

# FPI SELF HELP GROUPS (SHG) FARMING & NONE FARMING CLUSTERS

FPI has brought to life Self-help groups (SHGs) to its membership across the world to help in the formation of farming and none farming clusters, FPI takes this as an effective strategy for poverty alleviation and meeting the UN SDGs 1 & 2, the SHG supports the human development and social empowerment. The purpose of the SHG is to build the functional capacity of the poor and the marginalized in the field of employment and income generating activities along the Agriculture value chain.

Forming an SHG group can

- Change the basic thinking of members about themselves and their ability to perform independently;
- Provide social recognition and acceptance for a given task through its collective approach;
- Build collective strength and promote initiation of new projects/ideas to bring out necessary changes in the lives of members;
- Improve the economic status of its members by regular savings/quick loans;
- Promote group access to bank/loans;
- Improve access to information about Farmer's Pride International & Beneficiary Oriented Schemes/Programs;
- Resolve social and other disputes;
- Inculcate the feeling of self-reliance leading to the development in the right direction

## Process of evolving and maintaining a Self Help Group

### Group formation

Group formation is generally preceded by a village-level household survey, which provides the base-line data. This would be conducted by FPI, for which techniques like Participatory Rural Approach (PRA), Wealth Ranking and Social Mapping should be used.

### Membership

- An SHG shall have a membership of not less than 10 persons and not more than 50
- Members elect one **Chairperson** and agreed Executive **Representatives** among the group who operate the group
- Members should reside in the same village
- Membership should be based on affinity
- The groups could be mixed /male or female
- The SHG/Clusters shall implement different farming activities
- The members of the groups should preferable be from the low-income group.
- A person should not be a member of more than one group.

## DISQUALIFICATION FROM SHGS

- A member being absent consecutively 3 times from SHG meetings
- A member who violated the objectives principles and management of the group and the rules and regulation set by the group and found in its written constitution

## Group meeting

Each group must preferably meet weekly/monthly for savings, loan repayment, loan sanctions and to discuss all other matters in addition to savings and repayment openly and in presence of all members. *Democratic functioning* of each group is ensured by careful supervision by the FPI for uniform development of all members of each group. No individual member/Chairperson should be permitted to dominate and domination is not a hallmark of a good or progressive group. *Transparency in SHG operations* is a result of adoption of certain systems and procedures that permit even illiterate members understand the financial transactions at every meeting and promote shared or collective responsibility. This can be verified by asking any member of a SHG about transactions or fund position of the SHG.

There needs to be fixed day/date for weekly/monthly meetings. Certain items such as savings, rotation of cluster funds, bank loans and repayments, social and community action programs must be discussed in every meeting without fail and loan sanctions, loan repayments, overdue and overall fund position read out loudly at the end of each meeting.

## Savings and Thrift

- All SHG members regularly save a small amount. The amount may be small, but savings have to be regular and continuous habit with all the members.
- **“Savings first-Credit later”** should be the motto of every SHG member.
- SHG members take a step towards self-dependence when they start small savings. They learn financial literacy and discipline through savings and internal lending. (Advantage: This is useful when they use bank loans).

## Internal lending

- The SHG should use the savings amount for giving loans to members.
- The FPI SHG should invest their savings into different farming activities
- The purpose, amounts, rate of interest, schedule of repayment etc. are to be decided by the group itself.
- Proper accounts to be kept by the SHG.

This loan would enable the members to meet their small consumption and emergency needs in the early years, while such loans may meet even large productive needs in the later years.

The SHG shall form themselves into farming and non-farming clusters and later culminate in the formation of **Group Reserve Fund (GRF)** an essential aid for sustainability. This will be created at 1 to 2 year time after the formation of the groups. Purpose of the group reserve fund will be for meeting farming projects maintenance costs, payment to members for any emergency expenses and other contingencies. It should be need-based. It is generally a part of the funds of regular savings bank account of the group, notionally earmarked. It may be in the form of fixed deposit or recurring deposit also with same bank in case of older SHGs. It should be judiciously utilised for the above purposes.

## Office bearers

The Chairperson should preferably be literate and must possess certain leadership qualities. She/He must be a role model and a change agent for the group and for the village as a whole. Payment to the Chairperson is at the discretion of the group. Periodical rotation of leadership is essential to avoid the Chairperson becoming a power-center and to ensure smooth functioning of group. It is recommended that the Chairperson be replaced every year. Even if all other members are illiterate, the Chairperson can be

replaced and the earlier Chairperson (the only educated member) can continue to be the book writer. The cheque signing and cash handling powers would be with the new Chairperson and the executive committee. Bankers may lend a helping hand in this replacement of Chairpersons and Executives every two years in the interest of sustainable and democratic development of the SHG (which is in the bankers' interest too) by promptly arranging to authorise operation of bank account by the new functionaries on production of the SHG resolution to this effect.

## **Books and Registers**

The following Books and Registers have to be maintained in every group.

1. **Attendance register** - This register is required to record the attendance of all members of the group during the group meetings. The members may sign in this register.
2. **Minutes book/ Proceeding register**- The proceedings of all the group meetings along with the important decisions taken in each meeting are recorded in this register for the purpose of record keeping, reference and future planning.
3. **Savings ledger** - This register shall have details of the total/individual savings made by the group members.
4. **Loan ledger**- It has the details about the group loan
5. **Cash Book** - Total group transactions are maintained in this book/register.
6. **General ledger** - It has the resolution of formation self-help groups is maintained by the office bearers.
7. **Individual passbook and Bank pass Book** - Individual pass book should be in the hands of individual members of the group. They should bring this pass book during meetings. Thrift and loan amount should be entered in the pass book by book keeper.

The first set of books and registers will be supplied free of cost by the project. Double-entry book keeping system has been deliberately followed in order to make way for a system that is tamper-proof and sustainable with scale of operations.

Amounts of individual and group savings, loan amounts given, repaid and due, bank loan amounts received, disbursed, due for repayment and repaid are to be clearly decided by the SHG and recorded in each SHG meeting, so that all members are aware of it, leading to transparent operations.

The bank account should be in the name of the SHG and should be operated jointly by three authorized Executives of the group as far as withdrawals are concerned. For better financial discipline, confidence building among group members and safety of funds, all monetary transactions of group should be routed through bank account only. SHGs deposit all their savings immediately after every meeting and make withdrawals of loans sanctioned to members.

Further, group members are encouraged to go by rotation to banks to deposit money so that they understand banking principles and get better exposure, besides ensuring that there is collective leadership and transparency in the SHG. For older SHGs with larger transactions branch managers may consider grant of cheque facility, which permits SHG members to make withdrawals. Bank managers may actively encourage members to come to banks by rotation to deposit money or withdraw cheques.

Group accounts should be audited annually by engaging a qualified local auditor in the village itself. Groups should meet the audit cost. FPIs will facilitate this process. In the long term, cluster or block-level federations will arrange for auditing and ensure completion of audit of all SHGs in the cluster.

### **Discussing problems:**

In every meeting, the SHG should be encouraged to discuss and try to find solutions to the problems faced by the members of the group. Individually, the poor people are weak and lack resources to solve their problems. When the group tries to help its members, it becomes easier for them to face the difficulties and come up with solutions.

### **Planning:**

The SHG should prepare plans for the future so that each member can collectively work for the achievement of the same. It should plan to get financial support from Government, Bank and FPI for its sustainability. It can take up some development programs in the locality and all the members should involve themselves in implementation and monitoring of the programs.

### **Role of Chairperson and the Executive:**

- Convene and conduct women's group meetings at regular intervals.
- Create awareness of present social position, objectives of the program and motivate building up of team spirit and team-work.
- Work for improvement of literacy and numeracy of the group members.
- Disseminate information to members about Government Welfare schemes, especially in relation to health and family welfare, education etc.,
- Disseminate information received during training sessions to SHG members - eg. relating to SHG management, general hygiene, environment consciousness, women and the law.
- Facilitate group to identify appropriate income generating activities for members, coordinate with banks for getting loans and ensure prompt repayment.
- Training the members in the procedures of bank activities.
- Encourage members for collective thinking and action.
- Working for improvement of socio-economic development of members.
- Ensure regular group savings by members.
- Maintenance of Minute Book, Account Book, Loan Records, Asset creation register etc.
- Observing proceedings of the group meetings for passing resolution for grant of loans.
- Assist group in getting bank loan, asset creation and motivation for repayment.
- Ensure participation of all members of the group.
- Make regular house visits and motivate absentees to attend meetings regularly.
- Attend training organised by FPI.
- Attend coordination meetings.
- Motivating the members to act with unity and integrity
- Ensure that SHGs become self-reliant and sustainable over 2 or 3 years.

### **Role of Executives:**

- Convening the group meetings at regular intervals.
- Assist the Chairperson in achievement of programs objectives.
- Operate bank account jointly as authorised by group.
- Disseminate information received during training sessions to SHG members - relating to SHG management, general hygiene, environment consciousness, women and the law etc.,
- Assist group in getting bank loan, asset creation and motivation for repayment.
- Handling cash and all related banking activities.
- Help problem solving within the group.
- Try to mobilise local resources for benefit of the group/village.

- Management and effective use of Group savings and Loan funds.
- Provide (assist) training of group members to improve their business skills, management of their activities and understanding of credit and banking procedures.
- Carry out decisions of the group.
- Represent the group in other forums.

### **Role of SHG members**

- Promptly attend SHG meetings.
- Fully participate in SHG meetings and voice opinion clearly and freely.
- Share responsibility of SHG collectively like going to banks by rotation.
- Prompt repayment of SHG loans.
- Participate in Village and Social Action Programs.
- To ensure unity and mutual trust between all members and adopt the principle of “give and take“
- Ask questions/doubts openly and ensure that the SHG functions transparently.
- Ensure prompt annual re-election of the Executives and the Chairpersons.
- Promptly attend training programs and ensure implementation of good practices.
- Share problems, experience, feelings and ideas with all members of the SHG.

### **Cluster level federations**

The SHG should be able to turn itself into a farming cluster in year 1 and involve its members in trainings offered by Farmer's Pride International and its partners.

In what way will farmers benefit from being members of a self-help group?

SHG are important for the building of family, communities and national economies, we encourage our farming and non-farming communities to rely on self-help groups for any financial assistance since most banks are taking farming as a risky investment. Besides this obtaining a loan from a bank is a time-consuming procedure that involves paperwork, collateral, and other factors. Self-Help Groups provide low-interest loans to farmers, making it easier for them to repay the loan