



(VOLUME - I)

Handbook on Self Help Group (SHG) Formulation and Strengthening

Nagaland Forest Management Project (NFMP)



**CHIEF MINISTER
NAGALAND
KOHIMA
MESSAGE**

6th April, 2021

I am happy to know that the Nagaland Forest Management Project (NFMP), a Japan International Cooperation Agency (JICA) assisted program under Department of Environment, Forest and Climate Change, Government of Nagaland, is bringing out manuals which will ensure dissemination of knowledge and effective implementation of the project.

I am confident that these Manuals will facilitate proper execution of the project activities in a transparent and participatory manner and help guide all stake-holders, ranging from officials to village communities as well as the field NGOs and SHGs.

The Nagaland Forest Management Project (NFMP) is a process driven and result oriented approach through the use of modern scientific technologies including GIS and MIS for planning, implementation and monitoring of various activities and it is being implemented by the Communities in Villages. The concept of implementation is laudable, and I am sure that this will go a long way in improving forest ecosystems, support income generation through rehabilitation of Jhum areas and enhance the livelihood opportunities.

I wish the Nagaland Forest Management Project a grand success.


(NEIPHIU RIO)

FOREWORD

Nagaland Forest Management Project (NFMP) assisted by Japan International Cooperation Agency (JICA) is being implemented in 11 Forest Divisions of Nagaland covering 185 villages in the state. This 10-year project was started in 2017-18. The project aims to improve forest ecosystem and support income generation by rehabilitation of Jhum areas and provision of livelihood support, thereby contributing to sustainable forest and environmental conservation and livelihood improvement in the project villages. The major project interventions include Jhum land rehabilitation through various treatment models, soil and water conservation, biodiversity conservation, eco-tourism development and livelihood promotion through women Self Help Groups (SHG) groups.

For Livelihood Promotion of women members in the village, the project supports selected women SHGs in the project villages by supporting technical and financial assistance. These women SHGs are to be supported for better economic and financial inclusion and strengthened to take up income generation activities at their group level and at cluster levels thereafter. Regular capacity building and handholding support by FNGOs, FMUs and DMUs are critical for enhancing the income of the women SHG members and in contributing to the larger objective of strengthening livelihood.

This handbook aims to guide the project staff of FNGOs, FMUs and DMUs for better understanding on the process of SHG strengthening through improved record keeping, ensuring regular savings, internal lending, gradation and monitoring of the SHG activities etc.

(Dharmendra Prakash)
PCCF & HOFF
Chief Project Director and CEO

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1. BACKGROUND

1.1. Self help group promotion under NFMP



There are limited opportunities for sustainable income in the rural Nagaland for poor households due to numerous factors main among them being poor market access, physical infrastructure and access to financial services. Under JICA assisted Nagaland Forest Management Project (NFMP), it is proposed to provide support to poor households through Self-help Groups (SHGs) for taking up various income generation activities. As part of this project, pre-existing SHGs will be selected based on objective criteria and where necessary new SHGs will be organised/formed to include the households currently not part of any SHG. Selected SHGs will be facilitated with capacity building & training support and financial assistance support in shape of loans from the Revolving Fund (RF) provided to JFMCs to take up various Income Generating Activities (IGA). There is also a provision of Challenge Fund (CF) from which financial assistance may be provided to needy SHGs to augment working capital required for group-based activities based on their performance. This manual contains the guiding

principles for the selection/formulation, organisation and management of the SHGs and Income Generating Activities to be taken up by SHGs under NFMP.

1.2. Purpose of this guideline and users

This manual narrates the processes that are to be followed for selection/formulation and management of SHG under NFMP. It shall be used as a reference handbook by the project staff, FNGO staff, Community Mobiliser, JFMC members and communities for implementation of activities under the livelihood enhancement component of NFMP.

As promotion of livelihood enhancement for SHGs is an ongoing process in the state of Nagaland under various central and state sponsored schemes, this manual has been prepared based on the current rules, regulations and guidelines of the Nagaland State Rural Livelihood Mission (NSRLM), National Rural Livelihood Mission (NRLM), Northeast Rural Livelihood Project (NERLP) etc. In addition, for SHG-Bank Linkage strategy, the recommended guidelines of NABARD and RBI has been followed.

This manual is dynamic in nature and will be updated/refined based on field experiences gained in the course of execution of the Project.

1.3. Geographical coverage and financial allocation

NFMP is to be implemented through Joint Forest Management Committee (JFMC) in 185 villages in 22 Forest Ranges/ Beats of 11 Forest Divisions in 4 batches. In each village, 3 SHGs will be selected for supporting Income Generation Activities (IGA) and related activities under livelihood enhancement component of NFMP. In total, 555 SHGs will be supported over the project period in the 185 villages. Financial allocation under Revolving Fund is Rs.1,50,000/- per JFMC. In addition, Challenge Fund allocation of Rs.72,000/- per JFMC has been provisioned to support best performing SHG who will access financial support from bank/ financial institutions. However, under Challenge Fund support only 10% of the SHGs i.e. 55 SHGs across 11 Divisions will be supported to provide matching capital for accessing formal financial linkage with banks/ financial institutions.

The project will enable and facilitate the selected SHGs to establish credit linkage with banks/ financial institutions for mainstream credit augmentation and seek grant/ revolving funds from other government sponsored agencies/ projects such as Nagaland State Rural Livelihood Mission (NSRLM), North East Rural Livelihood Project (NERLP), Land Resources Department, Agriculture Department, Animal Husbandry Department etc.

2. SELF HELP GROUP AND ITS OPERATIONALISATION UNDER NFMP

2.1. Self help group and its linkage in NFMP implementation

Self Help Groups (SHG) are small groups of around 8-15 people exclusively women, socially homogeneous and located contiguously. The SHGs are formed for the purpose to promote habits of thrift, micro credit and engaging in small scale income generating activities. The members of the SHG are mostly poor and vulnerable to access mainstream financial services. These members voluntarily come forward to organise themselves into a group for improvement of their social and economic condition and collectively access financial services from bank and financial institutions.

SHGs can be formal or informal depending upon their need and capacity to manage themselves as an institution. As the underlining principle of SHG based on the concept of thrift and credit, the members of the SHG agree to save regularly and contribute to a common

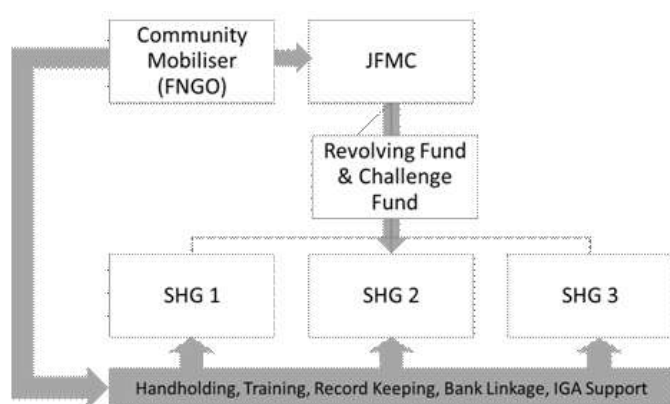


Figure 1 SHG in the overall framework of NFMP implementation

fund. Further, the members agree to use this common fund to inter lending among the members. Later, they seek funds from government, development projects such as NFMP and look forward for banks and financial institutions to access bigger size of loans. These external funds either in form of grant or loan they receive as a group and then based on the decision of the group members, these funds are lent to the individual members of the group.

small loans to the individual members of the SHG could be used for consumption purpose (such as for child education, purchase of food during lean season, social events like marriage etc.) and production purpose (such as purchase of small farm implement & inputs, buying raw material for their small business, buying small livestock to rear etc.). The SHG members who received loan from the group pays back the loan amount in a defined duration as decided by the group along with interest. The Self-Help Groups are conceived as a self-sustainable micro finance system at the community level.

2.2. SHG's linkage with JFMC

The SHGs selected under NFMP will work under the overall guidance of the JFMC. The JFMC Executive Committee will facilitate and support the SHG as below:

- a. Ensure all the poor and vulnerable households in the village are included in SHG.
- b. Support SHGs in maintaining their records and account books.
- c. Assess the functioning of the SHG in regular manner.
- d. Undertake gradation of the SHGs at regular intervals.
- e. Provide loans to the SHGs from the Revolving Fund and decide the rate of interest in consultation with SHGs to initiate an IGA following the IGA Manual for the purpose.
- f. Follow up with SHG for timely repayment of the loan along with interest.
- g. Assist the SHG in formulation of business plan for taking up IGA.
- h. Based on the gradation of the SHG provide additional loan from Challenge Fund to support Income Generation Activity.
- i. Resolve inter or intra SHG conflict within the village.
- j. Liaison with banks and financial institutions for credit linkage for the SHGs.

2.3. SHG's linkage with the NFMP

The FMU personnel and the FNGOs engaged under NFMP shall support the SHG for improving their functioning and enabling them to take up various income generating activities. Following are the broad areas where the Project and the FNGOs shall support the SHGs.

- a. Assist the community members for formation of the SHG (in case of new SHGs).
- b. Ensure inclusion of all the poor and vulnerable households under SHG.
- c. Assess the training need of the SHG members and undertake training programme for the SHG members and office bearers on record keeping, leadership, IGA etc.
- d. Encourage SHGs to ensure regular savings and internal lending.
- e. Support the SHGs in preparing business plan and promote IGA.
- f. Provide handholding support for the proper utilization of loan taken from JFMC RF.
- g. Liaison with Banks and financial institutions for credit linkage of the SHGs.
- h. Promote higher level cluster federations and secondary institutions of SHG members such as Farmer Producer Organisation (FPO) etc.

3. GUIDELINE FOR FORMATION OF NEW SHG UNDER NFMP

Self-Help Groups are formed mostly on self-selection basis, where the members join voluntarily. A group of women who are homogeneous in nature (shares similar socio, economic, cultural, religious, geographic status) select each other and finalize the membership of their group. The SHG is formed with the core principles of:

- a. Self Help is the Best Help.
- B. Unity is Strength.
- c. United we stand, divided we fall. Encourage to help poor people to form new SHGs or inducting them as new members in existing SHGs to participate in the project activities and are benefited.

How to start formation of the SHG?

The **first step** for forming an SHG is quite simple. The FNGO Community Mobiliser along with the members from the FMU shall visit the village and meet the poor families in the village. It is better to request any elder member, VC leader or JFMC member from the village visit with you to have a better rapport with the family. When you visit to the family talk to them if the people do not know you, first talk to them about yourself. Whenever you visit to the poor family,

- Speak to the women member of the family.
 - Try to know and list the most important issue/ problem for the family.
- While visiting to the poor families, it must be ensured that you are not promising or committing any benefit or subsidy to the family from NFMP. This is important to avoid any kind of misunderstanding and confusion during the beginning of the process.



This process of visiting the families is called Preliminary Survey. This process needs to be repeated by visiting the same families again and again. When they will see them for next time, you will be able to tell each family how you are seen and spoken to other families, who also have very similar problems like them. By visiting families, you will be able to know which of those families in the village could come together in Self Help Groups. You will understand their common requirements and problems are.

10 Questions that guide you during family visit

1. Does the family have only one earning member?
2. Does the family bring drinking water from faraway place?
3. Are the women compelled to go far in the open in the absence of latrine?
4. Are there old illiterate members in the family?
5. Are there permanently ill members in the family?
6. Are there children in the family who do not go to school?
7. Is there a drug addict or a drunkard in the family?
8. Is their house made of kuccha material?
9. Do they regularly borrow from the moneylender?
10. Do they eat less than two meals a day?

If the answer is YES for 3 to 4 questions the family can be considered as poor

When you speak to families in the village, you will find that mutual liking or similarities already exists between many of these families. Some of the know reasons of mutual affinities are:

- Similar experience and level of poverty
- Similar living conditions
- Same kind of livelihood
- Same community or caste or religious belief
- Same place of origin

The **second step** in the process is to hold a meeting with the community elders, JFMC leaders and VC leaders of the village and explain them about the formation of the SHG in the village and who are the identified to form the SHG. This will ensure community participation in decision making and also provide an acceptance of the SHG by the Village Council and JFMC.

It will also be useful to explain the basic objectives and principles of SHG promotion in the meeting.

After meeting the elders, village leaders and JFMC members, the **third step** will be to organise a meeting with the identified members from the poor families. In this meeting invite one member from identified family to come for the meeting on a convenient day. This is called start-up meeting.

During the meeting, the members will ask lots of questions. You need to answer all their questions and clarify them to bring a common understanding among all the members and explain them the concept of SHG clearly. Please allow sufficient time for the members to understand various aspects of group formation.

- The process for forming the group normally takes five to six months' time
- Once the group is formed, it takes about one to one and half years' time to settle to a stable pattern.

The following diagram illustrates various stages of the SHG promotion and its characteristics.



In this meeting the SHG will be formed taking the identified members from the poor families and they will be advised to conduct weekly meetings initially.

In the **fourth step**, the staff from FNGO and FMU will visit to the newly formed SHGs in regular interval preferably participate in their meetings and hand hold them in conducting meetings. This will build confidence of the SHG members and increase their participation in the group processes.

In this meeting, help the SHG members to select the SHG leaders/ office bearers i.e. President, Secretary and Treasurer. The role and responsibilities of these SHG leader/ office bearers are explained in later section. The SHG members should be encouraged to adopt rotational leadership where at an interval of one year to one and half year the SHG leaders/ office bearers should change and other members of the SHG should take over these roles. This way, the members will understand the role of the office bearer and the reason for rotation of the responsibilities.

Following the formation of the SHG the FNGO will inform to the local NSRLM officials/ staff regarding the formation of the new SHG, collect the set of SHG record/ books and deliver it to the SHG. During the subsequent SHG meetings invite the village level facilitator (preferably the Master Bookkeeper appointed by NSRLM) of NSRLM to attend the SHG meeting and help the SHG members in writing of proceedings of the meetings, updating accounts, registers and records etc.

Continue this process till the SHG members are self-sufficient in organising their meeting, maintaining their books, accounts etc. Also organise period training to the SHG as per the recommended training programmes for the SHG members and leaders.

Characteristic of a Good SHG

Characteristics of a good SHG are as follows:

- The ideal size of the SHG is 10-15 members in bigger groups members may not participate in group activities effectively.
- The group need not to be registered into any legal form the SHG once formed should be informed to the NSRLM.

From one family, only one member should become a member of the SHG - more families can join this way in the SHG

- The groups consist of either only women mixed groups are generally not preferred and women groups are generally found to perform better as compared to male groups.
- Members have the same social and financial background members interact more freely this way.
- The SHG members should meet regularly members understand each other better if they meet weekly.
- Compulsory attendance full attendance for larger participation.

Challenges you may face during formation of new SHG

During the process of SHG formation, few members may drop out from the group as their personal goals may not match with the group goal. Similarly, new members may also join the group looking at the group activities in their village/ hamlet. However, such process continues till the initial six months of the formation of the group. However, the process of exclusion or inclusions of members have to be as per the byelaw of the groups and the procedure needs to be followed accordingly.

To avoid the newly formed SHG to become dysfunctional during the process of SHG formation, one of the critical factors is creating awareness among members through regular capacity building on various issues such as conflict resolution, group management, leadership, community mobilization, book-keeping and record maintenance and credit management etc. This shall continue in regular intervals with the help of the local community resource persons appointed under NSRLM or any other facilitating agency. Take up regular training of the SHG members under NFMP too.

4. GUIDELINE FOR SELECTION OF SHG FOR NFMP SUPPORT

As Nagaland State Rural Livelihood Mission (NSRLM) and North East Rural Livelihood Project (NERLP) are being implemented in Nagaland, in most of the NFMP project villages, there will be pre-existing SHG who are functioning with the support of these institutions. In addition, there will be SHGs promoted by local NGOs or under ICDS programme.

Prior to selection of the SHGs to be supported under NFMP, following steps shall be adopted:

- Download the village wise list of SHGs and name of the members from the NRLM web portal (<https://nrlm.gov.in>).
- Ground truthing of the list of existing SHGs in the village and identify households who are not a member in any of these SHGs.
- Confirm the list of SHGs and household who are not members of any SHG with the local Anganwadi Worker and/ or the block/ district level officials of NSRLM.
- For formation of new SHG with those households who are currently not part of any SHG, the section 3 above shall be referred. However, in case there are only few families are not part of SHG they may be considered to join any of the existing SHG.
- Based on the willingness of these households, organise meetings with those SHGs in which these households will join as a member.

The above exercise shall preferably be conducted during the micro planning process as the micro plan working group along with the FNGO Community Mobilisers will be working closely with the communities. Once this exercise is completed there will be two scenarios before the JFMC to select the SHG.

Priority should be given to the SHGs newly formed (depending upon the scope of formation of new SHGs taking poor and vulnerable forest dependent community). In case there are no or limited scope of forming new SHGs existing SHGs shall be considered for support under NFMP. While formulating new SHGs following criteria shall be followed:

- Include between 8 to 10 members in one SHG.
- The member shall be woman and preferably from the poorest of the poor or poor household.
- One member from each household shall be included in one SHG. Multiple members from same household should not be part of one SHG.
- The member shall be between the age group of 18-60 years to become the member of the SHG.
- The member shall have the ability to save regularly and as decided by the members.
- The member shall be willing to work in a group and follow the norms set by the group.
- The member shall be willing to spare time for the meeting and other activities that the group take up.

For selection of existing SHGs for support under NFMP following steps shall be adopted.

Step 1: Profiling of each SHGs that are existing in the village (please follow the format given at Annexure A.)

¹A household refers to a dwelling where the family members share one kitchen.

Step 2: Objective scrutiny of the SHG based on the following criteria.

- Members having memberships with multiple SHGs.
- Group meeting and record keeping practice regularity, clarity, transparency etc.
- Internal lending practice of the SHG members of the SHG are using their own savings for giving small loans for consumption purposes and their repayment practice.
- Receipt of grant, seed capital or/and revolving fund from any of the government supported projects/ schemes such as NSRLM, NERLP, LRD etc. and its utilisation for income generation activities.
- Bank linkage status existing loan from any bank or financial institution as a group
- Repayment history of SHGs whether the SHG are regularly paying the loan instalments to the bank/ financial institutions or have defaulted in repaying any loan before (if any).
- Experience of taking up income generation activities as an individual member or as group.

Step 3: Shortlisting of the SHGs

- Rank the SHGs against the given criteria under Step 2.
- Following criteria shall be adopted for the shortlisting of SHGs.
 - ✓ SHGs with an average age at least between 1-2 years
 - ✓ SHGs with savings bank account and conducting regular meeting, savings and inter loaning among its members.
 - ✓ SHGs with low/ limited capacity/ expertise in record keeping and group management.
 - ✓ SHGs who have not received any grant/ seed capital/ revolving fund from any other sources like NSRLM, NERLP, LRD etc.
 - ✓ SHGs who have not taken any credit/ loan from bank/ financial institutions.
 - ✓ SHGs who are opting for similar types of income generation activities which can be further organised into a cluster.

Step 4: Seeking consent of the SHG.

- Prepare the draft list of SHGs to be supported (about 4-5 SHGs) based on the criteria given in Step 3.
- Organise separate meeting with each of these SHGs and assess their capacity and willingness to participate in the SHG support intervention under NFMP.
- Make a resolution of the SHG meeting mentioning their consent for participation and the copy of the resolution shall be submitted to the JFMC.

Step 5: Approval by JFMC for support under NFMP

- Organise JFMC Executive Committee meeting and advise the President and Secretary of the shortlisted SHGs to attend the JFMC meeting as special invitee.
- Discuss the strength and limitations of the each SHG in the meeting based on the assessment done in Step 2 and 3.
- JFMC EC decides the final SHGs to be supported under NFMP and record the decision in their resolution book.

Both JFMC and NGO needs put efforts to include poor households i.e. household who are socially vulnerable like BPL households, households having people with disabilities as heads, women headed households, widows, etc. and include them in SHG fold by either forming new SHG or enrolling them in the existing SHGs.

5. SHG ORGANISATIONAL STRUCTURE AND ROLE & RESPONSIBILITIES OF OFFICE BEARERS

SHGs are formed based upon a common agreement among its members to achieve their collective economic and social goals. In such a context, managing the SHG and directing it towards its perceived goal is highly essential and important. In addition, to make the SHG functional there are several activities such as conducting regular meeting, deciding on the meeting venue and timing, amount to save and lend, maintaining books & records, coordinating with JFMC, VC etc. needs to be taken up on regular manner.

To manage the day-to-day activities of the SHG, following leaders/ office bearers of the SHG shall be elected/ selected by its members.

- a. Chairperson/ President
- b. Secretary
- c. Treasurer

These office bearers have specific roles and responsibilities to assist the SHG for its effective management. These office bearers shall be trained in regular manner by the FNGO during the initial stage of the SHG formation (strengthening in case of pre-existing SHGs) for better functioning of the SHG. Some of the basic skills required for these office bearers are basic calculation, writing books, scheduling meeting, understanding the social aspects like women empowerment, poverty etc. and understanding on the basic financial transaction such as lending money, borrowing, repayment etc. Following are the specific role and responsibilities of the SHG leaders/ office bearers:

President	<ul style="list-style-type: none">• To organize SHG meeting at least twice in a month• To chair SHG meeting and summarise discussion points at the end• To encourage all members of the SHG to participate in discussion, decision making process and activities of SHG• To ensure that the group norms and rules are followed and obeyed by its members• To ensure and coordinate with the Secretary and Treasurer to do their jobs properly.• To ensure that each member of the SHG make the savings regularly as decided by the group• To maintain harmony and good coordination among the group Members• To resolve the conflicts and ensure building of trust among the Members• To represent the group at the JFMC meetings and any other meeting as required• To coordinate with the banks & government offices/programs for financial linkage• To inform the financial position of the SHG to members in the meeting and ensure transparency in financial transactions• To encourage rotational leadership and facilitate selection of her Successor
Secretary	<ul style="list-style-type: none">• To write the agenda and the minutes of the SHG meeting• To keep record of attendance at SHG meetings• To maintain all group records such as cash book, member pass book, loan register, meeting resolution register etc.• To read aloud the minutes of meetings after the SHG meeting• To organise and respond to the letters to and from the SHG and also with various committees such as JFMC, VC etc.• To assist the President in day to day affairs of the SHG• Secretary will keep track of the expenditures and also forecast the future expenditures for the functioning of the SHG
Treasurer	<ul style="list-style-type: none">• To keep the financial records of the group & ensure safety of the group records• To safeguard and manage the cash in hand• To report to the members about expenditures and receipts and the balance available in cash and at the bank• To issue money receipts for money received as member's saving and loan repayment• To count the money kept by the group in the presence of the members.

6. FUNCTIONS AND ACTIVITIES OF THE SHG

There are three major functions of SHG

- a. Savings and Thrift
- b. Internal Lending
- c. Record Keeping

6.1. Savings and thrift:

Savings/ thrift is the primary activity of the SHG members. Under NFMP, the SHG members shall be encouraged to save a fixed amount of money in regular manner as per decision of the group members. For operationalisation of the savings and thrift activity following measures shall be taken under NFMP.

- a. These savings contributed by the SHG members shall be deposited in a common pool of funds on monthly or weekly or fortnightly basis as to be decided by the SHG members.
- b. However, the SHGs shall be encouraged for adopting weekly or fortnightly savings practice as it will provide SHG members to meet frequently and help them in better functioning.
- c. The amount of saving by the SHG member may be small, but this savings has to be a regular and continuous habit with all the members.
- d. Each SHG shall follow the principle of 'Savings first Credit later'.
- e. The savings collected as part of member's saving shall be deposited in the SHG savings bank account by its office bearers.
- f. Part of the savings money shall be kept in a box for emergency requirement of the SHG members. This cash box shall be locked and the key of the box shall be kept with a member not with the office bearers.
- g. These small financial transactions by the SHG will help the group members to learn how to handle cash through small savings.
- h. It will become very useful for the SHG members when they take loan from JFMC Revolving Fund or banks for taking up income generation activities.

6.2. Internal lending

Internal lending is an important function of the SHG and helps the members to adapt the culture of taking credit and repaying it. The savings generated by the SHG members shall be used for taking small size loans by its members.

- Based on the need of any member of the SHG, the SHG members shall collectively decide for sanctioning and releasing the loan to the member.
- The inter loaning decision shall be taken in the SHG meeting after discussion with the member(s) who are willing to avail loan.
- The purpose, amount, rate of interest and duration of the loan repayment shall be recorded in the SHG resolution register.
- The payment of the loan amount to the member shall be made from the available cash that are collected from the members savings contribution in the meeting.
- In case of any emergency requirements (when the SHG is not able to organise a meeting to decide viz. medical emergency etc.), the cash available in the cash box can be given to the member.
- Under inter loaning activity, one SHG member shall be allowed to avail the loan amount

up to 3 times her savings and other two members shall remain guarantor for her. Till the member who have taken loan under inter loaning repays the loan amount with interest to the group, the guarantors shall not be eligible for taking loan from the SHG.

- This will enable SHG members to develop a culture of seeking loan and repaying it with interest which will further help them to obtain loans from banks and repaying the same.

6.3. Record keeping

Record keeping is essential to document all financial transactions that are made in the SHG. It includes recoding of the decisions taken in the SHG meeting, member wise savings, loan disbursed, loan repaid, bank deposits & withdrawals, credit linkage with bank etc. Following are the records that shall be maintained by the SHG:

- a. Meeting Resolution Register/ Minutes Book: The proceedings of the meeting that are discussed in the SHG meeting, the rules of the group, names of the members etc. Are recorded in this register.
- b. Accounts Register (Members Savings and Loan): This register used for writing the savings of the individual members separately and of the group as a whole. Details of the individual loans, repayments, interest collected, loan outstanding etc. are also written in this book.
- c. Weekly Register: Summary of receipts and payment on a weekly basis are updated in this book during the weekly meeting.
- d. Members Passbook: Individual members passbook records the SHG members transaction of savings and it also encourages and reminds the SHG members to save regularly.

Formats for maintenance of the above registers/ records are given in Annexure B for reference. The existing SHGs adopted under NFMP may continue maintaining their current set of records as per the SNRLM guideline. For new SHGs, the FNGO and DMU shall follow up with the local NSRLM officials to provide records and books to be maintained by them. There are Master Bookkeepers positioned at village level under NSRLM who will assist the SHG members to maintain and update their records in regular intervals. The Community Mobiliser of the FNGO shall coordinate with the Master Bookkeepers to ensure proper maintenance of the books and records of the SHGs supported under NFMP.

6.4. Adoption of group process Pancha Sutra

The SHG members needs to adhere to the norms that are set by their group and ensure that the group processes are adopted by all the members. This includes:

- a. Conduct of regular meetings and these meetings are attended by all the members.
- b. Subscription of regular savings amount by members at agreed rates and frequency.

- c. Regular inter-lending of common fund generated out of member savings and other grants and earnings for meeting credit requirements of members at terms and conditions decided by consensus.
- d. Regular repayment of internal loans by members at terms and conditions agreed upon.
- e. Regular and transparent book-keeping of SHG accounts, by a trained member/bookkeeper.

This principle of SHG processes is popularly known as Pancha Sutra. Once the SHGs are oriented towards adopting these Pancha Sutras, they may further be encouraged to adopt Dasa Sutra which adds following elements in addition to the above.

- a. Taking of social actions and promoting good health practices including better food, nutrition and WASH.
- b. Promoting education of their children by ensuring enrolment of children in school, retention, managing Mid-Day Meal Programme at the School etc.
- c. Improving coordination with VC and JFMC members by participating in VC and JFMC meetings and raising issue of women needs and empowerment.
- d. Ensure the access of entitlements for women and vulnerable section of the society by participating in beneficiary selection, converging with various government schemes etc.
- E. Adopting a sustainable livelihood option by ensuring atleast 2 livelihood/ IGA per household. Improving the SHG members skill for better employability.

7. OPENING OF SHG SAVINGS BANK ACCOUNT FOR NEWLY FORMED SHG UNDER NFMP

Soon after the new SHG are formed under NFMP, in initial two to three meetings should be conducted by the SHG members to brief them about the NFMP SHG support activities. The SHG members will be briefed about the revolving fund support that they will receive under NFMP. For receiving the revolving fund under NFMP, the new SHGs promoted under the project shall open a savings bank account in the nearest bank branch. The pre-existing SHGs adopted under NFMP shall use their existing savings bank account to receive the NFMP funds. For opening of the savings bank account, the newly formed SHG shall prepare and submit the following documents at the nearest bank.

- a. Resolution for opening of bank account of the SHG: The SHG members shall pass a resolution in their group meeting signed by all the members, indicating their decision to open savings bank account of the SHG with a nationalised/ scheduled/ cooperative bank branch. The draft format for the resolution is attached at Annexure C.
- b. Authorization from the SHG: The SHG shall authorise at least three members i.e. President, Secretary and Treasurer as authorised signatory of the SHG savings bank account. The President of the SHG along with the Secretary or Treasurer shall jointly operate the bank account. The resolution along with the filled in application form duly introduced by the promoter shall be filed with the bank branch for opening of savings banks account. The authorised signatory of the SHG savings bank account shall have following responsibilities:

- To deposit the funds collected as members' savings within 2 days from the date of collection.
 - To withdraw funds/ money from bank after due approval of the SHG members along with resolution.
- C. Copy of the rules and regulation of the SHG: Although this is not a mandatory requirement for opening of the savings bank account of the SHG, but the group may submit their group rules and regulations (or bylaw if available) at the bank branch. This will help the SHGs while applying for loans from the bank in future. A model bylaw is attached at Annexure D, which can be suitably modified based on the requirement of the SHG.

Upon opening of the savings bank account by the SHG, the bank will issue a savings bank passbook to the SHG and a cheque book. This shall be in the name of the SHG and not in the name of any individuals. The bank passbook and the cheque book

Sl. No.	Factors to be checked	Very good	Good	Unsatisfactory
1.	Group Size	10 to 15	8 to 10	less than 8
2.	Type of members	Only very poor members	2 or 3 not very poor members	many not poor members
3.	No. of meetings	Four meetings in a month	Two meetings in a month	Less than two meetings in a month
4.	Attendance of members	More than 90%	70 to 90%	Less than 70%
5.	Participation of members	Very high level of participation	Medium level of participation	Low level of participation
6.	Savings collection within the group	Four times a month	Three times a month	Less than three times a month
7.	Amount to be saved	Fixed amount	Varying amounts	-
8.	Interest on internal loan	Depending upon the purpose	24 to 36%	More than 36%
9.	Utilization of Savings amount by SHG	Fully used for loaning to members	Partly used for loaning	Poor utilization
10.	Loan recoveries	More than 90%	70 to 90%	Less than 70%
11.	Maintenance of books	All books are regularly maintained and updated	Most important registers (minutes, savings, loans, etc.) are updated	Irregular in maintaining and updating books
12.	Accumulated savings	More than Rs. 5000/-	Rs. 3000-5000/-	Less than Rs. 3000/-
13.	Knowledge of the Rules of the SHG	Known to all	—	Not known to all
14.	Education level	More than 20 percent of members can read and write	—	Less than 20 per cent know to read and write
15.	Knowledge of Govt. programs	All are aware of Govt. programs	Most of the members know about Govt. programs	No one knows

shall be the credit linkage of the SHG with bank are highly dependent on the scores that the SHG obtain in the gradation. The standard formats for the gradation of the SHG are given in Annexure E. In addition to the credit linkage of SHG, gradation would also be used as a tool to assess the performance of the SHG and reward the good performing SHGs under NFMP. The gradation shall also be used for inclusion of the SHG under NFMP for financial support.

7.1. Participatory monitoring of SHG activities

The gradation of the SHGs will also be used as a tool for participatory monitoring of performance of the SHG. In addition, the JFMC will conduct periodic assessment of the SHGs selected under NFMP. Following steps should be followed for conducting the participatory monitoring of the SHGs by the JFMC facilitated by FNGO and FMU.

- The JFMC shall conduct separate meeting with each SHG selected for receiving support under NFMP preferably before/ after the monthly JFMC meeting.
- During the meeting the JFMC shall discuss on the process parameters for the SHGs as per the gradation format and ask them to speak about their status, based on the parameters.
- The JFMC shall check all the documents (meeting register, bank passbook, cash book, individual passbook, loan register, repayment register etc.) maintained by the SHG.
- Assessment of the internal lending process of the SHG sanction of loan, repayment, distribution of loan by all members etc.
- Assessment of the operational status of the IGA taken up by the SHG and review

8. SANCTION AND RELEASE OF REVOLVING FUND AND CHALLENGE FUND SUPPORT TO SHG UNDER NFMP



When the selected SHGs under NFMP gradually continues their group activities such as regular savings, inter-lending, taking up small income generating activities etc. it will be graded by the JFMC facilitated by the FNGO. The gradation of the SHG will provide an overview of the strength and preparedness of the

SHG for seeking Revolving Fund under NFMP for taking up income generating activities and seeking credit from the bank or financial institutions. The detailed procedure for availing Revolving Fund and Challenge Fund support under NFMP are described in the IGA Promotion & Livelihood Security Manual.

8.1. SHG - Bank credit linkage under NFMP

The SHG shall be facilitated by the FNGO for bank credit linkage. For applying loan from the bank, the FNGO shall assist the SHGs in preparing the business plan as per the requirement specified by the bank. Following are the standard documents required for credit linkage of the SHG with bank (standard formats to be used are given in Annexure F.

- i. Inter-se Agreement to be executed by all the members of the Self-Help Group. (This is an agreement by the members with the bank, authorizing minimum of three members to operate the group's account with the bank.)
- ii. Application to be submitted by SHG to bank branch while applying for loan assistance. (This includes details of the purposes for which the SHG gives loan to its members.)
- iii. Articles of Agreement for use by the bank while financing SHGs (to be provided by bank while sanctioning the loan in favour of the SHG)

Following are the two important points to be checked while bank is sanctioning the loan in favour of SHG.

- a. The purpose of the loan granted by the bank to the SHG shall be clearly mentioned in the sanction order.

- b. As per the RBI guideline no collateral security is required by the bank to issue loans to the SHGs. The bank cannot keep hold the amount in the savings bank account of the SHG as a security.

9. CONVERGENCE WITH NSRLM AND OTHER GOVERNMENT PROGRAMMES SUPPORTING SHG:

Nagaland State Rural Livelihood Mission (NSRLM) implementing National Rural Livelihood Mission (NRLM) in the State with a focus on reaching out to the poorest of the poor households. It is being implemented in all the 11 districts of the state covering 1151 villages in 74 blocks. In addition, North East Rural Livelihoods Project (NERLP) also implemented in Tuensang and Peren districts with an intensive manner. The Nagaland SRLM has a robust human resource structure from state level to district, block and village level. It promoted Community Resource Persons (CRP) at the village level to nurture and support the SHGs in group formation, functioning, record keeping and financial linkages. Recently there is a shift from the present allocation-based strategy to a demand driven strategy enabling the states to formulate their own livelihoods-based poverty reduction action plans. This focus on targets, outcomes and time bound delivery with provisions for capacity building support for imparting requisite skills and creating linkages with livelihoods opportunities for the poor, including those emerging in the organized sector. Accordingly, Nagaland has adopted a flexible approach to develop livelihoods-based perspective plans and annual action plans for poverty reduction. The overall plans are within the allocation for the state based on inter-se poverty ratios.

Sl. No.	District	No. of SHG	Newly formed	Revived	Pre-NRLM	Members
1	Dimapur	314	61	22	231	3206
2	Kiphire	122	57	0	65	1224
3	Kohima	184	113	4	67	1839
4	Longleng	196	89	15	92	2044
5	Mokokchung	118	54	2	62	1146
6	Mon	228	100	90	38	2316
7	Phek	152	69	17	66	1531
8	Wokha	100	53	10	37	922
9	Zunheboto	106	36	4	66	1104
		1520	632	164	724	15332

(Source: NSRLM, 2020. The data for Peren and Tuensang is not available in NSRLM website as both the blocks are covered under NERLP)

Given the enormous work done by NSRLM in organizing SHGs, supporting them for capacity building and facilitating bank linkage, it is desirable to work with the existing SHGs in the NFMP villages despite promoting new SHGs. **The MoD of NFMP also suggested for including existing SHGs organized by NRLM or any other project/initiatives under NFMP.** The focus under NFMP is more on livelihood promotions through SHG adhering to the mainstream practice being promoted by NSRLM. Under NFMP it should be encouraged to promote and strengthen the SHGs that are NSRLM compliant for sustainability. The possible areas of convergence with NSRLM are as follows:

- a. Seeking assistance of Master Bookkeeper (MBK) located at village level to help SHG members for maintenance of their records.
- b. Seeking the assistance of the following local NSRLM team located at cluster of village Level:
 - i. Area Coordinator (Institution & Capacity Building) seek assistance on organising training for the SHG members and office bearers.
 - ii. Areas Coordinator (Gender Inclusion) seek assistance for formation of women SHG and conducting gender and other social inclusion training programmes
 - iii. Area Coordinator (Financial Inclusion) seek assistance for SHG bank linkage programme.
- c. In addition to the FNGO team and FMU team shall have close coordination with the Block Program Manager of the NSRLM for sourcing assistance.

In addition to the NSRLM, the state of Nagaland is also implementing the Van Dhan Yojna to facilitate the forest dwelling communities to take up MFP based enterprises. Under this scheme various Van Dhan Vikas Kendra (VDVK) are to be established covering entrepreneurs from the Self Help Groups. Procurement centres are to be established in the state to support the value addition and processing of MFP. The VDVK can be linked with the NFMP SHGs for accessing financial resources and physical infrastructure for their IGA interventions.

10. POST PROJECT EXIT AND SUSTAINABILITY STRATEGY

NFMP promoting and providing financial assistance to the SHGs in the project village to take up IGA interventions under the livelihoods improvement component. While the project will be operated for five years in a village, the sustainability of SHGs as a community organisation will be ensured from the beginning of the project. Following are the various stages of interventions that will be taken up under NFMP to ensure the sustainability of the SHGs in post project context or after gradual withdrawal of the project.

Stage 1: While the project is being initiated in the village (Early Stage of Project Implementation)

- a. Focus on selection of appropriate SHG to be supported under NFMP a wrong selection of SHG would lead to faulty planning of IGA and ultimately failure of the intervention.
- b. Focus on appropriate capacity building at the early stage lack in capacity building may lead to non-functioning of the SHG and ultimately dissolution of the group and loss of the effort and resources invested under the project.

Stage 2: While the project in middle of its implementation in the village (Mid Stage of Project Implementation)

- a. Selection of appropriate IGA intervention based on the skill and local market ecosystem wrong selection of IGA intervention for the SHG may lead to loss in business and ultimately impact the utilisation and non-repayment of RF/ CF.
- b. Focus on optimising the utilisation of Revolving Fund and Challenge Fund non utilisation or under utilisation of the RF/ CF by the SHG will lead to loss of economic opportunities by the selected SHG and also prohibit other SHGs to take advantage of available resources.

- c. Focus on timely repayment of RF/ CF non payment of RF/ CF in time will lead to loss of interest income to the JFMC and also delay the process of sanctioning repeat loan to other SHG members.

Stage 3: Before the exit or withdrawal of project implementation support in the village (End Stage of the Project Implementation)

- a. Informing SHGs about the withdrawal of the Project prior information regarding withdrawal will help SHG members to take up responsibilities of their own operations and day to day management of the activities.
- b. Linking the SHGs with the Village Level Federations promoted by NSRLM this will enable the SHGs to continue their operations and seek technical and financial assistance of NSRLM through the SHG Federations formed at the Village Level.
- c. Handing over the SHGs to the NSRLM this will help the NSRLM local officials to continue with these SHGs for the future operations and management.
- d. Linking the SHGs with the State/ District Cooperative Bank this will help the SHGs to seek technical and financial assistance and continue their operations.

While all these stages have different set of activities in different timeline, there could be a possibility of overlapping between the stages based on the initiation of the project, capacity of the SHG and availability of a suitable ecosystem to sustain these SHGs. However, this process will be piloted in Batch I project villages initially or based on the pilot results the post project exit and sustainable strategy will be refined.

ABOUT NAGALAND FOREST MANAGEMENT PROJECT

The Project is an Externally Aided Project supported by an International Agency i.e. Japan International Cooperation Agency (JICA) aiming to improve forest ecosystem and support income generation by rehabilitation of Jhum area and provision of livelihood support, thereby contributing to sustainable forest and environmental conservation and livelihood improvement in the target villages in Nagaland State. The project has a target to cover 185 villages involving all Districts of the state and 22 Forest Range & Beats and will be spread over a period of 10 years.

This project has following three components:

- * Forestry interventions and biodiversity conservation
- * Livelihood improvement and community development &
- * Institutional strengthening

