Goater, Cattle farming (buffalo), Poultry

Note: The above list of activity is not exhaustive and indicative.

5 Chapter 5

5.1 Federations, its role and importance

5.1.1 Federation of Self-Help Groups

SHGs formed in the village will be educated on need and concept of federation. Initial focus will be laid on forming the federation of SHGs at village level. The selection of SHGs for federation membership will be based on stable membership, average 80% attendance of members in meetings, regularity of savings by members, disciplined use of group corpus for inter-lending (at least 80% loan repayment), good governance through observance of rules and regulations, leadership rotation or its possibility, acceptable levels of record maintenance and operation of a bank account.

Governance of SHG federation will be decided in consultation with the SHGs. The association will draw up its rules and regulations after discussion among all member SHGs through their nominees. The rules and regulations will be written down and circulated to all member SHGs. The by-laws will primarily focus on purpose of federation, governance structure, working rules, etc.

Focus will remain on nurturing of primary groups. It often happens that with the formation of federations, the promoting agency starts neglecting the primary groups. This will weaken the primary groups and once the primary groups are weak, their federation will also be weak.

SHG members are being federated into VLF, CLF, DLF and other institutions, etc

- **Village Level Federation (VLF):** Village Level Federation of SHGs is at the village level depending on the number of SHGs
- **Cluster Level Federation (CLF):** Cluster Level Federation is a federation of all VLFs in the cluster of the villages.
- **District Level Federation (DLF):** District Level Federation is a federation of all VLFs and CLFs in the District.
- **Social and Livelihood collective and their federal entities (like Co-operatives, Companies, Societies etc.)** may also be formed, in addition, as required.

Table 6: Rationale of federation

- To strengthen the existing SHGs
- To access various services to members of SHGs
- To provide a sense of solidarity among members of different SHGs in an area.
- To enhance sustainability of SHG movement
- To facilitate bank linkages and convergence with various external agencies and departments.
- To empower women.
- To assist in capacity building and conflict resolution.

6 Chapter 6

6.1 Grading of SHGs

Grading is undertaken primarily for assessing the institutional and financial discipline of the SHGs. Grading enables external financial and other institutions to understand the quality of SHGs. Grading also enables identification of the strengths and weaknesses of SHGs and facilitates interventions for their improvement. Grading of SHGs is based on the key principles of democratic governance and financial discipline.

The responsibility of grading SHGs should be eventually undertaken by DPMU team. The DPMU team should regularly undertake review of the performance of SHGs on the basis of their gradation. Grading Assessment may be conducted when an SHG is one year old or above. Grading Assessment Format (Annexure VI).

7 Chapter 7

7.1 Monitoring & Reporting

A Monitoring & Evaluation (M&E) framework for effective management and implementation of the microfinance and IGAs will be developed. The M&E system will consist of continuous reporting from SHGs supported by FSU/NGO for timely and appropriate feedback to DPMU and PMU.

The FSU/NGO will monitor utilisation of the sanctioned loan from time to time and report its findings to the DPMU/PMU. The FSU/NGO will train SHG leaders in periodic data collection, record keeping and reporting.

Initially, the FSU/NGO will facilitate the SHGs to submit monthly progress reports in the prescribed format. At a later stage, SHGs will send the monthly reports on their own. The FSU/NGO will compile the monthly information from all SHGs in the prescribed formats suggested

by the DPMU/PMU.

A Chartered Accountant will audit the accounts annually.

Annexes

Handouts

COMMUNITY BASED SUSTAINABLE FOREST MANAGEMENT FOR WATER RESOURCE CONSERVATION (COSFOM)

List of related Technical guidelines

- Self-Help Group Technical Guideline

- ...

- ...

Address: Manipur Forest Department Sanjenthong, Imphal - 795 001 Manipur
Phone: 03852 450 165
Fax: 03852 452 504
Email: pccf-mn@nic.inagement