

# **GUIDELINES ON THE FORMATION OF SELF HELP GROUPS**

## **FOR FAMILIES OF WORKING CHILDREN**

International Labour Organisation

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## **Introduction**

Economic insecurity and indebtedness are two of the major causes of child labour in Cambodia. Families that struggle day by day to make ends meet are often forced to take their children out of school and make them work to supplement family income. Children who spend their childhood on rubber plantations, in brick or salt making factories, as fishermen or porters, on their turn miss the chance to build a better future.

Microfinance can help families to generate sufficient income to send their children to school rather than work. Microfinance institutions can support poor people in managing their savings. They offer loans to poor people either for business purposes or to deal with financial emergencies caused by illness, accidents, funerals or otherwise. The vast majority of families of child workers, however, doesn't have access to the services of microfinance institutions. They don't meet the requirements, or are excluded from loan groups, because they don't have collateral, because they are indebted or because they are no permanent residents in the place of work.

Self Help Groups are an alternative. They are a vehicle for very poor people to build up some savings. Through mutual support, they can provide members with small loans for business purposes or in times of financial stress. They can be a forceful tool against indebtedness, and can prepare people to become clients of microfinance institutions at a later stage. Since Self Help Groups deal with the savings of poor people, they need to be designed and managed properly.

These guidelines on the formation of Self Help Groups explain what Self Help Groups are, and how they can be promoted. They give guidance on how to organise the groups, how to set up the administrative procedures and how to decide on the internal regulations.

These guidelines were developed by the ILO Subregional Office for East Asia for use by the Project on “Women’s Entrepreneurship Development and Gender Equality” and the ILO “Time Bound Programme on the Elimination of the Worst Forms of Child Labour” in Cambodia.

## **1. The basics of Self Help Groups**

Self Help Groups are groups of 10 to 20 women or men who want to improve their living conditions by setting up their own savings and loan fund.

The fund is owned by the group and consists of the savings of the members. The fund is used to make short-term loans with interest to members. The profit of the fund (i.e. the interest on loans plus fines) is divided to the members of the group at the end of the year.

The group comes together every week to collect savings and to give out loans. The members of the group choose where the meetings are held. The important thing is that the location is big enough for all the members and quiet. The meetings should be short and at a convenient time for everyone.

The participation of all the members in the meeting is important. The attendance of all the members guarantees the correctness of the accounts and the success of the group.

The members of the group will elect a management committee of 5 members: a president, a person responsible for the savings administration, a person responsible for the loan administration, a person responsible for the cash book, and a controller.

The project will train the management committee in basic accounting:

- a book in which the weekly savings of all members are written down
- a book in which the loans and loan repayments are written down
- a cashbook in which the total amount of money in the fund is written down

Apart from this, all the members will have their individual savings and loan card.

It is the responsibility of all members:

- to deposit the same amount of savings every week
- to pay their loans plus interest back on time

If the members can not carry this responsibility, the group will not be successful. It is therefore important to select members who are reliable.

The group will make some decisions, which will be written down in the group regulation, such as:

- the amount of savings that all members will contribute every week
- the loan term
- the interest rate on loans
- the amount of fine for late repayment
- the amount of fine for non-attendance without good reason

The group will keep some cash at hand at all times for emergency loans. Emergency loans are loans that can be given any day of the week to group members who have a sick person or an accident in the family, and need money urgently. Emergency loans are free of interest.

At the end of the year, all of the loans need to be paid back. During the last meeting of the year, the members will receive their part of the profit. They can jointly decide:

- to keep the savings plus profit in the fund
- to keep the savings in the fund and take the profit home (recommended)
- to take the savings and profit home and start again

## **2. Guidance for executing agencies on the steps in creating Self Help Groups**

### **Week 1:**

Meet with the village authorities and explain them what Self Help Groups are. Mention that the groups will not receive any loans or grants from the project.

Mention that the Self Help Groups can best be composed of women. The reason is that women manage the household money in Cambodia. Because of this, they have more experience in managing money wisely.

Meet with the men of the target group and explain them what Self Help Groups are. Mention that for the success of the Self Help Groups, women need their husband's support and understanding.

Meet with the women of the target group and discuss:

- Objectives of Self Help Groups
- What a Self Help Group is
- Operating principles
- Weekly meetings
- Management Committee
- Regulations
- End of the year distribution of profit

Ask the women who are interested to form groups of 10 to 20 women. Tell the group that the next meeting will take place in a week time.

### **Week 2:**

Meet with the women who have decided to form a Self Help Group. If more than one Self Help Group will be created in the village, meet with each group individually.

Ask the women to repeat what they learnt last week and make sure that all the points mentioned a week ago are repeated and understood.

Explain that in this meeting the group will elect its management committee and decide on its internal regulation.

Explain the different positions in the management committee: what is the role and what is the desired profile of the president, the person responsible for the savings administration, the person responsible for the loan administration, the person responsible for the cash book, and the controller.

Support the group in electing their management committee by ballot.

Explain that the group will write its own regulation. Guide them through the example regulation and make them decide on

- the amount savings that the members will deposit every week
- the loan term
- the interest rate on loans
- the time and place of the weekly meeting

- fines on late repayment of loans
- fines on non-attendance (without good reason)

Tell the group that the next meeting will take place in a week time. Tell them that the first savings will be collected during next week's meeting. The first loans can be given out two weeks later.

### **Week 3:**

Before the meeting with the group, spend half a day with the members of the management committee to explain bookkeeping.

Help the president to facilitate the first group meeting.

Tell the group that they will have a similar meeting next week. Tell them that you will be back in two weeks, when the first loans will be extended.

### **Week 5:**

Before the meeting with the group, check last week's entries in the bookkeeping. Make sure the savings and loan administration and the cash book are in order. Make sure the group regulations were adhered to.

Help the president to facilitate the third group meeting, in which the first loans will be extended.

### **Follow-up**

After the initial support to the group, visit the group during meetings from time to time. Make sure that the bookkeeping is correct and up-to-date and that the members adhere to the regulation. Help them when they want to change their regulation, or with any problem that arises.

### **End of the year**

At the end of the year, help the group with the distribution of their profit. Propose to the group that the members take the profit home and keep their savings with the groups. Facilitate a discussion and respect the decision of the group. Provide the group with the bookkeeping materials for their second year.

### **3. The management committee**

#### **The president**

- Is the leader of the group
- Leads meetings
- Represents the group to outsiders
- Ensures that the regulation is respected
- Finds solutions to conflicts between the women

#### **Characteristics and qualities**

- A woman of strong character
- Present and visible in the community
- Capable of running a group
- Honest and intelligent
- Patient, available, dynamic

#### **The person responsible for the savings administration**

- Records the savings of each member in the savings book
- Records the savings of each member on the members' savings and loan cards
- Counts the total amount of savings received

#### **Characteristics and qualities**

- Capable of recording savings transactions
- Literate
- Reliable and intelligent

#### **The person responsible for the loan administration**

- Records the loans given in the loan book
- Records the loans and interest paid back in the loan book
- Records the loans given and paid back on the members' savings and loan cards

#### **Characteristics and qualities**

- Capable of recording loan transactions
- Literate
- Reliable and intelligent

#### **The person responsible for the cash book**

- Records the amount of savings collected in the cash book
- Records the amount of loans paid back in the cash book
- Records the amount of fees collected in the cash book
- Records the amount of loans given out in the cash book
- Calculates the balance of cash

### **Characteristics and qualities**

- Capable of recording transactions in the cash book
- Literate
- Reliable and intelligent

### **The controller**

- Counts the amount of cash at the beginning of the meeting
- Counts the amount of cash at the end of the meeting
- Checks whether the amount of cash written in the cash book is correct

### **Characteristics and qualities**

- Capable of checking the amount of cash
- Literate
- Reliable and intelligent

## **4. Conducting a meeting**

The management committee sits facing the other members, with three containers in front of them.

One container is for collecting savings.

One container is for collecting loans plus interest.

One container is for collecting fines.

### 1. Starting a meeting

The president asks if the women have any points to discuss after the savings and loan operations.

The president informs the other members of any emergency loans given out during the past week. She informs the members of the amount of cash in the cash box.

### 2. Savings

The person responsible for the savings administration asks each member, by number, to give their deposit. She counts each deposit, records it in the savings book and on the member's savings and loan card. She puts the deposits in the savings cup.

The person responsible for the savings administration counts the total deposits, informs the group, and gives the cup to the person responsible for the cash book. She counts the money, informs the group and notes the amount in the cashbook.

### 3. Reimbursements

The person responsible for the loan administration calls on the women who need to reimburse loans one by one. She counts the payments, records them in the loan book and on the members' savings and loan cards. She puts the reimbursements in the loan cup.

The person responsible for the loan administration counts the total amount of reimbursements, informs the group, and gives the cup to the person responsible for the cash book. She counts the money, informs the group and notes the amount in the cashbook.

### 4. Fines

The president announces any fines to be paid for late repayment or non-attendance (without good reason). The person responsible for the cash book collects the fines in the fines cup. She counts the amount, informs the group, and notes the amount in the cash book. She calculates the amount of cash and informs the group.

### 5. Loan disbursement

The president asks the women the amount they wish to borrow and calculates the total. She compares the total of loans requested with the total amount in the cash box. If the total loans requested are greater than the amount available in the cash box, she equitably reduces the loans so that everyone who requests a loan, gets a loan, unless they declare otherwise.

The person responsible for the cash book gives the total amount of loans requested to the person responsible for the loan administration. She writes the total amount of loans disbursed in the cash book. She calculates the amount of cash available and checks that it is the same as the amount of cash left in the cash box.

The person responsible for the loan administration announces the name of each borrower and the amount borrowed. He gives the money to each borrower. She records the loans in the loan book and on the member cards.

The controller counts the amount of money left in the cash box and checks that it is the same as the amount recorded in the cash book.

## 6. Discussion

The president facilitates a discussion on the topics raised by the members. Afterwards, she closes the meeting.

## **5. Example of internal regulation**

**Village:** .....

**Group:** .....

**Starting date:** .....

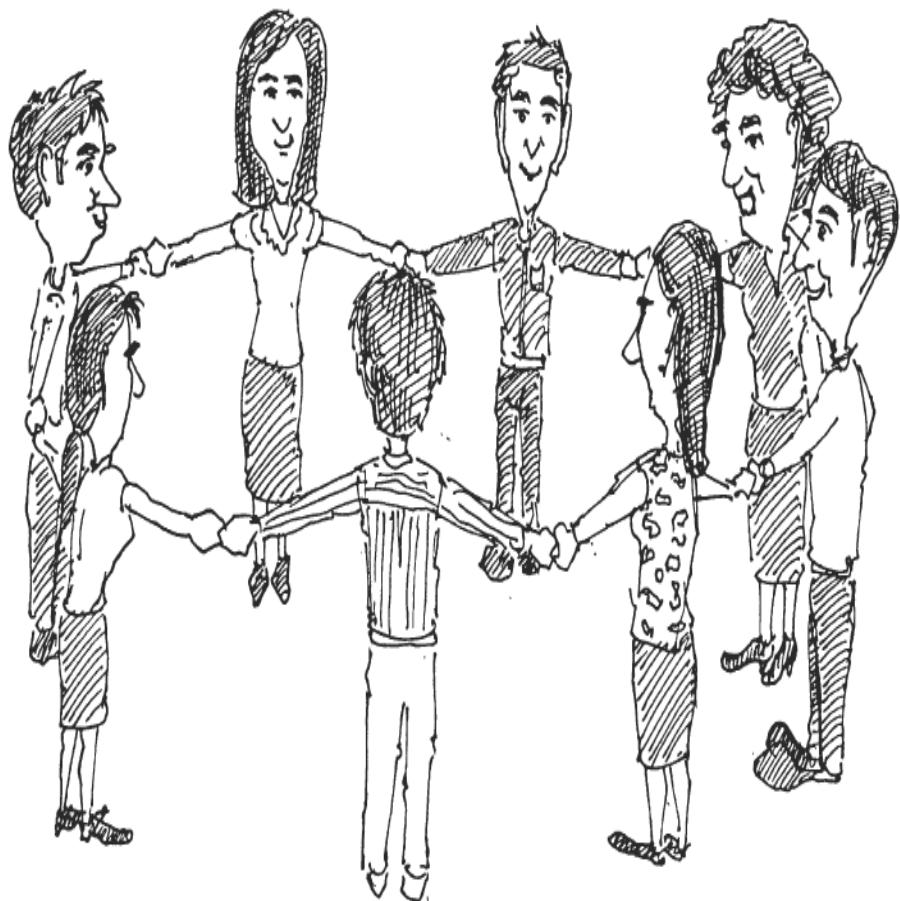
- 1) To be a member you must live in the village.
- 2) The group meets on Monday morning at 8 AM in the temple.
- 3) The members deposit 2,000 riel per week.
- 4) The management committee is elected by ballot at the end of each year.
- 5) You must be a member and present at all weekly meetings to be able to request a loan.
- 6) The loan term is six weeks.
- 7) The interest rate over six week is 5% of the principal.
- 8) The fine on late repayment is 2% of the principal per week.
- 9) Members can apply for emergency loans in case of health problems, accidents or death in the family.
- 10) The interest rate on emergency loans is 0%.
- 11) The term of emergency loans is six weeks.
- 12) The fine on late repayment of emergency loans is 2% per week.
- 13) The fine for coming late to the meetings is 500 riel.
- 14) The fine for unjustified absence is 1,000 riel.
- 15) The fine for losing the member card is 1,000 riel.
- 16) In case the member moves from the village, she will receive the amount of savings she has contributed plus her portion of the interest and fines the group has collected.
- 17) In case the member wants to give up her membership but stays in the village, she must wait until the group divides the profit at the end of the year.
- 18) In case of the death of a member, loans must be paid back by the deceased member's family. All other amounts (savings and shares of interest and fines) will be paid to the family of the deceased member.

## Annex 1: Pictures for use in promotional activities

### The purpose of savings

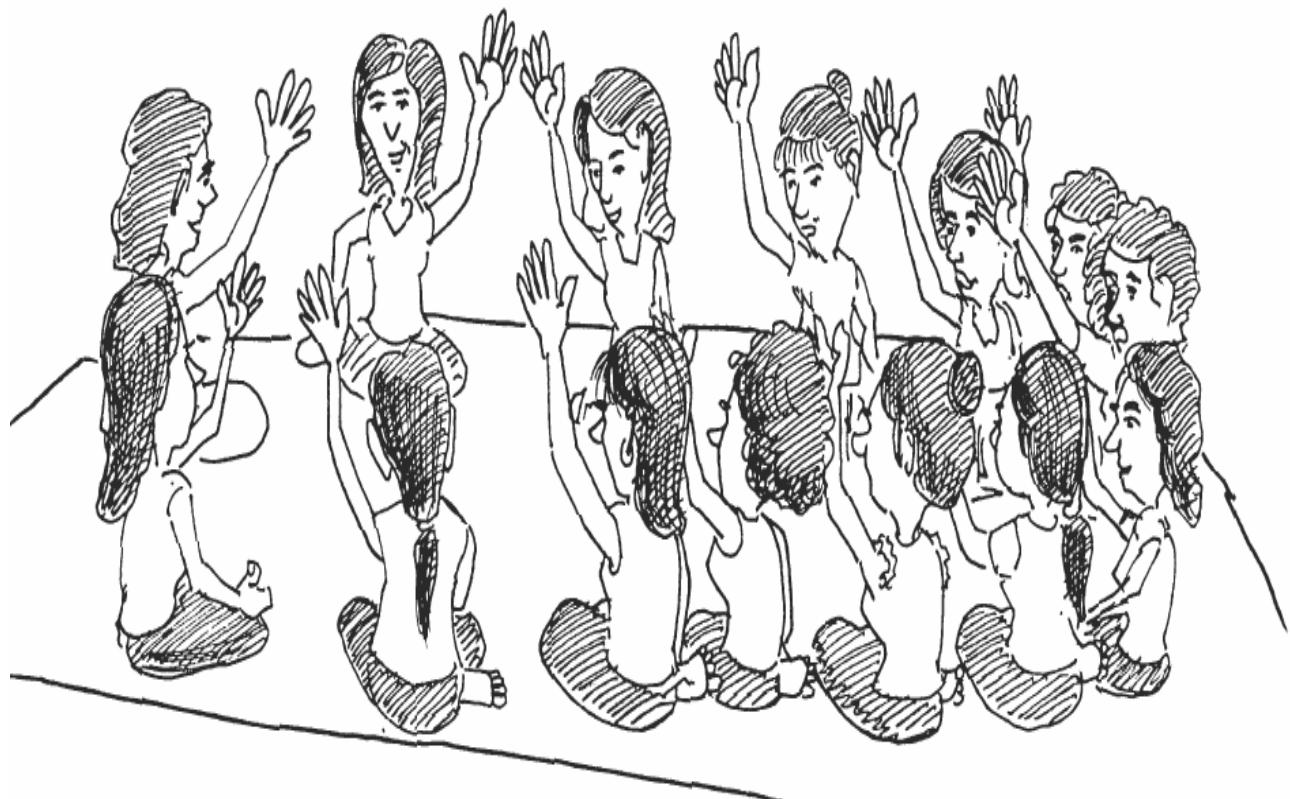


## The spirit of Self Help Groups

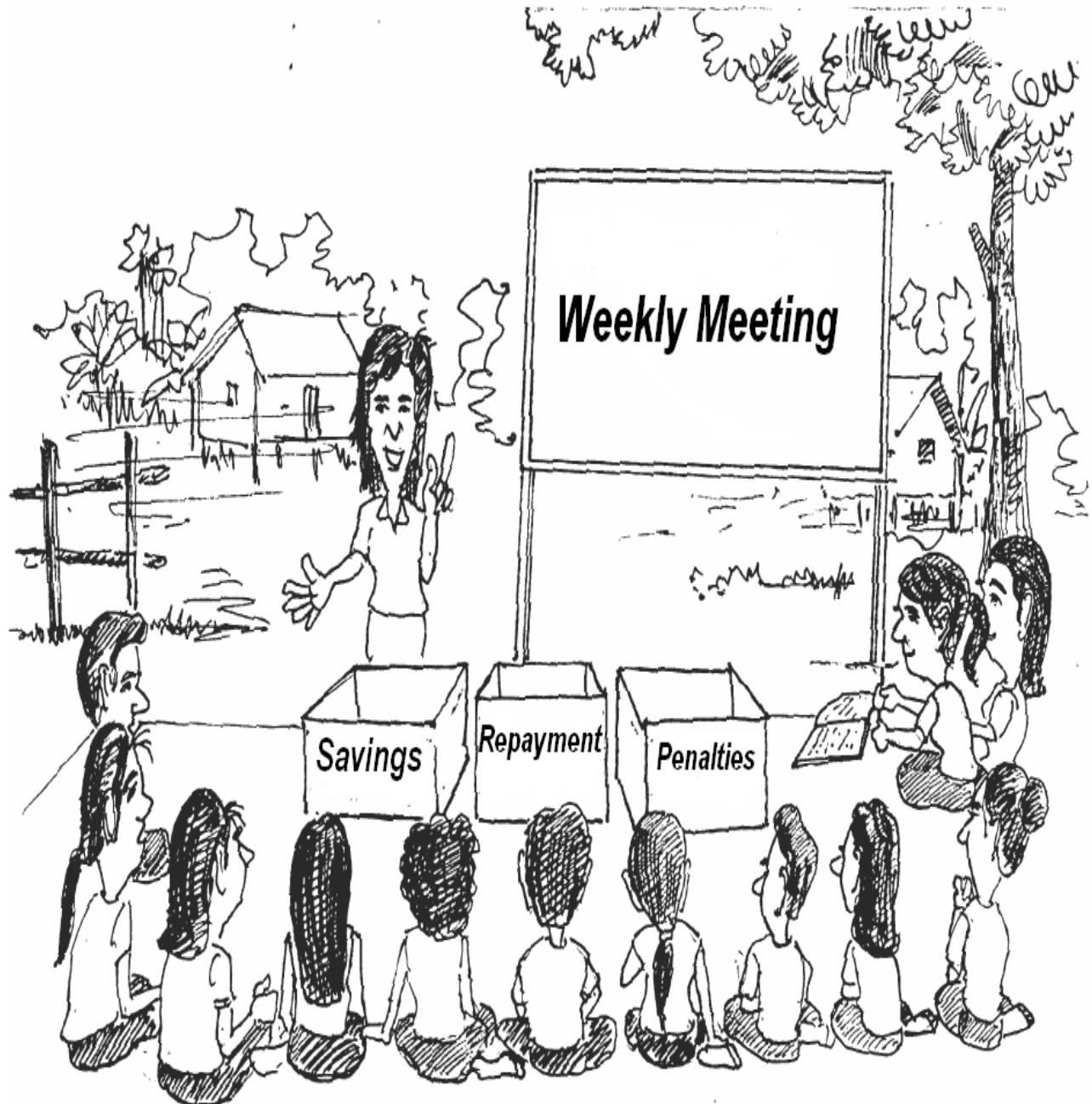


## The principals of Self Help Groups

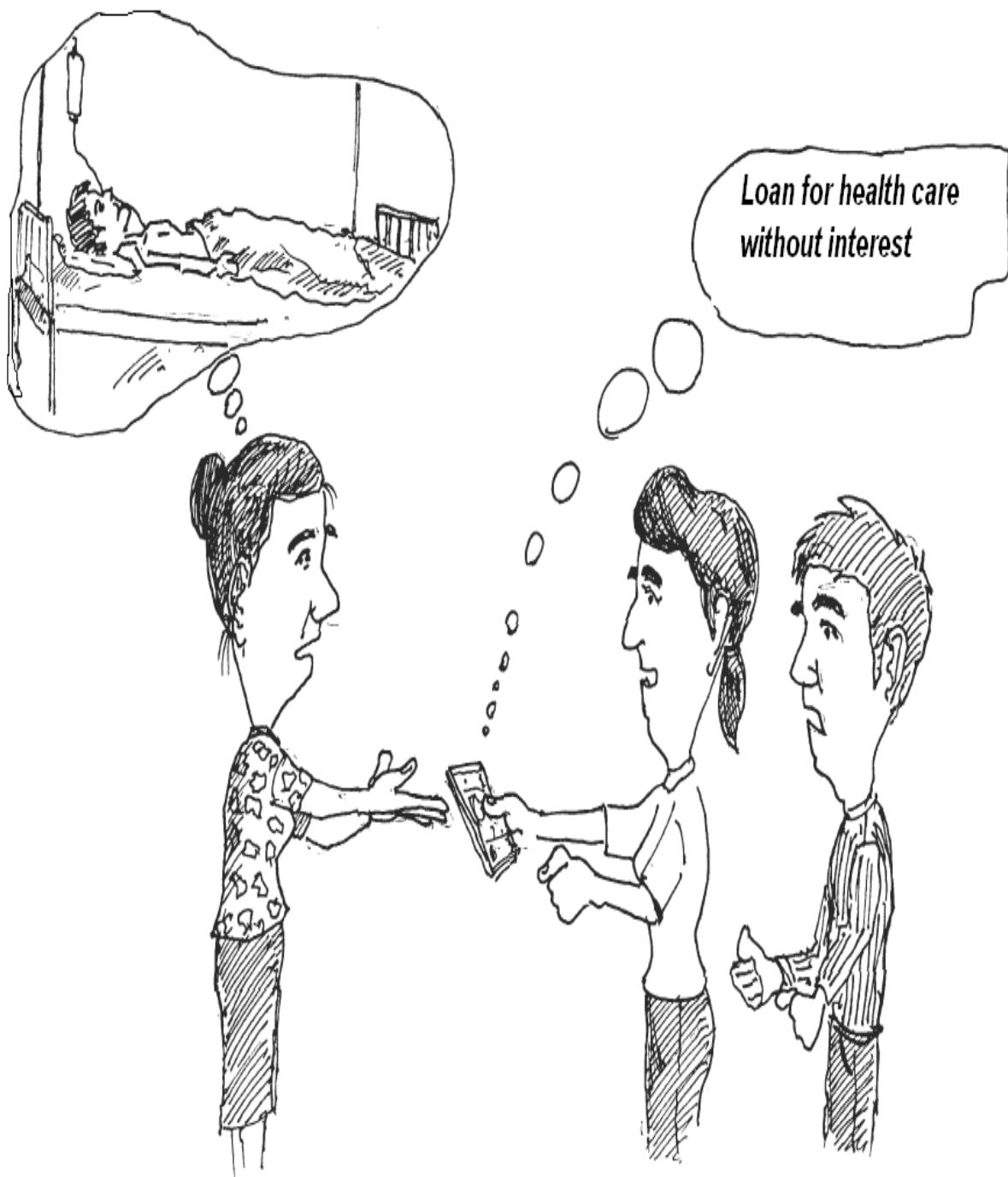
- We agreed that we will save every week.
- Our loan term is 6 weeks



## The Self Help Group's meeting



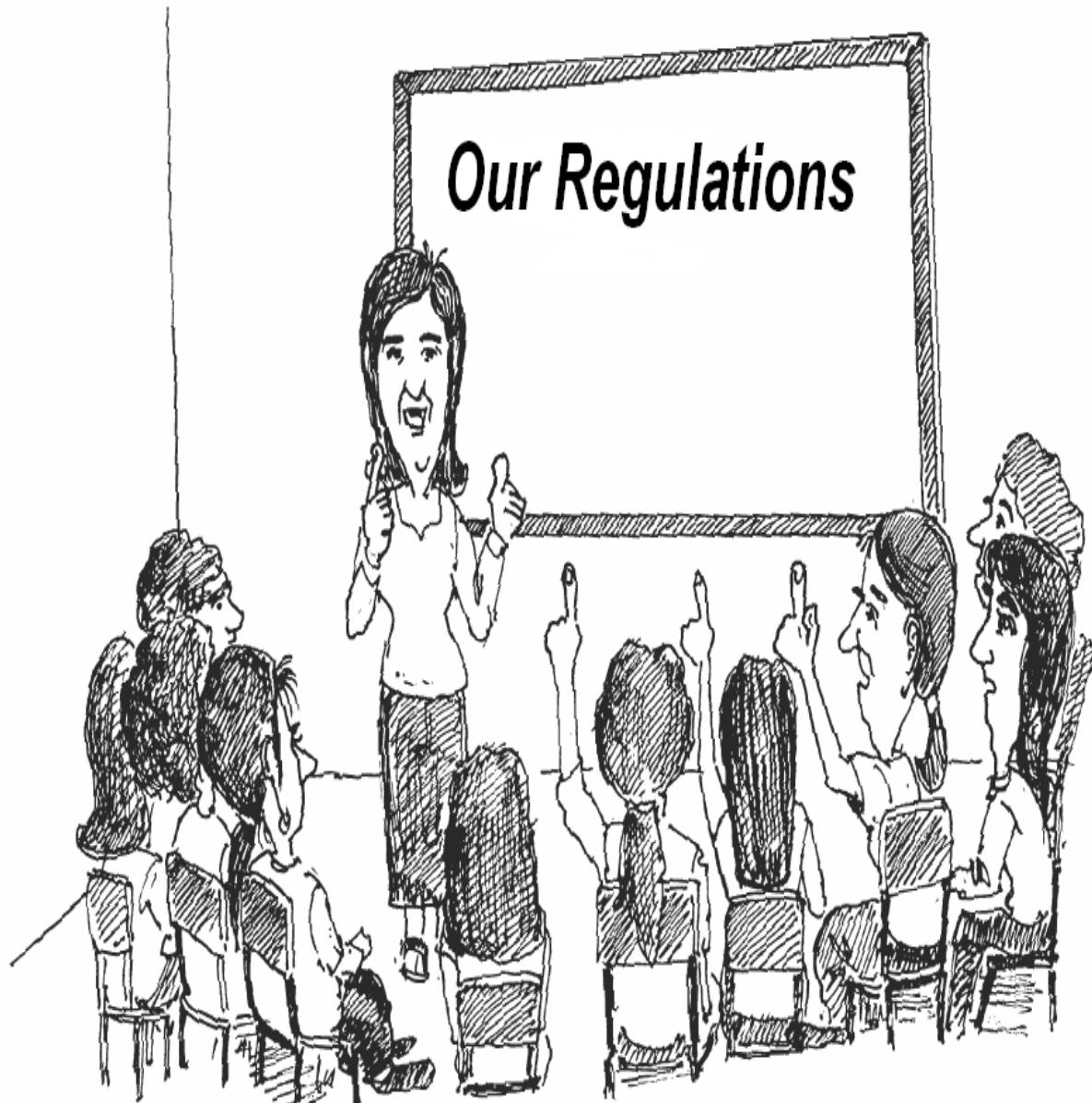
## Loans for emergencies without interest



## The election of the Self Help Group Committee

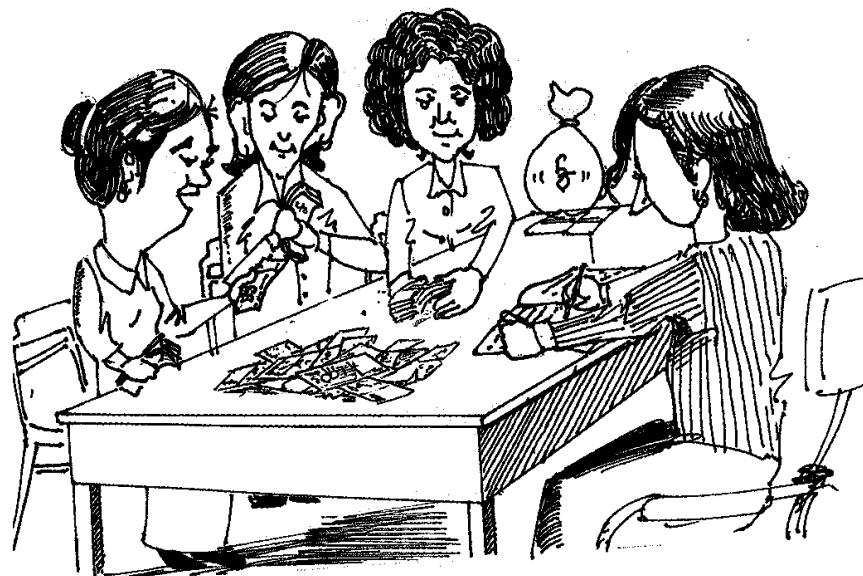


## Deciding on the internal regulations



## **Annex 2: Example Savings Book**

(The savings book is best printed on A3 paper. It has only 4 pages with 13 weeks on each page.)



### **SAVINGS ADMINISTRATION:**

GROUP: .....

VILLAGE: .....

STARTING DATE: .....



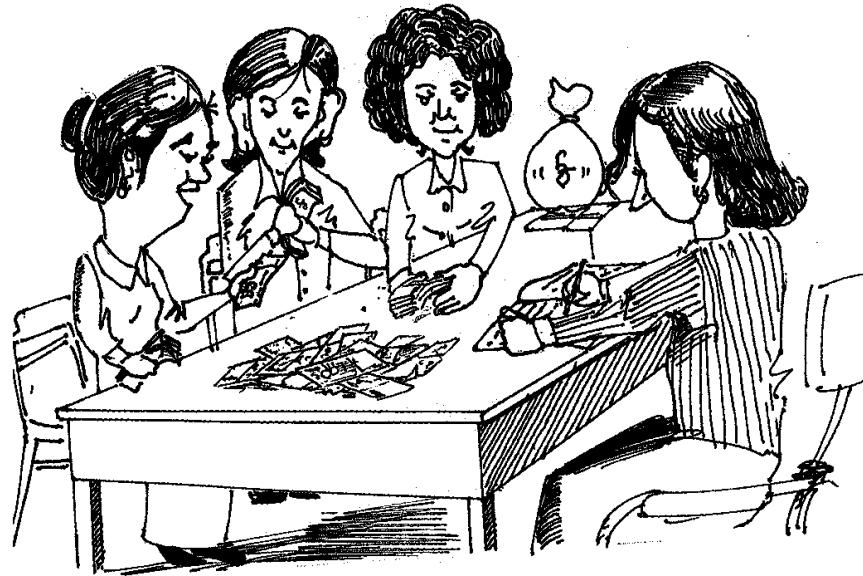






### **Annex 3: Example Loan Book**

(The loan book is best printed on A3 paper. It has 20 pages which are all identical)



#### **LOAN ADMINISTRATION:**

GROUP: .....

VILLAGE: .....

STARTING DATE: .....



#### **Annex 4: Example individual savings and loan card**

(The loan cards are best printed on A4 cartons. They have the savings administration on the front side and the loan administration on the back side)

**Savings Group:** .....

**Village:** .....

**Number:** ..... **Name:** .....

**Last year's balance:** ..... **Weekly savings:** .....

Week	Amount	Week	Amount	Week	Amount	Week	Amount
1		14		27		40	
2		15		28		41	
3		16		29		42	
4		17		30		43	
5		18		31		44	
6		19		32		45	
7		20		33		46	
8		21		34		47	
9		22		35		48	
10		23		36		49	
11		24		37		50	
12		25		38		51	
13		26		39		52	

## **Loans**

Loan taken on week no.: ..... Amount: ..... Interest: ..... Repayment week no: .....

Loan taken on week no.: ..... Amount: ..... Interest: ..... Repayment week no: .....

Loan taken on week no.: ..... Amount: ..... Interest: ..... Repayment week no: .....

Loan taken on week no.: ..... Amount: ..... Interest: ..... Repayment week no: .....

Loan taken on week no.: ..... Amount: ..... Interest: ..... Repayment week no: .....

Loan taken on week no.: ..... Amount: ..... Interest: ..... Repayment week no: .....

Loan taken on week no.: ..... Amount: ..... Interest: ..... Repayment week no: .....

Loan taken on week no.: ..... Amount: ..... Interest: ..... Repayment week no: .....

Loan taken on week no.: ..... Amount: ..... Interest: ..... Repayment week no: .....

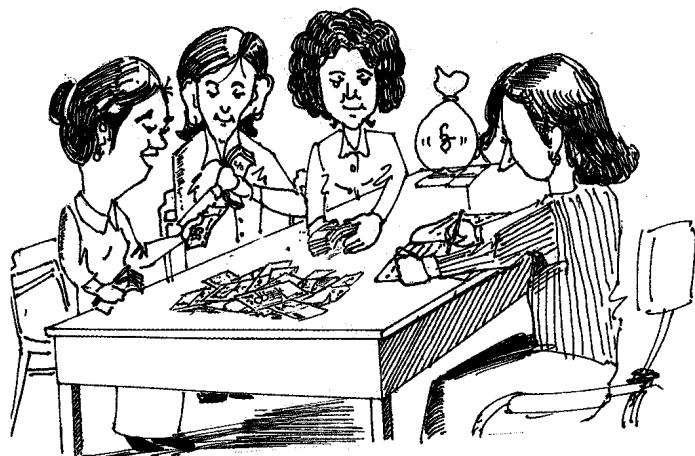
Loan taken on week no.: ..... Amount: ..... Interest: ..... Repayment week no: .....

Loan taken on week no.: ..... Amount: ..... Interest: ..... Repayment week no: .....

Loan taken on week no.: ..... Amount: ..... Interest: ..... Repayment week no: .....

## **Annex 5: Example cash book**

(The cash book is best printed on A4 paper with 52 identical pages)



### **CASH BOOK:**

GROUP: .....

VILLAGE: .....

STARTING DATE: .....

**Week no:** .....

<b>Last week balance:</b>	
<b>Savings:</b>	
<b>Loan repayments:</b>	
<b>Fees:</b>	
<b>Total:</b>	
<b>Loans given:</b>	
<b>This week balance:</b>	

**Emergency loans given:**

Name: ..... Name: .....

Date: ..... Date: .....

Objective: ..... Objective: .....

Amount: ..... Amount: .....