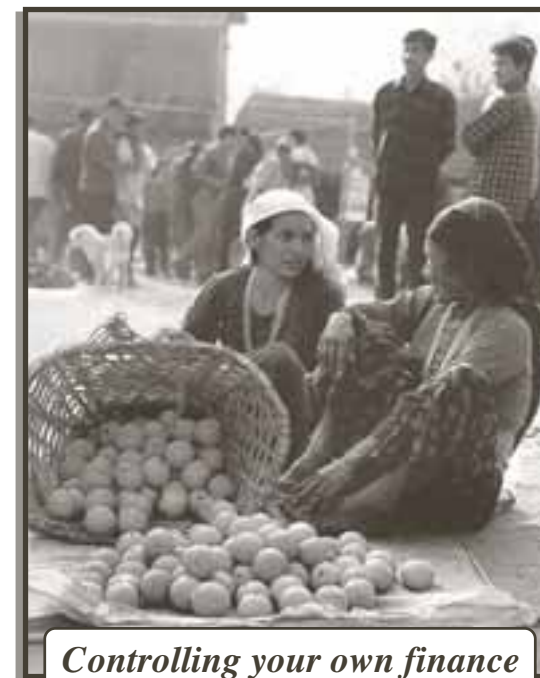




# What is a Community Fund ?

A Community Fund can be started by village men and women agreeing to make a group, and collecting money from all the members of the group according to their capacity. When the group has an objective of making loans and charging interest as needed from this fund, this is usually called a savings and loans group. These groups can be made up



*Controlling your own finance*

of men and women, some are made up of women only. The members of the group discuss and decide on when to meet and how much money to collect. Usually they meet once a month, on the first Saturday, or any other day they decide on. Everyone agrees to pay an equal amount, which can increase over time. Members can then take a loan according to their needs. A rate of interest is payable on the loan, which increases the fund. This has proved to be very successful in allowing communities to control and improve their own local economy.

# Why make a Community Fund ?

- protection from the high interest rates of merchants
- to have access to funds at times of emergency
- to be able to pay for family commitments, such as weddings, school fees, funerals, etc.
- to be able to take loans easily whenever needed
- so that marginal families with minimum incomes can get access to credit and cash
- to make managing the household's finances easier



Discussing the business of the Community Fund



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# How to make a Community Fund ?

In this chapter, first we'll look at selecting the group and how it manages itself. Then we'll look at examples of simple ways of keeping and managing accounts. Finally, we'll briefly look at some good ways of investing the fund, and see case studies of successful women's groups and their funds.

## Where does savings money come from ?

- from a certain percentage of income taken at the start, before any spending (produce, save, and then spend)
- from increasing the fund by income-earning work
- from giving up being lazy and improving work habits
- reducing unnecessary expenses
- reducing consumption of damaging items such as alcohol and cigarettes
- from community or social work, such as festivals, cultural programmes, bulk buying and marketing, etc.

## Materials Needed to make a Community Fund

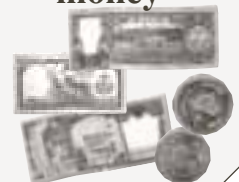


"piggy bank"



trusting friends

money



## How to start a group

The various responsibilities of the group should be divided up, so that savings and credit groups can manage themselves effectively. Not everyone has the same skills, and it should be decided and agreed who is best to do which job.



## Things to consider when selecting members

### Group leader (Chairperson)

- able to lead the group
- able to manage the group successfully
- able to listen, and understand inputs from the group
- able to explain about the group and how it works to other people and groups.

### Treasurer

- able to read and write
- able to keep accounts

### Secretary

- able to read and write
- able to explain about the group to others
- able to network with other groups

## Choosing the group's leaders

The group chooses the chairperson, treasurer and secretary by consensus, election, or by whatever method is appropriate. For example, here are 2 methods of selecting the posts



### Method 1

The group selects people with the right qualities to play the leadership roles, who then state whether they wish to have the post. When there is consensus and everyone agrees, the posts are given.

### Method 2

A selection of suitable candidates are presented or present themselves. There is a vote, and whoever gets the most votes gets the post.

## How to keep the group's accounts ?

The keeping of the group's accounts means the group can keep a record of funds saved, loans given and interest earned, so the total amount of the fund is always known. The treasurer has the responsibility to keep the accounts clear and transparent. On the following pages are samples of a group's accounts.

## Keeping the group's accounts

To keep accounts of the group's savings, the chairperson records the names and savings of the group members, with each signing their name against the account. Everybody watches as accounts are written, and the accounts are read out as well. Below is an example of the records kept.

### Month April Group Ledger

S. No:	Date	Name	Item	In- come	Loan taken	Loan left to repay	Amount in bank	Amount in Group	Signature
1.	1.4.01		Last month's items					200/-	
2.	1.4.01	Dhanmaya	April's saving	10/-				210/-	
3.	1.4.01	Sunmaya	April's saving	10/-				220/-	
<p><b>note :</b> due to lack of space not all accounts are written. After Dhanmaya and Sunmaya there are another 12 members whose savings are not shown, but the method is the same.</p>									
15.	1.4.01	Sita	April's saving					340/-	
<p>Here, the accounts of members <b>16 to 20</b> are not shown</p>									
21.	1.4.01	Phulmaya	April's saving					400/-	

Phulmaya is the Treasurer

## Savings and loans pass book

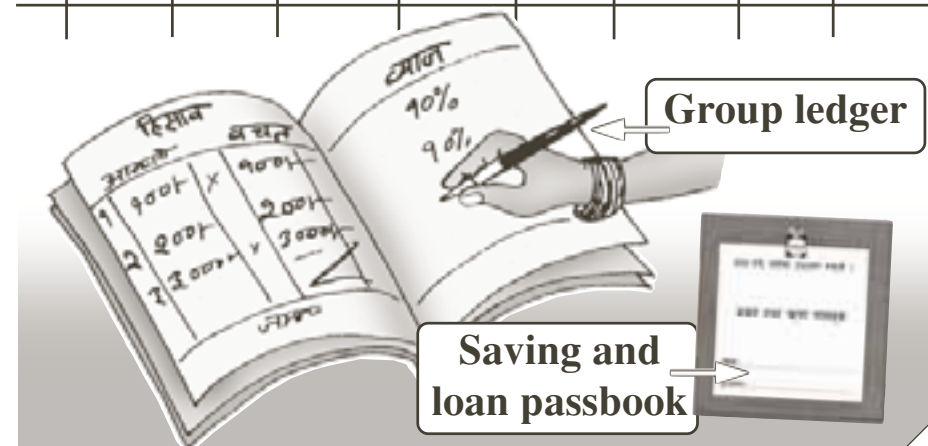
It's best to have a pass book for each member of the group. This can be copied from any other group or organisation who are keeping similar accounts. An example of the way accounts can be kept of savings and loans is given below.

### Savings Passbook

S. No:	Date	Item	Savings deposited	Loan taken	Total Savings	Signature
1.	1.4.01	April	10/-	-	10/-	
2.	1.5.01	May	10/-	-	20/-	
3.	1.6.01	June	10/-	-	30/-	

### Loans Passbook

S. No:	Date	Item	Loan taken	Interest to pay	Paid back		Left to pay	Signature
					Loan	Interest		
1.	1.4.01	April	180/-	9/-				





## Providing loans from the fund

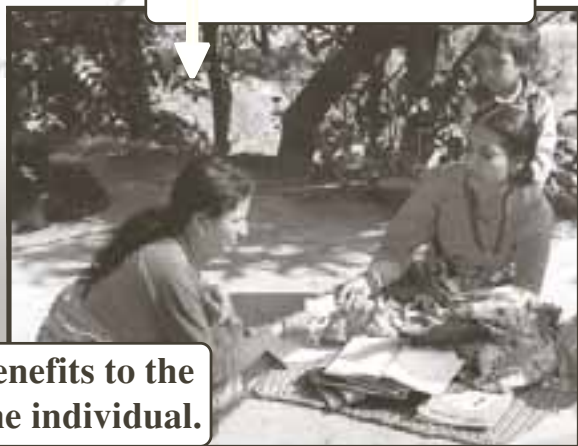
- Decide what type of work loans can be given for.
- Decide the amount of interest to charge, depending on the type of loan.
- Decide how and when the loan will be repaid.
- Prioritise which types of loan are available.
- Discuss and decide regularly how to keep the group and its finances running well.

## Coordinating the group's activities

1. The group meets regularly to make decisions.
2. Work is divided among the group.
3. Bylaws are made :-
  - how much to save ? (per member)
  - when to save it ? (monthly, etc.)
 All decisions are recorded.



Usually, the group members will meet once a month.



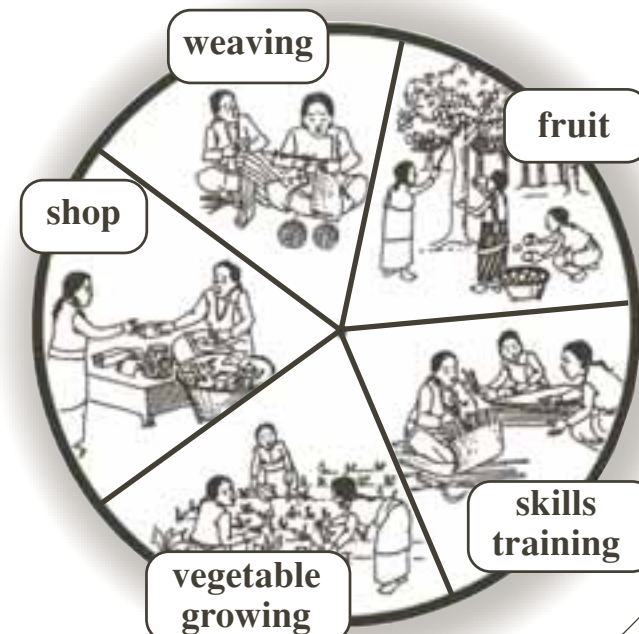
There are benefits to the group and the individual.

4. Managing the fund's ledger :
  - How much does each member have?
  - How much loan have they taken?
  - How much is kept in the bank ?
5. Keeping the savings :
  - Hold formal meetings;
  - Provide details of accounts to the group.
6. Agree interest rates :
  - How much interest is charged on different types of loan ?
7. When will loan repayment start ?
  - How will the loan be paid off ?
  - When will the loan be paid off ?



By using the loan to start a business, the local economy benefits, while loan repayment also increases the fund.

8. Plan for the future. Discuss how to get access to relevant techniques and resources to make programmes connected to areas of health, education, farming, etc.



## Joining in community work related to the fund

Why should an active and well run savings group only manage a fund ? They can also be involved in community work such as maintaining paths, drinking water systems and plantations.



Women's ability and awareness increases. They can participate in making decisions about various community issues along with the men.



## A success story of a community fund

In 1994 in Gauripara village in Bardiya district, of Western Nepal, the women started a savings and credit group. At first the members raised 5 rupees a month and invested this in various activities. They grew a potato crop, and raised pigs successfully. Then they rented some land and grew rice, which also produced well. Now they have started to build a community hall, and plan to open a community shop. Even though they invested this much, as of 2000 they still had over 50,000/- rupees left in the fund. Now this active and successful group also advises and teaches other groups.



## Farmers' Experience

### Mrs Purnakala Gharti

From Nepal, Surkhet district, Gumi - 5, and chairperson of "Protect the Forest" women's group, Mrs Purnakala Gharti has experience in running her local group's community fund. Now let's read about what she says.



*Mrs Purnakala Gharti*

“ We learned how to form the group from the Homestead Programme (JPP). First all the members raised 4 kg each of grain, then on the first of every month we meet and each pay 10 rupees into the savings. We give loans if someone has sickness, or runs out of food, and the loan is collected with a small interest. Up until May the interest was 2 rupees per hundred. Since May it's now one and a half rupees per hundred. At the moment we have 500 rupees in the fund, and 7000 rupees is out in loans. This has made things very easy for us. There's no need to take loans from the merchants, who charge interest at least 5 rupees per hundred. For one thing, we don't have to go searching for a loan, and we can use our fund. For another, when we pay the interest, it increases our own fund. ”

