SMART SAVING AND LENDING: MEMBER PROTECTION IN SHG MODEL

www.smartcampaign.org
INTRODUCTION

The Self-Help Group (SHG) Bank Linkage Program is recognized as an important strategy for financial inclusion and economic development for India’s poor. Self Help Group is a homogeneous group of 15-20 micro entrepreneurs with affinity among themselves, voluntarily formed to save whatever amount they can and mutually agree to contribute to a common fund of the group from which small loans are given to the members for meeting their productive and emergent credit needs at certain rate of interest, period of loan and other terms as the group may decide. The provisional data available from NABARD1 for the year 2011-2012 showed that the number of SHGs provided with bank loans was 4.6 million2.

NABARD has identified three basic linkage models for lending to SHGs:

- **Model I: Bank-SHG-Members**
  The bank itself acts as a self-help group promoting institution (SHPI3).

- **Model II: Bank-Facilitating Agency-SHG Members**
  Facilitating agencies like NGOs, government agencies, or other community-based organizations form groups.

- **Model III: Bank-NGO MFI-SHG Members**
  NGOs act both as facilitators and microfinance intermediaries. First they promote groups, nurture them, and train them, and then they approach banks for bulk loans for lending to SHGs.

SHG has the largest outreach to microfinance clients and hence, Campaign attempted to develop this tool with an aim to provide preliminary guidelines for client (hereon called as member) protection in SHGs based on the seven client protection principles of the Smart Campaign.

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1 NABARD has been proposed as the regulatory body for non-profit microfinance institutions operating in India.
2 NABARD Provisional data 2011-2012
3 SHPI: NGOs or Government Agencies (like DRDAs), responsible for forming, developing and mentoring SHGs.
THE MEMBER PROTECTION PRINCIPLES: (In SHGs we use the term member instead of clients)

1. Appropriate Design and Delivery
2. Prevention of Over-indebtedness
3. Transparency & accountability
4. Responsible Pricing
5. Fair and Respectful Treatment of Members
6. Privacy of Member Data
7. Mechanism for Complaint Resolution

HOW THIS TOOL IS ORGANIZED

This tool, “Smart Saving and Lending: Member Protection in SHG Model” is aimed at SHGs, Banks and NGOs (SHPIs) that want to incorporate good protection for SHG members. Since, the majority of SHG linkages with banks are based on Model II of the bank linkage program (Bank – Facilitating Agency – SHG Members) in this tool an attempt has been made to map the process of the SHG linkage with the bank with NGO acting as a facilitator.

SHG is promoted by Government, NGOs, SHG federations and in a few cases banks also promote SHGs. In the recent years, the government has become the largest SHPI. However, for simplicity and easy understanding we assume that the SHG Bank Linkage process is divided in simple seven key phases and SHGs have only one internal and one external loan. The Campaign recognizes that there is significant diversity and complexity in the SHG Linkage Program and that the processes outlined in the tool may differ across states or regions, however, we hope that the generic process and benchmarks for member protection mapped up in this tool will be helpful for SHG Models to enhance their member protection practices within SHGs in India. Within these seven phases in the SHG process, the Campaign has identified ‘Service Points (SPs)’ which

4 Special thanks to: Smart Campaign India team Dr. Hema Bansal, Ms. Tanwi Kumari and APMAS. The Smart Campaign offers a wide range of tools for improving client protection practices among MFIs, networks, and investors. Among these are: “Smart Lending: Client Protection in Individual Lending Process”, and Smart Savings: Client Protection in Savings Process.” Visit us at www.smartcampaign.org to download these tools.
are points of interaction between the member and the institution. The table below clearly maps out the phase, what happens there and the number of service points in each phase.

<table>
<thead>
<tr>
<th>No.</th>
<th>Phase</th>
<th>Description</th>
<th>Service Point</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>SHG Formation</td>
<td>SHG is promoted by SHPI-NGO.</td>
<td>SP1 – SP4</td>
</tr>
<tr>
<td>II</td>
<td>SHG Orientation and Registration</td>
<td>SHPI orients the groups, registers it and begins savings.</td>
<td>SP5 - SP6</td>
</tr>
<tr>
<td>III</td>
<td>Opening Bank Account</td>
<td>SHPI helps the group in opening the bank account.</td>
<td>SP7</td>
</tr>
<tr>
<td>IV</td>
<td>Training</td>
<td>SHPI provides two days training to SHGs on savings, interest and collection mechanism.</td>
<td>SP8</td>
</tr>
<tr>
<td>V</td>
<td>Loan Origination and Sanction</td>
<td>Internal loan requests originate and are approved by the group itself and external loans SHPI/Banks conduct rating of SHGs to make sanctions/loan decisions.</td>
<td>SP9 – SP11</td>
</tr>
<tr>
<td>VI</td>
<td>Disbursement</td>
<td>Takes place only in SHG meeting at NGO in case of Federation/NGO (issuance of cheque to SHG) and at branch in case of Bank (direct transfer to SHG group account). Then the SHG leader draws cash from the group account and disburses loans in SHG meetings.</td>
<td>SP12</td>
</tr>
<tr>
<td>VII</td>
<td>Repayment</td>
<td>Handled by the SHG leader who collects and deposits in respective loan account.</td>
<td>SP13</td>
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</table>

For each Service Point, the tool demonstrates how the SHG and SHPI can demonstrate **good practice** by using Member Protection Principles in:
- their Policies
- their Operational Practices

Apart from the good practices, the applicable member protection principles are highlighted for each service point of the SHG/SHPI model.

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5 Now SHG federations also acting as SHPI i.e. NRLM strategy
6 It varies from SHPI to SHPI
PHASE I : SHG FORMATION

SP 1 - PRELIMINARY SURVEY
(Before entering an area, the SHPI (NGO) conducts a preliminary survey to understand the area.)

<table>
<thead>
<tr>
<th>Good Member Protection Policies</th>
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<tr>
<td>• Guideline for collecting information on access to financial service, poverty indicators and over indebtedness in the area.</td>
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<tr>
<td>• Defined policies and processes for each saving and loan product.</td>
</tr>
<tr>
<td>• SHG Membership norms/principles</td>
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<tr>
<td>• Savings terms and conditions</td>
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<tr>
<td>• Guideline: maximum number of loans and loan amount outstanding. Interest margin</td>
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<td>• Staff training manuals for conducting preliminary survey, community meetings and forming groups.</td>
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<tr>
<td>• Internal audit policy – to verify area is not saturated.</td>
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<tr>
<td>• Principles of SHGs : SHG Ethics</td>
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</table>

<table>
<thead>
<tr>
<th>Good Member Protection Practices</th>
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<tbody>
<tr>
<td><strong>Understand area and member requirements :</strong></td>
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<tr>
<td>• Understand economic activities.</td>
</tr>
<tr>
<td>• Determine cash flows, household economics and social status of individual household members.</td>
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<tr>
<td>• Analyze credit bureau information.</td>
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<tr>
<td>• Use local language(s)</td>
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</tbody>
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<tr>
<th>Assessing problems :</th>
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<tbody>
<tr>
<td>• Check for issues of over-indebtedness/ accessibility of financial services in the area: Number of MFIs, Banks and financial providers, Traditional service providers, Government run programs like Sthree Nidhi and SHG federations</td>
</tr>
</tbody>
</table>
November 2013

- Check if members are finding it difficult to make payments or accessing services due to crop failure or health problems, or issues of over indebtedness.

Educating and Selecting Members:
- Educate villagers on issues of over indebtedness.
- Remember not to include members that already are members of other SHGs of another SHPI.

Applicable “Member Protection Principles”
Appropriate Design and Delivery, Preventing Over indebtedness, Transparency; Fair and Respectful Treatment of Members by their own groups and also the SHPI/Banks.

SP 2 - COMMUNITY PARTICIPATION MEETINGS - PRODUCT DESCRIPTION
(SHPI – NGO/DRDA conducts community participation meeting and provides product information)

Good Member Protection Policies
- Guideline for collecting information on access to financial service, poverty indicators and over indebtedness in the area.
- Defined policies and processes for each saving and loan product.
- SHG Membership norms/principles
- Savings terms and conditions
- Guideline: maximum number of loans and loan amount outstanding. Interest margin
- Staff training manuals for conducting preliminary survey, community meetings and forming groups.
- Internal audit policy – to verify area is not saturated.
- Principles of SHGs : SHG Ethics

Good Member Protection Practices

Community Participation Meeting:
- Explain principles of SHG management7: Use real live examples in local language.

Products Description

7 See Annex 2
• Explain importance of regular savings and how they can grow with an example of compounded growth in savings.
• Educate members on how to determine: (a) savings installment depending on realistic estimate of their cash flows. (b) Interest rates for internal loans and savings.
• Explain internal loans: The determination of saving: loan ratio, loan pricing and repayments in small monthly installments based on group decision.
• For external bank loan: describe loan terms and conditions, including necessary documentation, eligibility criteria, conditions, compulsory savings in use of savings in the case of credit default and use of client data.
• Explain how interest rates are fixed after margins and fix common interest rates for all loans
• Explain importance of creating SHG corpus, impact of savings or loans default on growth of individual and group funds.
• Describe the loan recovery process in case of late payment, including penalties for late payment.
• Explain how fines on late payments are determined and explained in books of accounts and members documents.
• Explain importance of having own bookkeeper and payment of honorarium.
• Explain importance of auditing by federation of SHG members from other SHG by paying fee for audit etc

Applicable “Member Protection Principles”
Transparency, Responsible Pricing, Respectful Treatment of Members by their own groups and also the SHPIs/Banks, Privacy of member Data at SHG/federation and bank level.

SP 3 – SHG FORMATION
(Members are instructed to self select group members. The SHPI provides guidance for good selection)

Good Member Protection Policies
• Guideline for collecting information on access to financial service, poverty indicators and over indebtedness in the area.
• Defined policies and processes for each saving and loan product.
• SHG Membership norms/principles
• Savings terms and conditions
• Guideline: maximum number of loans and loan amount outstanding. Interest margin
• Staff training manuals for conducting preliminary survey, community meetings and forming groups.
• Internal audit policy – to verify area is not saturated.
• Principles of SHGs: SHG Ethics
Good Member Protection Practices

Selection of group members:
- Offer guidance on “how to select your group members”—esp. guidance on assessing peer willingness and capacity to repay.
- Explain why group members need to be from the same socio economic background, gender and area.
- Provide sufficient time for group members to settle down.
- Allow members to leave if not suitable.
- Provide contact details / helpline for query resolution.

Applicable “Member Protection Principles”
Transparency, Respectful Treatment of Members by their own groups and also the SHPIs/Banks, Grievance Redressal

SP 4 - GROUP RESOLUTION AND ELECTION OF REPRESENTATIVES
(Group passes resolution, frames rules and also elects its representatives to manage the group)

Good Member Protection Policies
- Group Rules appropriately framed and documented in minutes book.
- Resolution/Agreement/condition around savings.

Good Member Protection Practices

Group Resolution:
- Group leader facilitate group to frame rules.
- Help group decide on the time, number of meetings in a month, date and place of the meetings.
- If group fixes penalties, ensure that they are not excessive.
- Help groups decide on determining saving installment and ensure that there is no dominance of one or few members.
- Explain use of savings and the resolution for opening a bank account.
- Ensure rules are clearly documented in the minutes register and signed by all group members.

Selecting/Electing Representatives
• Ensure fair selection/election of Animator and Representative (Group President and Secretary or 1st and 2nd Representative).
• Explain the role of the selected/elected representatives and the need to rotate them.
• If elected, educate members on assessing leadership qualities like honesty, integrity, intelligence, regularity in thrift and loan and able to protect the groups interest.

Applicable “Member Protection Principles”
Appropriate Design and Delivery, Preventing Over indebtedness, Transparency; Fair and Respectful Treatment of Clients.

PHASE II: ORIENTATION AND REGISTRATION

SP 5 and SP 6 - SHG ORIENTATION AND REGISTRATION
(During the orientation meeting the SHPI explains the process for opening a bank account, documentation requirements and fees.)

Good Member Protection Policies

• Manual on opening bank account including group responsibilities.
• Guideline on document requirements.
• Bank guideline for opening a saving account.

Good Member Protection Practices

Orientation Meeting

• Explain the importance of documenting detailed minutes in the minutes register.
• Explain the information required and use of group formation.
• Explain the process of opening bank account.
• Explain the documentation requirement for the Animator and the Representative for operating the bank account.
• Explain the Know Your Customer (KYC) document requirements to the group.

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8 In SHGs the animator is not part of the group. She is like a field officer of federation or NGO who might be selected from one of the SHGs. She only plays a role of facilitator in group formation and capacity building. She does not have any say in group related issues or matters.
• Interest rate: frequency of payment, rate (amount) paid.

**First Meeting**
- Ensure member saving details are entered into passbooks.
- Explain registration fees of SHPI if any. Also explain how savings could be set off against any overdue loans.
- In case of SHPI charges, explain how much amount is deducted.
- Reiterate documentation requirements to open bank account: group formation form, group resolution form and resolution to open bank account.
- Explain registration fees and minimum savings as well as the use of pass books, receipt book and the accounts book briefly.
- Explain importance of preserving group and individual documents. Provide contact details / helpline for query resolution.

**Applicable “Member Protection Principles”**
Transparency, Fair and Respectful Treatment of Client, Privacy of Client Data.

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**PHASE III : OPENING BANK ACCOUNT**

**SP 7 - OPENING A BANK ACCOUNT**
*(Animator and Representative along with SHPI visit the bank to open an account)*

**Good Member Protection Policies**
- Guideline for bank staff on opening SHG account.
- Training Manual for SHGs.
- SHG lending policy
- Guideline for internal savings and loans.

**Good Member Protection Practices**

**Bank Staff Communication with Animator and Representative:**
  i. The Bank staff needs to explain:
  ii. Documentation required for opening a bank account.
  iii. That the account will be in the name of the group and not individuals.
<table>
<thead>
<tr>
<th>Criteria for bank loan (external loan) i.e. cash credit limit - CCL (1:4) Explain how CCL could be calculated for a SHG.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rates on savings and loans, other charges if any.</td>
</tr>
<tr>
<td>Consequences for non repayment of loan.</td>
</tr>
</tbody>
</table>

**Field Staff from SHPI / DRDA/ NGO/SRLM/WDC, etc are all SHPIs :**
- Explain how the information from the passbook will also be updated in the branch register at SHPI.

**Applicable “Member Protection Principles”**
Appropriate Design and Delivery, Preventing Over indebtedness, Transparency; Fair and Respectful Treatment of Clients.

**PHASE IV : TRAINING**

**SP 8 - TRAINING**
(SHPI staff conducts training of the group for two days)

**Good Member Protection Policies**
- Guideline for bank staff on opening SHG account.
- Training Manual for SHGs.
- SHG lending policy
- Guideline for internal savings and loans.

**Good Member Protection Practices**

**Day 1 (Saving and Loan Products) :**
- Explain the concept of savings and how it can be compounded in 1,3,5 years by giving examples and charts etc.,
- SHGs paying interest on savings :
  - Explain how interest rates needs to be fixed to compensate the group for inflation or it to be comparable to banks.
  - Explain how SHGs can choose to provide benefits to members: (i) by not increasing the interest rate on savings (ii) providing internal loans to members at cheaper interest rates.

- *Internal Loans*
Explain:

i. Concept of internal loans and the criteria for internal lending.

ii. Determination of SHG interest rates after taking into account: operating expenses, risk of lending and sustainability of the SHG.

iii. Importance of not borrowing beyond individual capacities to repay.

iv. Consequences of not repaying on time example, penalties and depletion of SHG fund.

• External Loans (Banks)
  
  - The SHPI staff needs to explain that:
    
    i. Bank loans are provided in the name of a group and not individuals.
    
    ii. Loans provided on Cash Credit Limit (CCL) of a SHG.
    
    iii. How group loan can be deployed amongst individual SHG members based on each member requirement.
    
    iv. How bank fixes its interest rates on external loans but groups can fix their own interest rates internally.
    
    v. Role of SHPI in determining bank loan including not lending if there are multiple loans.
    
    vi. Purposes for which loans can be procured by members.
    
    vii. That bank loans are routed through SHPI, and hence interest charges and repayments are also handled by SHPI.
    
    viii. Meaning of group responsibility in repayment of loans.
    
    ix. Clear do’s and don’ts for group’s leaders and members handling recoveries.
    
    x. Documents executed by all members of SHG: Inter-se Agreement, loan application form, articles of agreement.
    
    xi. Contact information to members for registering their complaints against staff, SHG leader.
    
    xii. Member’s rights – banks cannot use savings as security.

Day 2

Educate members on Books of Accounts.

• Minutes Book – educate members on referring to minute’s book for checking decisions and ensuring that leaders are following SHG decisions.

• Member’s individual passbook – Explain how to read individual passbook: savings: date, savings, total savings and interest rates. Loans – amount borrowed, fees, interest rate (flat) APR, amount repaid, balance outstanding.

• Explain the cash book, receipt book, general ledger.

• Ensure records are in bind book format and not loose papers and are legible to members.

*For example MYRADA conducts 16 sessions to SHGs. APMAS conducts 4-6 sessions to SHG members. Over a period of 3-5 years SHG members receive several training inputs as per the need and maturity of the SHG.*

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9 GoI has come up with a formula for calculating the Cash Credit Limit (CCL) for a SHG.
Applicable “Member Protection Principles”
Avoiding Over indebtedness, Transparency, Fair and Respectful Treatment of Client, Privacy of Client Data

PHASE V : LOAN ORIGNATION, GROUP REVIEW AND SANCTION
SP9 - SHG MEETING AND LOAN ORIGNATION
(Requests are made by the group for internal loan and external loans)

Good Member Protection Policies
- SHG Rating Guideline
- Guideline on conducting SHG Meetings
- Internal Audit Policy

Good Member Protection Practices

SHG Meetings
In SHGs, all the activities are managed by the group leaders (president, secretary and treasurer). Animator does not handle money. Both the animator and bookkeeper will at best record the transactions and not touch money.
- Meeting should be preceded only by group leader with support for bookkeeper.
- Bookkeeper should use member wise transaction sheet to identify the savings and loans due on that day.
- Ensure that Animator/Bookkeeper calls out the names of members and amount to be collected for saving and loan installment aloud.
- Group leader needs to make corresponding entries in the records and individual passbook.
- In case of arrears the group leader with help from book-keeper or animator needs to help the group to understand the reasons for delays and decide on follow-up action which should be noted in the minutes register.

Internal Loan Requests
- Group Leader with help of Animator needs to assess the demand for internal loans.
- While sanctioning loan requests the group leaders and group members need to review saving, loan repayment performance, repayment capacity of the group.
- Since group loan decisions are taken within the meeting itself, Group Leaders with help of Animator need to ensure that members meet the
eligibility criteria.

• Group leader to disburse the loan amount in front of all the members.
• The group leader should ask members procuring the loan to repeat the loan terms and conditions including the interest rates.
• Animator needs to ensure that requisite entry is made in the member pass book and the relevant records.

External Loans:

• The group leader needs to ensure that the demand generated for external loans for the group is based on genuine requirements of and members’ ability to repay loans.
• Members need to track external borrowings of each other before putting up requests for additional loans.

Applicable “Member Protection Principles”
Preventing Over indebtedness, Transparency; Fair and Respectful Treatment of Clients.

SP 10 - SHG REVIEW AND EXTERNAL LOAN RECOMMENDATION
(Internal Assistant checks the documents and makes recommendations)

Good Member Protection Policies

• Guideline for bank staff on opening SHG account.
• Training Manual for SHGs.
• SHG lending policy
• Guideline for internal savings and loans.

Good Member Protection Practices

SHG Rating by SHPI (NGO or Bank):

• Facilitator from SHPI staff should review the books of accounts.
  - Minutes book
  - General ledger
  - Savings and loan ledgers
  - Bank passbooks
  - Receipt book
  - Attendance register
  - Cash Book
SHPI staff ensures that the group leaders maintain the records properly and are rightly documented.

Facilitator from SHPI staff also needs to take feedback and information from the members. This information's will be linked to the indicators for rating the groups.

SHPI needs to evaluate the group based on comprehensive performance indicators including:
- No of members participating during the group rating.
- Frequency of the meetings and member participation.
- Savings frequency and criteria used for fixing interest.
- Repayment performance
- Rotation of internal lending
- Loans for income generating activities
- Training of animator and other representatives
- Maintenance of book of records
- Auditors and Field Officers view on the group.
- Members’ awareness of interest rates for saving, loans, penalties.
- Clarity of passbooks and member documents.
- Borrowings from other sources.

Share the grades with the SHG and explain weightages and grades. (It may be A, B, C or D Grades)

Grading should be done in consultation with field officers and after taking into consideration external debts of members.

Finally Internal Assistant needs to ensure that resolution of meeting is signed by all members.

Applicable “Member Protection Principles”
Avoidance of Over indebtedness, Transparency, Fair and Respectful Treatment of Client, Privacy of Client Data, Responsible Pricing.

SP 11 - LOAN SANCTION AT SHPI /BANK
(Field Officer - recommends the proposal to the Branch Manager (SHPI or Bank) and the Branch Manager approves it after reviewing the SHG Rating Report.)

Good Member Protection Policies
- Loan Policy – should include guideline for assessing SHG Rating reports, sanctioning loans

Good Member Protection Practices
Sanctioning:

- Recommendation for Sanction of loan amount by SHPI/Bank Manager should be based on.
- Understanding of SHG terms and conditions and loan outstanding of the group.
- Group stability, transparency, cash flows and borrowings from other sources.
- Rating report and review of groups’ cash flows and savings.
- Issues of over indebtedness in the area.
- Field officer is required to inform animator and groups.

Applicable “Member Protection Principles”

Appropriate Design and Delivery, Preventing Over indebtedness, Transparency, Privacy of client data.

### PHASE VI : DISBURSEMENT

#### SP12 DISBURSEMENT AND DOCUMENTATION AT BANK OR SHPI OFFICE

**Good Member Protection Policies**

- Ensure that a sufficiently trained staff member is responsible for assembling all relevant information on the group’s account.
- Allow sufficient time in the disbursement process for members to ask questions and address concerns.

**Good Member Protection Practices**

**Disbursement**

**General:**

- Follow guidelines on clear communication—see SP-8
- Verbally review each loan document with the group, including the repayment schedule.
- Read the summary sheet to the group (see SP - 10).
- Consider using posters, videos to explain.

**Key Elements of Disbursement Speech:**

- Costs (e.g., savings, fees, etc.).
- Advise on non-payment of additional fees or commissions to staff or leaders.
• Implications if groups fails to repay – use of savings.
• In case of group liability, explain what individual members’ control.
• If other personal guarantors, explain their liability. If collateralized loans, review process.
• Advise clients to ask for a receipt for all transactions and keep their passbook safe.
• Explain process after loan closure (e.g. repeat loans, closing the account), as well as how the group is renewed/maintained.
• Provide information on how to register complaints against staff or leaders.
• Provide opportunity to ask questions and provide options for withdrawal if not agreeable.

**Applicable “Member Protection Principles”**
Preventing Over indebtedness, Transparency, Grievance Redressal Mechanism and Respectful treatment of clients.

**Good Member Protection Practices**
**Documentation**
**General:**
• Provide client with a short summary sheet that includes:
  - Rights and duties of members and leaders.
  - The group/client repayment and passbook.
  - Complaints information, including institution’s contact information and information about how to complain.
  - Collections practices, consequences, and procedures in case of non-repayment.
  - Information on how to request account information or register complaints.
• Explain summary sheet in simple (non-legalese) terms and ask the group if they have questions or concerns.

**Applicable “Member Protection Principles”**
Transparency, Fair and Respectful Treatment of Clients, Grievance Redressal.

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**PHASE VII : LOAN REPAYMENT**

**SP 13 - EXTERNAL LOAN REPAYMENT FROM GROUP AND DEPOSIT AT THE SHPI**

**Good Member Protection Policies**
• Guideline for handling collections.
• Guideline for do’s and don’ts for managing default members.

**Good Member Protection Practices**

**SHG Meetings:**
• Loan installments need to be collected at SHG Meeting only.
• Group Leaders should deposit collection amount to SHPI/Bank to deposit the amount along with the repayment card and the repayment schedule.
• Group Leader needs to ensure that the cashier at SHPI/Bank updates loan repayment card, prints the duplicate receipt with the seal and signs on the repayment card for the payments made.
• Ensure that the Animator has the updated loan repayment card, receipt of total amount (transactions) and signed loan repayment schedule.
• In case of delayed installments, Group Leader needs to follow up with the member trying to understand the reason for nonpayment.
• The Group Leader needs to follow the rules of the group while handling overdue collection – not use coercive practices.

**Applicable “Member Protection Principles”**

Appropriate Design and Delivery, Preventing Over indebtedness, Transparency, Privacy of client data, Mechanism for Complaint Resolution, Fair and Respectful Treatment of Clients
ANNEX 1: GLOSSARY OF TERMS FOR SHG BANK LINKAGE METHODOLOGY

1. Animator and Representative: Group Leaders of SHG.
2. SHPI: Self Help Promoting Institutions are Non Governmental Organizations or Government Agencies or SHG federations.
3. DRDA: District Rural Development Agencies are district level government agencies which also promote SHGs under government programs.
4. Minutes Book: Resolutions governing the functioning of the SHG are recorded here including saving and loan decisions and criteria used.
5. SHG Resolution: Decision of the SHG Cash Book: Record of movement of Cash of the SHG including members.
6. SHG Meetings: Conducted once a week, fortnight or monthly on basis of the SHG decision.
ANNEX 2: PRINCIPLES OF SHG MANAGEMENT

During communication participation meetings (Service Point 2) of the SHG formation phase, principles of SHG management are explained by SHPIs (NGOs, Banks or Federations) to the members of the SHGs.

- Mutual Trust
- Organization of Small and Manageable Groups
- Group Cohesiveness, Spirit of Thrift
- Demand Based Lending
- Collateral Free Loan
- Women Friendly Loan
- Peer Pressure and its use
- Capacity Building and
- Empowerment