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Office Order

The project has been instrumental in enhancing the activities of the community institutions through the process of capacity building. This capacity building process is further complemented by ensuring flow of fund from project and mainstream financial institutions, i.e, Banks. The capacity building process complemented with capitalization of community institutions helps in bringing better dynamism within the institution. The enhanced dynamism plays a critical role in further strengthening the community institutions as far as its functioning and management is concerned.


The fund available with the project for the community institutions is known as **CIF (Community Investment Fund)**. The 1st tranche of the CIF is classified as **Initial Capitalization Fund (ICF)**. At present, the maximum limit of ICF to be provided to community institutions has been kept at ₹ 50, 000/SHG (**Rupees Fifty Thousand per SHG**). This can be provided to those groups which have been following the principle of “**Panchasutra**” both in letter and spirit. Such groups also go through the process of Micro Planning. This planning is basically done to keep stock of the resources available and the need for mobilizing further resources from different stakeholders. Each of the BPIU is supposed to make due diligence before releasing CIF to community institutions. All the BPIUs have been following the system in uniform way. Now the time has come when qualitative and quantitative indicators are monitored periodically to ensure better performance at the community institution level over a period of time. To ensure the same, it is important that the fund flow to the community institutions is staggered in phases. This will ensure further participation from the community in terms of its constant performance. The decision has been taken to support direct participation of the community members in the management of fund being provided to their institution. The role of the Village Organizations in the management of the project fund (CIF) is to be further strengthened and streamlined. The Village Organizations shall further be capacitated to manage the financial portfolio and take a decision regarding the disbursement of fund to the SHG's at their level only. This shall bolster the position of the VO in the management of the SHG's. This shall also help in better assessment of the resources available at the village level. The higher level of

community institution at village level needs to be given more responsibilities to shoulder in terms of making assessment. This shall be possible only when the project fund is being made available to the community institutions in tranches rather than once at a time.

Thus a decision has been taken to disburse CIF in different tranches. The 1st tranche of CIF, i.e. ICF shall be limited to a provision of ₹ 20,000/SHG (Rupees Twenty Thousand per SHG). This shall be effective from **1st October, 2011**. All BPIU's are henceforth directed to sensitize community and its institutions on the same. Different BPIU's need to take following steps with regard to best utilization of CIF:

- A. All BPIU's to ensure that the limit of the first tranche of the Initial Capitalization Fund (ICF) per SHG for disbursement is ₹ 20,000 (Twenty Thousand Only). This shall be applicable to all groups which are receiving ICF after 1st October 2011.
- B. It has been observed that Village Organizations have adequate capital which is remaining unutilized at their end. Such village organizations seek further fund from the project to provide to their new groups which has not yet received ICF. In such situations, BPIU shall play a role in getting the Micro Planning of new groups approved from the Village Organization itself. At the same time, those groups shall be provided ICF from the Idle fund itself which is existing at VO level. This shall ensure better financial management and rotation of fund at VO level. BPIU's are directed to ensure the same before providing ICF to any group or village organization from BPIU. This is very important and shall be implemented with immediate effect.
- C. The attempt shall be made that all groups are provided with banking support immediately after 6 months of formation. Due preparations for the same need to be done in advance. All due diligence related to bank linkages process need to be put in place by the concerned BPIU so that the process of bank linkage is undertaken smoothly and within reasonable time frame.

It is to be ensured that the direction mentioned in the letter is implemented at the BPIU in the right earnest and within stipulated time frames. BPIUs/ DPCUs have to ensure that the guidelines are implemented in proper way.


(Arvind Kumar Chaudhary)
Chief Executive Officer

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1. OSD/CFO/AO/FO/PS/PO.
2. All SPMs/PMs/DPMs.
3. All TMs/TOs/BPMs/Thematic Managers.
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