



Goa Institute of Public Administration & Rural Development

**MODULE ON**  
**MICRO CREDIT PLAN UNDER NRLM**  
**“Streeshakti”**



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## **ABBREVIATIONS**

NRLM	-	National Rural Livelihood Mission
SHG	-	Self Help Group
NGO's	-	Non-Government Organisation
MCP	-	Micro Credit Plan
RD	-	Rural Development
VLF	-	Village Level Federation
GSRLM	-	Goa State Rural Livelihood Mission
VO	-	Village Organisation
CRP	-	Community Resource Persons
CC	-	Custer Coordinator
CIF	-	Community Investment Fund
RF	-	Revolving Fund
EC	-	Executive Committee
GB	-	General body
AAP	-	Annual Action Plan
CIF	-	Community Investment Fund
PWD	-	Person with Disability
BRP	-	Block Resource Person
VO – OB	-	Village Organisation – Office Bearer
CLF	-	Cluster Level Federation
BLF	-	Block Level Federation
BMMU	-	Block Mission Management Unit
MIP	-	Micro Investment Plan
MBK	-	Master Book Keeper
PoP	-	Poorest of Poor

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## **Introduction**

Resource person will introduce the programme and aim of the programme Micro Credit Plan (MCP) under NRLM 'Streeshakti'.

Resource person will explain why Micro Credit Plan has to be prepared and its importance under NRLM 'Streeshakti'.

Resource person will also highlight **GSRLM Guiding Principles**

- Poor have a strong desire to come out of poverty, and they have innate capabilities to do so.
- Social mobilization and building strong support institutions of the poor is critical for unleashing the innate capabilities of the poor.
- An external dedicated and sensitive support structure is required induce the social mobilization, institution building and empowerment process.
- Facilitating knowledge dissemination, skill building, access to credit, access to marketing and access to other livelihoods services underpins this upward mobility.

### **Introduction to Micro Credit Plan (MCP)**

Poor have a tremendous willingness and potential to help themselves. The organizations of the rural women will enable them to unleash their energies and harness them for their social-economic development. They have inherent skills, experience and local wisdom to access the opportunities around them for enhancing their livelihoods and coming out of poverty,

The Micro Credit Investment Plan of SHG will give the members a scope to come out with a family investment plans at household level and finally

aggregate such plans into a Micro Credit Investment Plan. Micro Credit Investment Plan is an opportunity to the poor to access capital and transform their skills, experiences and local resources into income generating assets and enhancing their incomes. It is a bottom up planning process where the members have the freedom to participate directly in identifying various portfolios of opportunities and preparing their own plans,

### **What is MCP**

MCP is a tool used by SHG to capture and prioritize their credit needs. MCP is also referred as Micro Investment Plan (MIP), Micro Plan (MP), Micro level / family livelihood plan etc.

Each member of SHG will come up with a family investment plan and the Micro Credit Investment Plan is an aggregate of all the family investment plans of all the members. The plan will address members investment needs for income generation, health, education, consumption, housing and other social needs if any. The plan is a process orientated document evolved through a series of dialogues at household level, SHG, VO and MS levels respectively for accessing investments by the members of SHG. The plan essentially reflects the activities and investment needs of the members based on their existing skills, experiences and the opportunities available to them locally evolved.

Most importantly the MCP is a bottom-up plan prepared the members themselves.

## **Advantages of Micro Credit Plan:**

- It will address all types of the investment needs of all the members of the SHG.
- It will allow all the members to choose the activities based on their experiences and skills, rather than thrust from above.
- It is a plan which is collectively prepared by all members where not only activities are selected by them but also the repayment schedules and interest rates are decided based on clear assessment of the members repayment capacity and expected income levels out of the activities chosen by them.
- It will also facilitate unity and collective responsibility among the members and create transparency in the transactions of the group.
- It will also develop inbuilt peer pressure mechanism among the members through the processes like prioritization plans rotation plans and terms of partnership.
- It will also develop hands on experience to all the members of the group to handle funds in a prudent manner to sanction investment loans to members.
- It is a scientific approach which will enable the SHG members to attract public institution like banks for mobilizing resources for providing investments to the members.
- It will also put an end to bad practices like equal distribution of funds to all members and creates a systematic approach by prioritizing the needs and necessary investments in the first instance and later on covering other members on rotation.

- MCP enables the group to develop its own corpus and provides multiple doses of loans to its members for enhancing their incomes and coming out of poverty.

**Eligibility for selection of SHG for preparation of MCP:**

- SHG formed with members from rural village Panchayats
- The group shall conduct weekly meetings regularly,
- The age of the group shall be at least one year
- SHG must be “A” or “B” grade
- The group shall have been enrolled as member of the Village Organization,
- The group shall be following group management norms and financial norms in the meetings,
- the group shall have opened a bank account on its name and doing regular transactions with the Bank,
- The group shall have regular weekly meetings and internal lendings,
- The group shall have good bookkeeping and also a trained bookkeeper by paying remuneration from group earnings,
- The group shall have a recovery performance of above 90%,
- The members of the group shall have clarity on all the group management norms and transactions,
- The group representatives shall regularly attend VO monthly meetings

## **Prerequisites for conducting the MCP/MIP/livelihood Plan**

- Updated SHG profile - updated by the BPRs / CRPs.
- Updated Socio-economic profile of members-- updated by the BPRs / CRPs.
- Member-wise Income and Expenditure statement - For SHG members to understand their situation on their own they need to prepare member-wise statement of Income and Expenditure. It helps the members to analyse their own patterns of income and expenditure so that the members can plan their investments and reduce their expenditures etc. During the first 3-5 months itself, this analysis can be done for each member of the SHG in the regular meetings of SHG, to appreciate each other's socio-economic situation. BPRs / CRPs could take up this facilitation process.
- The above 3 steps should be completed prior to MCP/MIP/livelihood plan preparation .. These processes should be facilitated by the BPRs / CRPs and may be completed during the SHG meetings itself within the first 6 months of the SHG formation
- Apart from the above 3 steps, a situation analysis of the village should be completed by the members of the SHGs in the village and important stakeholders of the village. A prior village level planning exercise done would feed this analysis. This analysis includes Social and Resource mapping of the village, village livelihoods mapping, Traded-in Traded-out and identification of opportunities available in the village etc.
- SHG must be oriented on MCP preparation.

## **MCP/MIP/MP/Livelihood plan Process**

### **1. Member-level Plan**

- In the meeting of the SHG on Day 1, based on the village analysis and the income-expenditure analysis conducted earlier, the members would be facilitated to develop their individual plans.
- These plans would be fine-tuned through discussions amongst the SHG members.
- At the end of the day, the members would have draft individual plans, which they can take up for discussion with their families.

### **2. Finalisation of individual plans and consolidation of SHG plan**

- In the meeting on Day 2, the members confirm or make any changes in their plans in the meeting.
- Repayment terms and rotation schedule of the loan amount to members would be discussed and included in the MCP/MIP/MP/Livelihood plan.
- The final individual level plans would be consolidated at the SHG level.
- The SHG then prioritises the loans to the members and ranks them in the order of giving loans to them.

### **3. Appraisal**

- In the same meeting, the MCP/MIP/MP/LP prepared is presented to the representatives of the Village Organisation (VO), specially invited to the SHG meeting, or other SHG leaders (if the VO is not there), for appraisal and approval. MCP would be revised based on the appraisal.

- The final appraised and approved MCP/MIP/MP/LP is signed by all the members of SHG, the leaders and the facilitators. A revised MCP/MIP/MP template is at Annexure-1.
- A copy of the MCP/MIP/MP would then be presented/submitted to the VO/CLF/Mission (BMMU)/Bank to avail 10ans/CiF.
- The MCP/MIP/MP process would be recorded in the minutes book of SHG.

### **Post MCP/MIP/MP/Livelihood planning**

- **Fund release**

Having received the appraised and approved MCP/MIP/MP, the VO should release funds within a week. If the VO doesn't have funds, it may send an indent to Cluster level federation (CLF) or BMMU (In the absence of CLF) to release CIF funds in bulk repayable to CLF.

The total amount of CIF for a CLF in a cluster can be computed based on the target population of the cluster and the following provisions for transferring the entitled funds in advance to the Institutions of Poor can be made.

- CIF can be released to the SHG in the absence of VO.
- If VO is in existence:

50% of the entitlement of the VO (Total CIF entitlement of the VO minus the CIF amount already disbursed to the SHGs) should be given to the VO. 6 months after the first instalment, the remaining entitlement CIF amount would be given to the VO as next instalment.

- Triggers for release of Funds to VO:

Formation of executive committee of the VO. VO should have its own Bank Account.

- In the presence of CLF:

Once CLF is formed and has a separate Bank account CIF should not be released to VOs directly

The undisbursed CIF amount (after releasing the first/2nd installments to SHG/VO) if any, should be given to the CLF.

- **Rotation**

- Once the CIF is released to SHGs, SHGs may release the same to members as per the prioritization in MCP. Repaid amount should be rotated among the members of SHGs according to the prioritization plan.
- Once the CIF is repaid to the VO, the same amount should be rotated among the SHGs of that VO.
- a Likewise CIF also should rotate the repaid amount among the VOs

**Aggregation of MCP/MIP/MP/Livelihood plan:**

MCPs should be aggregated at VO/CLF level and SHGs/VOs should be prioritized for release of CIF.

MCP data should be aggregated at the VO and CLF level to analyse the livelihood needs, convergence needs and capacity building needs.

Collective interventions can be planned based on the aggregation of MCP/MIP/MP

**Terms of partnership between members and SHG.**

1. All members shall attend the weekly meeting of the group regularly.
2. Members shall repay the loans in the agreed installments as per the micro credit plan both principal and interest.
3. All the assets purchased out of loans shall be got insured by the members.
4. Assets purchased out of loans shall be shown for verification by the non – loanees Committee appointed by SHG.
5. The non – loanee members committee at the time of verification of the Assets shall find whether the value of the Assets purchased is proportionate to the loan amount taken by the members.
6. The loanee members shall purchase the assets within 15 days after receipt of the loan amount. In case, they fail to purchase the assets within 15 days, the loan amounts shall be returned to SHG without fail.

**Terms of partnership between SHG and VO.**

1. The SHG representatives shall attend VO meeting regularly
2. The SHG should repay the loan installments as per the agreed terms to the VO in the VO meeting.
3. The SHG shall ensure that the loan amounts are utilized by the members for activate as per MCP.
4. The SHG shall ensure to the VO that all the livestock assets were got insured.

5. The SHG members shall show the assets to the VO asset Verification Committee during their visit.
6. The VO Executive Committee after sanctioning the MCP will record in the minute's book. In case the VO has sufficient funds, it will release the loan amount by cheque to the SHG in the meeting. If there are no sufficient funds / no funds, the VO will take the MCP to the CLF/BLF meeting. In that meeting, the VO representatives and the SHG members present the MCP to CLF/BLF. After scrutiny of the plan if the CLF/BLF is satisfied, the MS will release the funds to the VO by way of cheque. It is always desirable that whenever the VO presents the MCP to CLF/BLF the VO representatives should also bring the members of the SHG concerned for presentation and confirmation of the MCP along with terms of partnership earlier agreed between SHG its members and also between VO and SHG.

If the CLF/BLF is satisfied with the MCP it will release the funds to the VO subject to agreeing on the terms of partnership between the VO and the MS.

### **Terms of partnership between VO and CLF/BLF.**

- 1 The VO representatives shall regularly attend CLF/BLF meeting along with VO chairperson
- 2 VO members and staff including SHG bookkeepers shall attend the trainings conducted by CLF/BLF without fail,
- 3 VO shall ensure that the SHG members shall utilize the loans for various activities as per the agreed MCP only.

- 4 VO shall repay loan installments and interest to the CLF/BLF in the meeting regularly.
- 5 VO shall ensure that the assets purchased by the SHG members are shown to CLF/BLF Asset Verification Committee during their visit.
- 6 The CLF/BLF verification Committee shall verify and report to the CLF/BLF whether the value of assets purchased is proportionate to loan amounts taken by the members.
- 7 The VO shall ensure that all the livestock assets purchased by the SHG members are insured.
- 8 The VO shall ensure that the SHG members utilize the services of the CLF/BLF staff, for improving the quality of the programme.

### **Dos and Don'ts for preparation of MCP**

#### **Dos:**

- 1) In the CLF/BLF, VO and SHG meetings the MCP process shall be discussed before going for preparation of MCP.
- 2) SHG members shall discuss and finalize family investment plan at household level before going for preparation of MCP in SHG meeting,
- 3) SHG members only prepare the plan and the staff like Bookkeeper / CA / CV will document the plan as finalized by SHG members,

- 4) All members of the SHG shall be fully aware of all the details of the MCP like proposed activities financial costs, repayment schedule and TOPs,
- 5) All members of the SHG shall attend the VO-EC, meeting and present all the details of MCP,
- 6) in the CLF/BLF meeting two representatives of VO and two representatives will attend and present all the details of MCP,
- 7) MCP shall reflect all the felt needs members either income generating schemes, education, health and social needs,
- 8) SHG members shall utilize the loans for activities proposed and agreed in MCP only.

**Don'ts:**

- 1.) MCPs shall not be prepared without training to the staff and the community on the MCP process,
- 2.) MCPs shall not be prepared in the SHG meeting without first finalizing family investment plans by all the members at the household level.
- 3.) Staff like CCs/ MBKs / APMs / CVs etc., shall not prepare the MCPs but only by the Community Members.
- 4.) Staff shall not bring the MCPs for VO-EC meetings / CLF/BLF meetings but only by the Community Members,
- 5.) SHG members shall not distribute the money equally it shall be released to the members as per the plan only.

6.) Loan amounts sanctioned under MCP shall not be diverted for other purposes utilization shall always be as per the MCP.

**CIF Management at VO level:**

In the BLF /GSRLM meeting Village Organization is selected based on selection criteria for Village Organization for preparation and presentation of SHG – MCPs.

1. In the VO meeting, the SHGs are selected based on selection criteria for SHGs for preparation and presentation of SHG – MCPs.
2. In the SHG meeting, after discussion the members finalize SHG micro credit investment plan and evolve terms of partnership between SHG and its members.
3. The SHG members will take this plan VO meeting and present the plan.
4. After appraisal the VO will indicate credit limit to be sanctioned based on their available resources and the funds to be borrowed from the BLF/GSRLM
5. The VO based on the above indications will ask the SHG to come up with prioritization plan as per the credit limit and the rotation plan for the coverage of the remaining members.
6. The SHG members will conduct their meeting and finalize the prioritization plan giving preference to PoP and the needy members.
7. The SHG will take these plans to VO meeting and present them before the VO members.
8. The SHG concerned and the VO will also evolve terms of partnership between them.

9. The VO and SHG representatives will attend the BLF-GB meeting / GSRLM and present the plans.
10. After appraisal, if BLF / GSRLM is satisfied the plans will be sanctioned and the funds will be released to VO.

**What is CIF:**

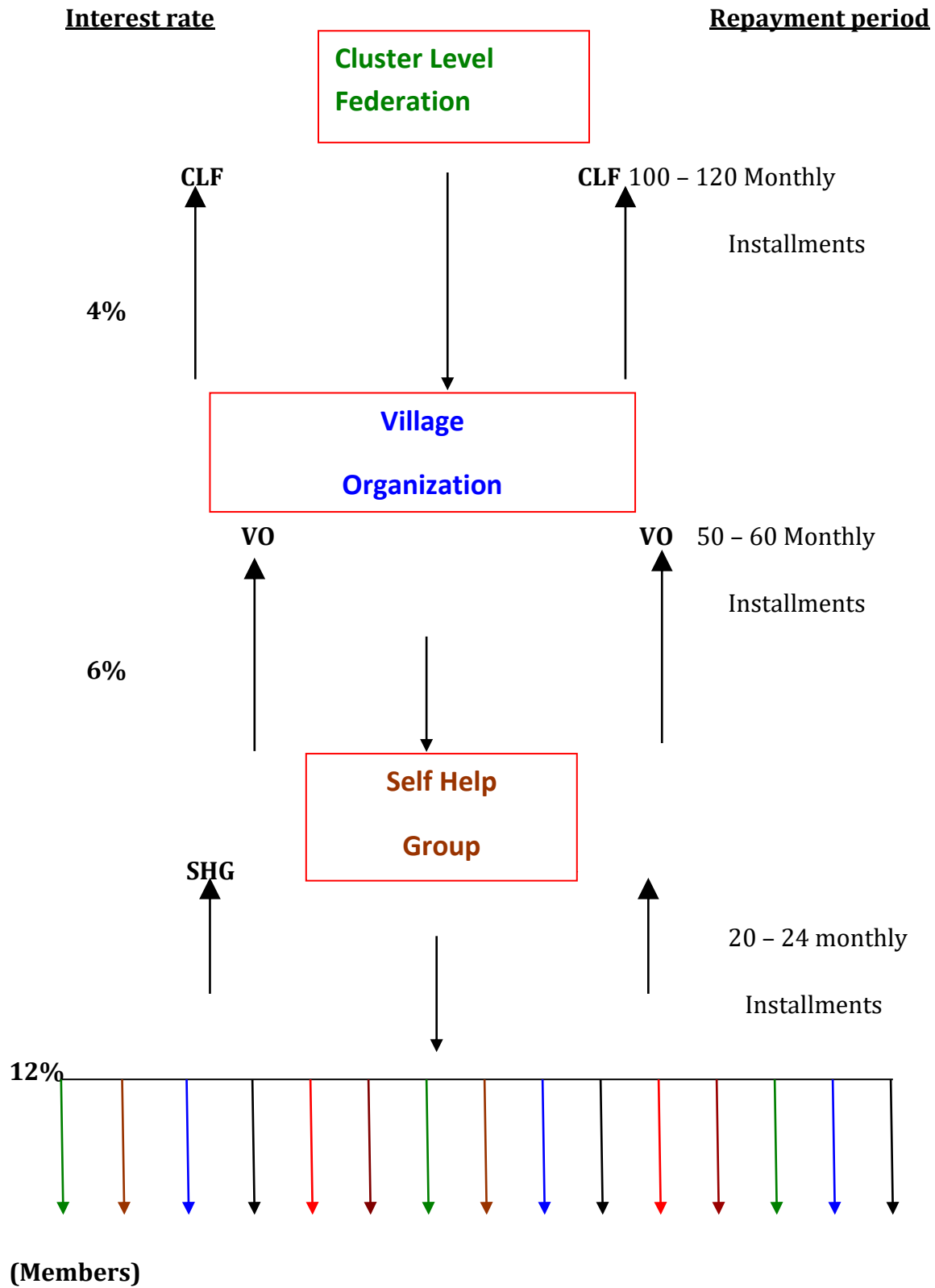
CIF is community Investment Fund provided to GSRLM/CLF/BLF as an entitlement by the project. It is a permanent investment as a grant.

CIF is allotted to MS to provide as an investment support to all the poorest of the poor and poor households in the village. CIF can be utilized for funding income generation activities, social needs and provision of community infrastructure

**Objectives:**

- 1) Community Investment Fund (CIF) is envisaged as an investment in the organizations of the poor for enabling the members to enlarge their socio-economic opportunities in a sustainable manner
- 2) CIF is provided as a grant to enable VOs and SHGs to utilize the fund as a credit to the members
- 3) CIF is also released to VOs for creating community infrastructure to support the socio-economic opportunities of the members

# CIF - Management flow chart







## **CIF Management Guidelines and Implementation Procedure:**

- 1) GSRLM/ BLF will sanction the CIF to VO through a Micro Credit Plan Process.
- 2) The loan category CIF directly released to VOs under sub project mode shall be entered into VO loan ledger as if they were the new loans sanctioned to VOs by GSRLM.
- 3) VO wise first installment due date is to be arrived and the repayment period shall be fixed in 100-120 monthly installments and the interest rate of 4% from the agreed date to GSRLM/ BLF.
- 4) Thus, all the loans under CIF sub projects get converted into fresh loans from BLF / GSRLM from the agreed date onwards.
- 5) The loan ledger is to be prepared by allotting VO wise folios and opening VO wise loan accounts with first installment due date from the agreed date of repayment between VOs and BLF/GSRLM
- 6) While recovering these loans, BLF shall charge 4% interest from first installment due date only and no interest shall be charged from the earlier period.
- 7) The BLF accountant shall make similar entries, from the BLF loan ledger, in the VO loan passbooks and handover to the VO representatives through BLF treasurer.
- 8) After sorting out the loan category CIF accounts between BLF and VOs in the BLF meeting, the VOs will be asked to carryout similar exercise at VO level for the loan outstanding with SHGs at 6% interest and 50-60 monthly installments and necessary entries shall be made in the VO loan ledger for the SHGs.

- 9) For the loan category CIF at BLF and VO level, DCB registers need to be opened and monthly DCB statements indicating monthly demand, monthly collection, overdue and loan balance for all VOs and SHGs respectively.
- 10) For the CIF received from the Project by BLF/GSRLM under entitlement approach, the BLF/GSRLM should follow Micro Credit Plan Process for sanction of loans to VOs and SHGs.
- 11) SHGs prepare Micro Credit Plan through 7 step process and present the plans to VOs along with the terms of partnership between SHGs and its members fixing repayment period of 20-24 months and the interest rate 12% p.a.
- 12) VOs will conduct appraisal of the plans through a series of dialogues and receives the MCPs with prioritization plans, rotation plans and evolves terms of partnerships between SHGs and VO fixing the repayment period in 50-60 monthly installments at 6% interest rate.
- 13) The VO will present the final plans in the BLF/GSRLM meeting. The BLF after conducting appraisal and finalizing terms of partnerships between BLF and VO, will sanction the loan amount with repayment period of 100-120 months at 4% interest rate.
- 14) BLF recovers loans from VOs and on lends the recoveries to VOs in the similar manner.
- 15) The interest margins at SHG level will be useful for paying the honorarium of the bookkeeper, travel charges if any and for capital formation.

- 16) The interest margins at VO level will be useful for paying VO office rent, CA honorarium; VO representatives travel charges for attending meeting / bank visits and capital formation.
- 17) VO and SHG level the interest margins will enable them to meet their management costs and help them emerge as self-managed and self-reliant organizations.
- 18) Sanctioning MCP loan it must be ensured that the first installment due date shall have at least two months of gestation period without charging interest as it takes time for the members to receive the money, procure assets and generate incomes.
- 19) At all levels the loan recoveries shall be collected by the office bearers in the meetings only namely BLF in Block meeting, VO in EC meeting and SHG in SHG meeting.
- 20) The interest margins at all levels should be utilized properly for their management costs. Strict economy has to be observed without spending money for unnecessary purposes.
- 21) For sanctioning MCPs from CIF recoveries at BLF and VO levels, the organizations themselves are competent and they need not send up the proposals to project authorities for sanction.
- 22) For VOs to become self-managed and self-reliant a minimum of 3-4 lakhs of CIF must flow to VOs and each SHG should get a minimum of 50,000 as a dose of loan from VO out of CIF funds.
- 23) In the entire management of CIF recoveries member to SHG recovery is very crucial and very important. It shall be ensured that 100% repayment shall always be maintained at VO

### Chart flow of CIF

<p>VO and SHG present MCP in the MS RGB meeting and evolves ToP between VO and MS in the meeting. It is called Fourth dialogue</p> 	<p>Mandal Samakhya</p>	<p>In the MS RGB meeting the VO is selected for MCP</p> <p>preparation based on certain criteria for VO</p> 
<p>SHG presents micro credit plan in the VO EC meeting along with ToP between SHG and members in the second dialogue and presents MCP with prioritization plan, rotation plan, and ToP between SHG and members and evolves ToP between SHG and Vo in the third dialogue</p> 	<p>Village Organization</p>	<p>In the VO EC meeting SHG is selected for preparation of MCP, based on certain criteria for SHG</p> 

<p>All members bring their family investment plans and finalize SHG Micro Credit investment plan in the SHG meeting and evolve ToP between members and SHG. It is the first dialogue</p>	<p>SHG</p>	<p>In the SHG meeting the members will to discuss and decide to finalize at household level and come up with family investment plans.</p>
<p>Members finalize family investment plan, at household level</p>	<p>Members</p>	<p>Members discuss family investments at household level</p>