



### Growth path of an SHG

Stage of Development	Time (Months)	Focus	
1	PRE FORMATION	1	Identifying the poor through participatory methods in small households
2	FORMATION	2 - 4	Evolving Group norms and Bye Laws; Regulating group meetings; Pooling of Savings; Lending and recovery of Loans; Group cohesion and Adjustment; System of Accounts
3	STABILIZATION	5 - 12	Leadership and stabilization; Handling of Group Level Transactions with less support; Initiation of Income Generation Activities; Linkages with Banks/Government and other Financial Institutions
4	GROWTH	13 - 24	Establishing Linkages with Banks; Cluster Association; Expansion of Income Generation Programmes; Addressing community Issues.
5	Expansion and Diversification	Beyond 25	Creation of Assets for the Group and Members; Promotion of New Groups; Federating the Groups at district Levels

### Linkage Loans

- Six months after the SHGs are formed
- Linked with a banks to get bigger loan
  - The size of the loan depends upon
    - Savings
    - Sincerity of members
    - Accounts keeping of the group
    - Loan disbursasl from the group
- Loan size will be normally two or three times of the savings of the group

AKF Self Help Programme 3

### Terms of Linkage Loans

- Ceiling amount = 60,000
- Service charge = 0.75 % flat rate per month
- Grace Period = 1 month
- Repayment Period = 11 months
- Repayment by Group leader at the AKF office directly
- Repayment collection only on Monday and Tuesday. No delay in repayment
- **This Terms are only for this loan. In future, the arrangements and terms may vary.**

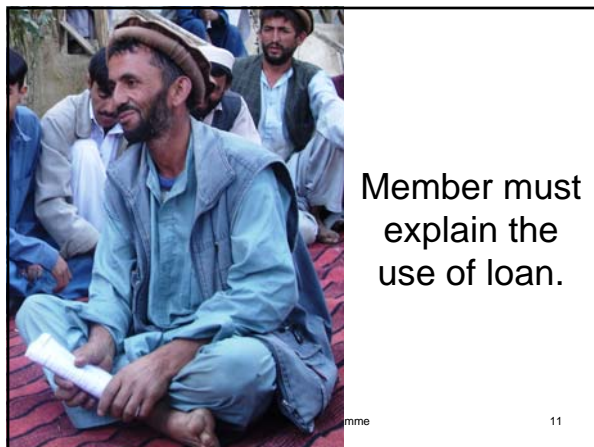
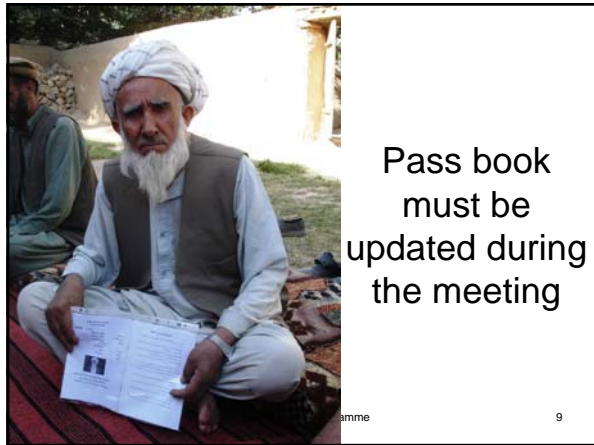
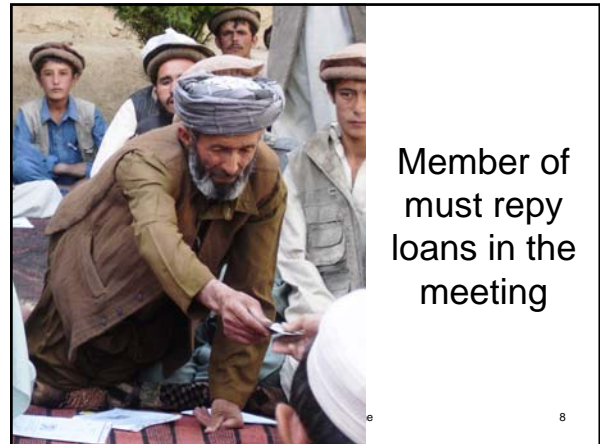
AKF Self Help Programme 4

### Priorities of Loans

- Members can decide the priorities
- All loans are allowed: health, social activities, education, agricultural credit, and any income generating activity
- Ceiling should be fixed for consumption loans – Not more than 5,000 Af to 10,000 Af
- Loan decisions be made in the group and every member should agree for the loan issuance to other members

AKF Self Help Programme 5







### Service charge for loans

- Members must pay a service charge for their loans.
- Few suggestions on service charges:
  - It should not be too less
  - It should not be too high
- Initial two years the service charges can be kept high and thereafter reduce that to 1.5% to 2% per month.
- Members can decide the charges on a consensus basis

AKF Self Help Programme 15

### Disbursal of loans

- Loans must be decided and distributed only during the meeting
- All loans should have a loan repayment schedule
- Loans have to be based on the need of the member and availability of cash with the group.
- Loans need not be given equally to all the members.

**AKF staff should not handle cash.  
Balance cash must be with the treasurer of the SHG**

AKF Self Help Programme 16

### Follow up of credit

- Strict monitoring of the purpose of credit
- Check the use of credit
- Discuss any violations of use of loans in the meeting
- Enforce fines for violators
- Strict recovery of loans
- Bring down the peer pressure on the defaulters to repay the loans in full

AKF Self Help Programme 17

### Leadership / Office bearers for the SHGs

- Three members be elected as office bearers
  - President – to chair & conduct the meetings
  - Secretary – to record the transactions and minutes
  - Treasurer – to keep the account books and balance cash
- The leaders represent the group to the outside world and closely work with the field workers of AKF
- Resolve the conflicts between members
- Maintain books of accounts
- Travel to the bank or AKF office

AKF Self Help Programme 18

### Principles of Financial management

- Savings should be major source of funding. Encourage the members to save more
- Integrate indigenous savings with groups
- Service charge is important
- Lending should be need based
- Initiate smaller loans and grow to big loans
- Cover the costs of operations

AKF Self Help Programme

19

- Repayment should be 100%
- Proper repayment schedule according to family income and the activity
- Simple account keeping
- No default in repayment
- Keep no idle cash in the group
- Good lending policies and implement them strictly
- Regular auditing and checking of the accounts

AKF Self Help Programme

20

### Expectations from CDC and SHURAs

- Cooperate in the formation of groups
- Suggest ways and means to enroll poor members
- Resolve in any conflict among the members
- Countersign the loan request for the SHG
- Help in recovering and Repayments of Loans

AKF Self Help Programme

21