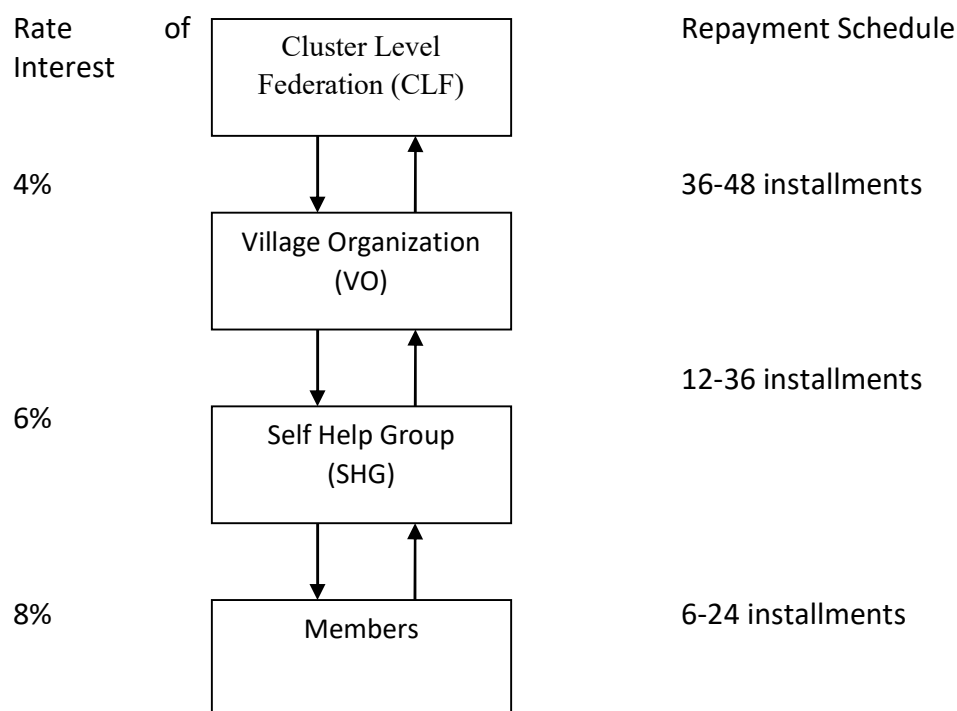


## Community Investment Fund utilization Advisory

### 1. CIF Management at CLF level: Rate of Interest and Installments

Number of Installments and Rate of Interest for the repayment of CIF loan is as below-



The above interest rates and installments are indicative. CLF/VO/SHG may take appropriate decision. Installment among the SHG-VO-CLF may or may not be the same. For more than 5 year -old CLF, maximum installment may be 48 months.

### 2. Loan to Member by SHG (loan amount with installment)

To ensure timely availability of credit to all members of the SHGs and proper rotation of CIF, indicative member level amount with maximum installment is mentioned below-

SN	Loan Amount	Instalments
1	Upto Rs. 10,000	Maximum Instalment 12
2	Upto Rs. 20,000	Maximum Instalment 18
3	More than Rs. 20,000	Maximum Instalment 24

### 3. The District/Block Mission must ensure that rate of interest at SHG member level should not be more than 8%.

### 4. Moratorium period

Considering the past experiences of rural credit, subsidy culture and loan waivers, it is highly essential to encourage SHG members to repay loan installments on a monthly

basis for developing repayment culture and building credit worthiness of members among formal financial institutions. Depending upon the SHG members family cash-flows, the SHG can fix up monthly repayment amount (which may or may not be equal) and tenure. If at all, requires moratorium period, it should not be more than 3 months at any level and it is compulsory to pay interest during the moratorium period.

#### 5. CIF Loan ceiling:

Based on prompt repayment of CIF loan, SHGs, VOs and CLFs can disburse multiple loans to their members. In case of disbursing multiple loans, must be ensure that no individual member or institution is having loan outstanding more than 1/4<sup>th</sup> of their corpus and borrowed funds.

Measures should be taken to disburse the loan to SHG member as soon as possible to fulfil their credit requirements. Under any circumstances, it should not take more than 15 days from the date of submission of loan request to disbursement of loan to a SHG member. SHG, VO and CLF can fix-up the meeting schedule accordingly.

#### 6. Management of Bank accounts SHGs, VOs and CLFs:

- a. The SHG shall have only one savings bank account for their financial transactions.
- b. VO and CLF shall open maximum of three savings bank accounts namely-
  - i. **One- Saving bank account** for start-up fund, internal corpus like membership fee, admission fee, cadre payment and other revenues
  - ii. **Second- Saving bank account** for CIF management (Share capital, savings, CIF grant from mission, CIF principal and interest repayment)
  - iii. **Third- saving bank account** for receiving funds from mission (other than CIF grant) and other sources
- c. To ensure proper usage of CIF, District/Block Mission needs to track the receipt and payment to prevent the capital erosion at least on quarterly basis. Necessary guidance may be given to CLF and also to bank for purpose specific transaction only and not for other purpose.

#### 7. Recovery of CIF (directly given by Mission to SHG and VO):

As CLF is the custodian of CIF, all CIF funds directly disbursed to SHGs and VOs from the SRLM has to be recovered at CLF level.

- a. **In case of SHG-** Once VO is formed and opened bank account, the CIF grant directly given to the SHGs by the SRLM to be recorded in the VO Books of record as a loan disbursed to SHGs. SHG will repay the CIF idle fund immediately (within a month) and for the remaining CIF amount, SHG will repay through monthly repayment schedule (principal and interest)

*Example-*

*If a SHG received Rs. 1.00 lakh as a CIF grant (from SRLM) and VO has been formed, this amount will be recorded in the VO books of record as a loan to SHG. Now, idle fund (say Rs. 40,000) lying in SHG bank account will be transferred to VO and remaining balance amount (Rs. 60,000) at SHG level will be treated as outstanding loan and will repay in installment as*

per the schedule and interest fixed by VO-EC. Transactions has to be recorded in the books of record.

- b. **In case of VO-** Once CLF is formed and opened bank account, the CIF grant directly given to the VOs by the SRLM to be recorded in the CLF Books of record as a loan disbursed to VOs. VO will repay the CIF idle fund immediately (within a month) and for the remaining CIF amount, VO will repay through monthly repayment schedule (principal and interest)

*Example- If VO received Rs. 10.00 lakh as a CIF grant (from SRLM) and after 6 months, CLF has been formed, this amount will be recorded in the CLF Books of record. Now, idle fund (say Rs. 4.00 lakh) lying in VO bank account will be transferred to CLF and remaining balance amount (say Rs. 6.00 lakh) at VO will be treated as outstanding loan and will repay in installments as per the schedule and interest fixed by CLF-EC.*

For point number (a) & (b), it is advised that till the repayment schedule fixed by the higher level federation (say VO or CLF) for the repayment of CIF will remain same and interest earned till such date will remain with the respective institutions i.e. in case of SHG, SHG will keep the interest and in case of VO, VO will keep the interest and thereafter interest will be applicable.

**c. Settlement of accounts in case of reorganization/division of VO and CLF:**

During the course of expansion and deepening, SRLM may promote large number of SHGs and VOs. In case having a large number of SHGs/VOs than ideal number, SRLM or concerned VO/CLF may want to reorganize the institution. In such cases, along with share capital, savings, CIF need to be allocated/divided among the institutions (new and existing) based on the share capital and savings paid by the concerned SHGs member or member institutions. CIF and profit earned need to divide proportionately depending upon the number member institutions.

**8. Tracking the Idle Fund:**

District/Block must ensure that not more than 10% of total amount (considering as CIF) should be idle in the bank account of SHG/VO/CLF level. District/Block need to ensure proper rotation of funds and best example on the rotation of CIF fund.

**9. Mechanism to ensure the repayment of CIF Loan:**

Loan management subcommittee will be formed at VO and CLF level to review the repayment of loans given from CIF and internal funds. In case of defaulter, subcommittee will take necessary action such as understanding the reasons, creating peer pressure, bringing the matter into the EC meeting, informing Mission Staff, etc.

**10. Mode of Transaction:**

To ensure transparency and accountability in financial transactions, it is advised to do transactions through digital channels such as- Cheque, Online (RTGS/NEFT) and bank to bank transfer.

SNo.	Institution	Mode of Transaction	Remarks
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1	CLF Level	Cheque, Online (RTGS/NEFT) and bank to bank transfer	All financial transactions
2	VO Level	Cheque, Online (RTGS/NEFT) and bank to bank transfer	All financial transactions above Rs. 5000/-
3	SHG Level	Cash, Cheque, Online (RTGS/NEFT) and bank to bank transfer	All financial transactions

Business Correspondent Agent (BC Sakhi) has been deployed under the tag of '**Mission One GP one BC Sakhi**' to promote door step banking services (i.e. 1 BC per 20-25 SHGs). Services of BC Sakhi shall be utilized during the meetings of SHG-VO-CLF for doing banking transactions i.e. deposit of idle funds, loan disbursement, repayment of loan (SHG, VO, CLF, bank), honorarium payment to bookkeeper/community cadres and all other financial transactions. This will curtail time lags and help the institutions on on-time disbursement of loans to members. It will also save time and travel expenditure.