

## **FINANCING TO SELF HELP GROUPS (SHGs)**

### **OBJECTIVES:**

a) To evolve supplementary credit strategies for meeting the credit needs of the poor by combining the flexibility, sensitivity and responsiveness of the informal credit system with the strength of technical and administrative capabilities and financial resources of the formal credit institutions.

b) To build mutual trust and confidence between bankers and the rural poor. To encourage banking activity, both on the thrift as well as credit sides, in a segment of the population that the formal financial institutions usually find difficult to cover.

**SIZE OF GROUP:** The group could consist of 10-20 members.

### **QUANTUM OF CREDIT:**

The quantum of credit given should be in proportion to the savings mobilized by the group. The proportion of savings to loan could vary from 1:1 to 1:4 depending upon the assessment of the SHG by the branch.

Financing to SHGs upto 10 times of their savings can be provided in 3 stages as follows:

<b>FIRST STAGE</b>	After six months of formation of Group	1:4
<b>SECOND STAGE</b>	Completion of 1 year from the date of first financing	1:7
<b>THIRD STAGE</b>	Completion of 1 year from the date of second financing	1:10