



Government of India
Ministry of Housing & Urban Poverty Alleviation
29 October 2013

SOCIAL MOBILISATION & INSTITUTION DEVELOPMENT

NULM Component 1.1

BUILDING COMMUNITY INSTITUTIONS – SHGs AND THEIR FEDERATIONS





Mobilising the urban poor

Represent SHGs and give them adequate voice across various levels e.g. ULB, state govts, banks, etc.

CLF
(CDS under SJSRY)

Association of SHGs for benefit of member SHGs, bank linkages and enhanced bargaining strength of SHGs

ALF
(NHC under SJSRY)

ALF

RF Support :Rs 50000 per ALF

Community Mobilisation for thrift & credit and empowerment

SHG
(NHG under SJSRY)

SHG

SHG

RF Support :Rs 10000 per SHG

SHG Bank linkage

Universal financial inclusion



Self-Help Groups

- **Membership:** Under NULM, SHGs of 10-20 urban poor will be formed. SHGs need not be registered
 - Non-poor may be included as members where strong affinity or special reasons exist
 - To qualify for RF support under NULM, at least 70% SHG members should be urban poor
- **Rules & regulations:** Each SHG will be encouraged to develop their own rules and regulations covering norms for membership, group savings, conduct of meetings, management of the group, maintenance of records, conduct of office bearers.
- **Panchsutra for a good SHG:**
 - Regular Savings
 - Regular Meetings
 - Regular accounts - book-keeping and accounting
 - Regular repayments
 - Adherence to rules and regulations of the SHG



Area-Level Federations (ALFs)

- **Membership:** ALFs may be formed with 10-20 SHGs covering an area of a ward or slum or such other geographical unit
 - A minimum of 2 members (nominated representatives) per SHG will participate in the ALF
 - ALFs should be registered under the relevant law of the state
- **Responsibilities:**
 - Facilitate bank linkages for member SHGs
 - Providing hand holding support in the development of loan proposals by member SHGs
 - Support the formation of new SHGs
 - Evaluate the performance / functioning of member SHGs
 - Capacity building of new and existing member SHGs
 - Facilitate member SHGs' access to benefits under NULM and access to social assistance benefits under various government programmes
 - Resolve issues raised by member SHGs in accessing credit from banks
 - Raise issues of importance at the City-Level Federations
 - Report to the ULB



City-Level Federations (CLFs)

- **Membership:** ALFs will come together to form a CLF in a city
 - Each city will have at least one CLF. Bigger cities may have more than one CLF based on size and population
 - CLF should be registered under the relevant law of the state
 - All ALFs in a city should be represented at the CLF
- **Responsibilities:**
 - To represent the needs of the urban poor at various levels
 - Advocacy with ULB and State Government for pro-poor planning, master plans, vendor planning
 - Facilitate bank linkage of member ALFs' and member SHGs.
 - New group formation and support
 - To identify specific training and capacity building needs of member ALFs
 - Work closely with the ULB to facilitate identification of beneficiaries
 - Facilitate marketing of products of SHGs



Supporting the formation of SHGs

- Experts hired under **CMMU** along with **community organisers** will work for formation of SHGs under NULM
- **ASHA / Anganwadi workers and other community-level functionaries** under various schemes of the Central and State Governments may also be utilised for this purpose.
- For catalysing the formation of SHGs and their federations, and to promote financial inclusion of SHG members under NULM, training and capacity building and establishing links to ULBs, **Resource Organisations (ROs)** may be engaged under NULM at the city level.



Selecting ROs

- ROs can be:
 - Autonomous registered agencies set up by the State / Central Government e.g. Kudumbashree and MEPMA
 - Well-established long-standing federations of SHGs
 - Only those Non-government organisations (NGOs) with a strong domain knowledge and proven track record of working in the field should be engaged
 - In the case of NGOs, weightage should be given to registration status, turnover, number of years of experience, procurement, financial management capacity and number of dedicated staff
- ROs will be selected by states and ULBs through an open competitive bidding process based on strict criteria for selection to ensure that quality of services are not compromised
- ROs should:
 - Be a registered body
 - Maintain its accounting records and have properly audited annual statements of income and expenditure
 - Demonstrate a strong and proven track record of working in the field
 - Have successfully promoted the formation and bank linkage of at least 100 SHGs
 - Have a base in the city in which it proposes to work with a clear understanding of the socio-economic, cultural and political situation of the area



Selecting ROs (Contd.)

- Demonstrate rapport with the community in which it proposes to work
- Have an adequate number of field staff
- Secular in nature and not be affiliated to any political organisation
- Be willing to sign an MOU with SULMs or ULBs committing itself to:
 - Pursuing the objectives and components of NULM
 - Making changes within its strategy and systems if there are obstacles to achieving these objectives
 - Attending meetings and contributing to the feedback systems and procedures required by NULM, including regular reporting



Principles of partnerships with ROs

- ULBs to **map existing SHGs and social mobilisation efforts** in the city under SJSRY and other schemes. State to evolve a plan for engagement of ROs under NULM in each state.
- **States responsible for selection of ROs under NULM**. In certain cases states may allow ULBs to empanel ROs on their own.
- Selection to be made through **an open competitive bidding process** based on strict criteria for selection so that quality of services is not compromised.
- States / ULBs to enter into an **agreement with the RO** for a period of 2 years
- ULBs will be responsible for **developing key deliverables for and concrete targets** for ROs
- **ULBs will decide on the area to be covered per RO** depending on their capacity



Functions of ROs

- Identifying affinity groups
 - Relationships of trust and mutual support with membership through participatory approach and self-selection
- Capacity building of all members of SHGs covering:
 - Basic concepts like meetings, savings, lending and repayment, member responsibilities
 - Book-keeping, accounting, fund management, bank & credit linkages
 - Communication, decision making, conflict resolution, self-assessment
- Capacity building of all members of ALFs & CLFs covering:
 - Federation concept including meetings, savings, member responsibilities
 - Book-keeping, accounting, fund management, SHG bank linkage
 - Communication, decision-making, conflict resolution, self-assessment



Functions of ROs (Contd.)

- Handholding support for at least 15 months:
 - Ensure that SHG meetings are conducted regularly
 - Assist the CO in the evaluation of the performance of SHGs
 - Ensure adequate interaction of SHGs with bankers, government officials and members of other SHGs for cross learning
 - Open SHG bank accounts & facilitate credit linkages
- Withdrawal of support between 15-24 months:
 - Increased monitoring of SHGs to ensure that they are self-sustaining
 - Linking SHGs to ALFs and CLFs
 - Facilitate UID enrolment, opening of basic service accounts
 - Credit counseling of members
- All SHGs, ALFs and CLFs access government benefits under NULM and other social programmes of the central, state and local governments



Expected Outcomes of ROs

- At least 1 member of each identified urban poor household, preferably a woman will be a member of an SHG
- Of the SHGs formed
 - At least 70% members should be urban poor
 - All members will have undergone rigorous capacity building / training sessions
 - All SHGs to have a bank account for deposit of savings and linked to banks for credit
 - All new SHGs formed access revolving fund support under NULM
- All SHGs are federated at the area-level (ALF) and city-level (CLF):
 - At least 1 CLF is formed and functional per city
 - All ALFs & CLFs are registered
 - All members of ALFs and CLFs will have undergone rigorous capacity building / training sessions
 - All new ALFs formed access revolving fund support under NULM



Community Resource Persons (CRPs)

- ROs may engage CRPs on their team for formation of SHGs under NULM
- Sub-contracting of CRPs will not be allowed
- CRPs:
 - Are members of mature SHGs
 - Have good knowledge and experience of SHG concepts, group management norms, SHG meeting process, book-keeping, agenda-fixation etc.
 - Have the ability and skills to motivate the poor
 - Will conduct training by drawing upon lessons from personal experiences and best practices
 - Will act as guides and role models for other poor individuals

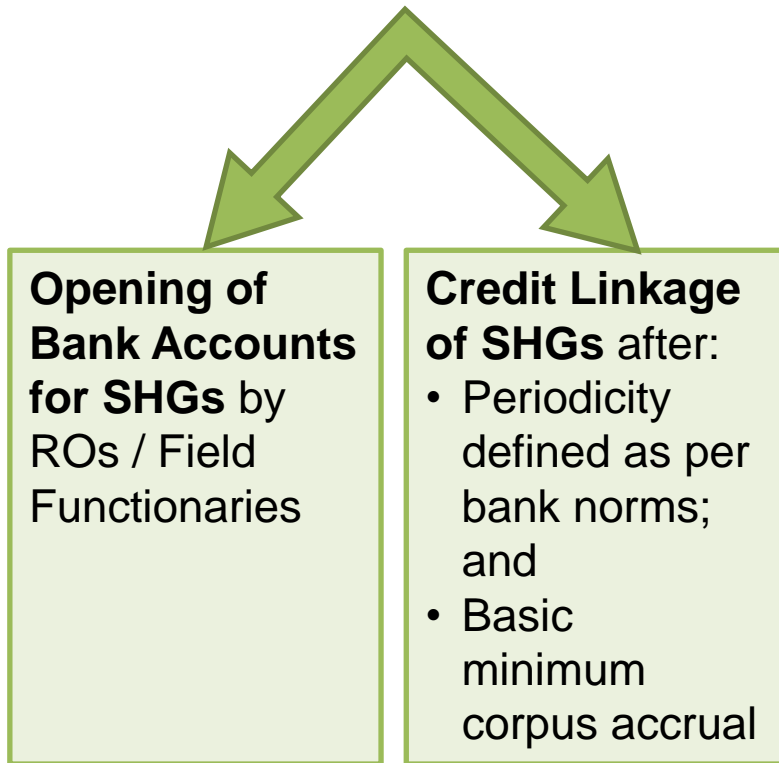


Funding ROs

- A maximum of Rs. 10,000/- per SHG
- ROs will cover a minimum of 50 SHGs
- ULBs will define the “area” within which ROs will function
- Payment to ROs will be made on the basis of milestones like:
 - SHG formation
 - Training of members
 - Bank linkage
 - Formation of federation at the area and city levels
 - Access to benefits under NULM, including Revolving Fund
- RO will handhold the SHG for a period of two years.



SHG Bank Linkage- NULM



- **SHGs will be linked with banks** for loans (subsidized loans @ 7% subject to timely repayment with provision of additional 3% interest subvention for Women SHGs)*

*Interest subvention funded under SEP component of NULM

- The ULB through its field staff or Resource Organisation (ROs) will facilitate filling of loan applications for eligible SHGs. The **ULB will forward the Loan application to the concerned banks** with requisite documentation.
- The **banks will send the details of disbursed loan cases to the ULB** along with the details for claiming the interest subsidy amount.



MEPMA Experiences

- **Mission for Elimination of Poverty in Municipal Areas (MEPMA)**
 - Established in 2007 to address urban poverty issues in all Urban Local Bodies (ULBs) of A.P.
 - Nodal Agency for implementation of SJSRY, RAY, RYK, USHA / SECC-2011 / ILCS / Street Vendors Policy, etc.
- **SHG Bank Linkage under MEPMA**
 - From 2007 onwards, so far Rs.9265.00 Crores extended as SHG Bank Linkage to 2.97 Lakh SHGs
 - Target (2013-14) -Rs. 2100 Crs
 - Achievement -Rs. 634.79 Crs extended to 22,482 SHGs
 - The repayment of Urban SHG loans is 95% to 96%
- **Vaddi Lenu Runalu (VLR) Scheme**
 - Government subsidized 100% of interest on the loans availed by SHGs from 01-01-2012.
 - So far released an amount of Rs.90.00 Crs as VLR to Districts for the credit of SHGs
- All the 23 Districts are provided with one Bank Linkage Specialist who are retired & experienced Bank Managers who have knowledge and experience on SHG loaning
- Annual Credit Plan approved by the SLBC



SHG Bank-linkage process (MEPMA)

- **Linkages:**
 - All the eligible SHGs to open and continue their savings with the Banks can secure 1st linkage after 6 months.
 - The second linkage will be 12 months after the 1st linkage.
 - 3rd linkage 18 months after the 2nd linkage.
 - 4th linkage 24 months after the 3rd linkage and subsequent linkages ranging from 24 to 36 months of repayment.
- **Cash credit limit and principles followed by banks:**
 - 1st dose -Rs. 50,000 /-to 1,50,000 as a loan after 6 months of formation of the SHG.
 - 2nd dose- Rs. 1,50,000/- to Rs.3,25,000 as a loan after 12 months of 1st dose.
 - 3rd dose - max .Rs.5,00,000 /-as a loan after 18 months of 2nd dose based on Micro Credit Plan.

NULM Component 1.2

UNIVERSAL FINANCIAL INCLUSION

Financial Inclusion denotes the delivery of banking services and credit at an affordable cost to the vast sections of disadvantaged and low-income groups.

- Report by the Committee on Financial Inclusion headed by C. Rangarajan (2008)





Financial Literacy

- States / ULBs will be responsible to facilitate financial literacy through the following actors:
 - ROs will organise sessions on financial literacy for SHG members which will cover savings, credit, remittance, insurance, etc.
 - Banks, financial institutions, insurance agencies, MFIs will be encouraged to communicate with the urban poor through CLCs and campaigns
- ULBs will:
 - Ensure availability of information and IEC material regarding financial literacy with CLCs and ROs
 - Assign targets to COs ROs on financial literacy sessions / camps to be organised annually
- RBI guidelines dated 6th June 2012 and 31st January 2013 to all banks to open Financial Literacy Centres
 - All lead banks are mandated to open at least 1 FLC in the office of the Lead District Manager
 - Additional centres can be opened as per need
 - ULB will coordinate in its jurisdiction through FLCs to organise financial literacy sessions /camps

Opening of Bank Accounts

- **Bank accounts:**
 - Confer a sense of identity, status and empowerment
 - Provide access to the formal financial system
- **The D/o Financial Services, M/o Finance has issued directions as follows (24th July 2012):**
 - All banks to open one account per family in all rural and urban areas
 - In urban areas, the Lead District Manager will allocate each ward to a particular bank to ensure coverage
- **Under NULM, all potential target beneficiaries should have the facility of an account as a bare minimum requirement for coverage under this component**

- **Operational steps involved:**
 - Consensus on procedures for opening up accounts and linking to Aadhaar (UID) if required for KYC at SULM, SLBC and its convenor's bank's level
 - SULM, in coordination with the respective SLBC and its convenor banks need to ensure the following:
 - Include the opening of basic accounts for NULM beneficiaries as a priority agenda in SLBC meetings
 - Operational formalities such as form availability at all bank branches / extension counters, CLCs and ULB offices to be ensured
 - Camps to be organised by ULBs for account opening
 - Banks to engage BCs / Business facilitators for effective outreach
 - Targets to be decided annually by SULM in discussion with SLBC

Affordable Insurance (Health, Life and Pension)

Under NULM the aim is to:

- Bring beneficiaries within the ambit of social insurance
- Provide coverage from risks / uncertainties like death, accidents, disability, hospitalization and retirement

SULM to facilitate low-cost insurance products / services, including micro-pension to potential beneficiaries

Responsibilities of SULM

- Ensure max. coverage under existing / on-going schemes of GOI e.g. RSBY (health), JBY (life), and any state-specific insurance schemes / micro-insurance products
- Identify insurance schemes after analysing premium cost and product benefit of each
- COs / ROs / other institutions ensure awareness about the schemes, communicate features, advantages, premium cost, claims procedures
- Insurance providers may engage mature SHGs as micro-insurance agents
- No scheme should be imposed on the beneficiaries
- Annual progress reports to be prepared

NULM Component 1.3

REVOLVING FUND SUPPORT





Revolving Fund to SHGs

- One-time Revolving Fund support of Rs. 10,000/- is given to SHGs and can be used for:
 - Form part of the SHG corpus
 - Inculcating the habit of thrift & credit
 - Building institutional capacity of SHGs in managing funds
 - Used for internal lending
- Eligibility:
 - SHGs are functional for a period of at least 6 months
 - 70% of SHG members are urban poor
- Applications:
 - SHGs to route their applications through ULBs in the prescribed format (guidelines)
 - ULB will check the application and documents / records of the SHG before sanctioning and releasing RF to SHGs
 - RF will be transferred directly into the SHG bank accounts
- Timely release of RF support: ULBs will ensure release of RF to SHGs within a period of 15 days from the date of receipt of application
- ULBs to report progress to SULM



Revolving Fund to ALFs

- One-time Revolving Fund support of Rs. 50,000/- is given to ALFs and can be used for:
 - Seed capital for ALFs for smooth operation
 - Form part of the ALF corpus
 - Onward lending to member SHGs
 - Provision of support services to member SHGs
 - Awareness creation / information dissemination etc.
- Applications:
 - ALFs to route their applications through ULBs in the prescribed format (guidelines) with support of ROs
 - ULB will check the application and documents / records of the ALF before sanctioning and releasing RF to ALFs
 - RF will be transferred directly into the SHG bank accounts
- ULBs to report progress to SULM

NULM Component 1.4

CITY LIVELIHOOD CENTRES (CLC)



City Livelihood Centres (CLCs)

- The urban poor produce marketable goods and services, but oftentimes, are not able to provide a viable market
- The informal sector has traditionally been a source of services for the middle & higher income groups in cities
- The urban poor lack information regarding various opportunities / benefits available to them via government such as skill training opportunities, bank credit, social security benefits, etc.
- Hence, CLC have been envisaged to provide services to create or enhance livelihood opportunities as well as to disseminate information to urban poor; and services to the urban citizens.

Objectives of establishing CLCs under NULM:

- Create a platform where the urban poor can offer their goods and services in an organised manner to potential buyers
- CLCs will bridge the gap between demand and supply of goods and services of the urban poor
- The urban poor can access information and business support services as and when needed

Establishment of CLCs

NORMS:

City Population	No. of CLCs / City
1-3 lakh	1
DHQs less than 1 lakh	1
3-5 lakh	2
5-10 lakh	3
10 lakh+	8

- ULB has primary responsibility for establishment, running and reviewing the performance of CLCs
- ULB will allocate space / premises for establishing the CLC
- CLC should be centrally and conveniently located in the city, with easy access for the urban poor
- If space is not readily available, CLCs should hire space
- ULB may outsource the functioning of CLCs to a CBO (e.g. CLF) or any other organization / agency, if needed



Process for establishment of CLCs

- **Preparation of CLC proposal (including action plan):**
 - ULB will prepare the CLC proposal and submit to SULM for approval (Annexure VII of guidelines)
 - A letter of allotment of building premises (owned / rental) from ULB should be attached to the proposal
 - Proposal must detail the business model and services that CLCs will offer
- **Approval of proposal by SULM:** SULM will scrutinise the proposal and accord sanction or rejection of the proposal
- **Publicity and awareness campaign:**
 - On approval, ULB will organise a campaign in the CLC area to create awareness among the urban poor and other residents
 - Pamphlets, local radio / TV / Newspaper ads, announcements, posters, banners, wall writings
- **Establishment of infrastructure**
 - Requisite infrastructure should be placed at the CLC (chairs, computers, phones, tables, racks, etc.)
 - Suggested space: 1,000 sq. ft. with two rooms and a wash room
- **Recruitment of staff**
 - Initially a staff of 1-2 persons may be recruited
 - In case of CBO/Organisation/Agency, the agency will hire the requisite staff



Funding CLCs under NULM

Norms

- Each CLC will be provided a grant of Rs. 10 lakh as untied funds
- The amount will be released in 3 installments
- Central share of CLC funding should not be used for construction or renovation of physical infrastructure
- CLCs may be registered under a suitable act applicable in the states. ULBs to ensure that CLCs are registered

Milestones

Instal lment	% release	Milestone
1	30%	To be released within 1 week of proposal approval and sanction order
2	40%	Once staff is recruited as per the action plan
3	30%	CLC is launched and services are rolled out as per the action plan



CLC Services (indicative list)

Fee-based services

- Information on market demand and strategy
- Sales / marketing outlets
- Registration, licensing, accounting and legal services for micro-enterprises
- Placement services

Other Services

- Bidding / contracts for citizen services
- Placement fee from industries / companies or industry association
- Training venue
- Creche services
- Collaboration with UID for issuance of Aadhar Card
- Facility to government departments, banks, insurance agencies and other organisations to communicate with the urban poor

NULM Component 1.5

TRAINING FOR COMMUNITY INSTITUTIONS, SHGs AND THEIR FEDERATIONS





Capacity Building Support for SHGs and their Federations

- **Funding:**
 - SHG Members: from the amount sanctioned to Ros
 - ALF & CLF members: additional amount of Rs. 7,500 per trainee
- **Basic objective:** equip the community with requisite skills to build, manage and sustain their institutions
- **CB strategy to include:**
 - Exposure visits to model institutions
 - Developing master CRPs and using them for training community members
- **Minimum training set to include:**
 - Functioning and management of SHGs
 - Bank linkages
 - Book-keeping and accountancy
 - Micro-planning
- **CB inputs from:** CRPs, professionals, civil society organisations, resource agencies with domain expertise and experience



Actionable points for UP & Uttarakhand up to 31st March 2014

N o.	Milestones	Details
1	Selection of ROs state ULBs	<ul style="list-style-type: none"> • Preparation of RfP and TOR for selection of ROs • Advertisement for RfP • Scrutiny of proposals • Selection of ROs • Orientation of selected ROs
2	City-wise phased plan of SHG formation to include	<ul style="list-style-type: none"> • Identification of existing SJSRY Thrift & Credit Groups (SHGs) for revolving fund • Identify SHG Federations (NHCs / CDS') for transition to ALF/ CLF under NULM • Identification of 'areas (Ex: (ward/sub-ward/slum levels)' where ROs must concentrate i.e. need of SHG formation is felt and where ROs will function to form SHGs and federations • Assignment of 'areas' and targets to ROs • Initiating the process of new SHG formation
3	Finalise process of transfer of RF to SHGs and official communication to all functionaries	
4	ULB-wise / bank-wise target-setting and distribution in consultation with SLBCs	<ul style="list-style-type: none"> • No. of financial Literacy camps • No. of Basic Savings Bank Deposit A/c opened for urban poor • No. of urban poor linked to Insurance schemes identified by state
5	City Livelihood Centres	<ul style="list-style-type: none"> • Identify ULBs where CLCs will be initiated in 2013-14 • Allocation of space for the identified CLCs

Government of India

Ministry of Housing & Urban Poverty Alleviation

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THANK YOU

