

Village Savings and Loan Associations (VSLAs)



Programme Guide

Field Operations Manual

Version 3.1

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Foreword

Why are VSLAs needed?

While many banks and MFIs provide valuable services to the poor in the developing world, they are most successful in economically dynamic urban areas, where investment opportunities abound; the borrowing requirements of small-scale enterprises are high; income streams are regular and diverse and the cost of reaching clients is low. But 30 years since the start of the microfinance revolution, people who live in many rural areas and urban slums, and in particular those who are very poor, have a difficult time gaining access to useful microfinance products. Surprisingly, this is often the case in countries with a well developed microfinance sector, a fact that is becoming increasingly evident as the industry matures.

Even large-scale microfinance Institutions (MFIs) that are licensed to mobilise savings struggle to provide products that suit the small capital requirements and irregular incomes of their poorest clients, many of whom may borrow from informal sources to support their repayment obligations. They face a high risk of indebtedness if investments or income sources fail them and, to reduce their risk exposure, may only save the minimum necessary to access loans. Thus, MFIs are best configured to serve growth-oriented entrepreneurs, whose income is diverse and reliable; who work full-time in their businesses and who need access to large pools of capital to satisfy their demand for loans. People of this type are usually economically secure and for the most part live in densely populated areas, served by active markets that are deeply integrated into the national economy.

Village Savings and Loan Associations (VSLAs), based in the community, are *complementary* to MFIs, tending to serve the very poor whose income is irregular and less reliable and who may not be full-time business people. Their principal need is for services that help them manage their household cash-flow and provide useful lump sums for life-cycle events – which may or may not include income generation. These people are more likely to be economically vulnerable and, for the most part, they live in rural areas that are served only intermittently by local markets, at the periphery of the national economy.

The two approaches are not an either-or proposition. MFIs intermediate large pools of capital and focus on credit to finance growth investments. Usually the savers and borrowers do not know each other and may be drawn from an extensive geographical area. To cover its expenses, the MFI will try to lower unit costs for the delivery of services, minimising the number of small loans and the expensive administration of a large number of small deposits and withdrawals: over time its average loan size will tend to get bigger. VSLAs, on the other hand, provide people, no matter how remote or poor, with a means to intermediate small amounts of local capital on flexible terms and to transact frequently at very low risk and negligible cost. Problems of sustainability, high transaction costs, unfamiliarity with institution staff and weak incentives to save are resolved.

But members of VSLAs can still be MFI clients and *vice versa*: choosing different services to satisfy different needs. It is not necessary that the one should try to emulate the other because, if a VSLA does so, it will likely abandon its original membership base.

Creating federations of VSLAs and creating linkages to MFIs and banks, is an area of growing interest in the microfinance community, especially in the light of Indian experience, where Self-help Groups (SHGs) provide more than 40 million people with community-managed access to savings and loan facilities, often augmented by capital supplied by banks and MFIs. While regarding these linkages as useful (and inevitable), we suggest a cautious approach, on terms that favour the VSLA and reduce the risks of over-borrowing, indebtedness and loss of autonomy. Creating such linkages needs to be based on demand and not just an ideological enthusiasm to deepen financial markets.

Changes to the methodology

The original VSL methodology, developed by MMD in Niger, has evolved throughout Africa and now in Asia, to allow variable savings, unlimited savings withdrawal, and loans with variable terms and fully flexible repayment conditions. This new version of the manual incorporates most of these innovations and offers two new developments, designed to improve VSLA applicability where literacy rates are low and incomes are irregular. We have:

- *Eliminated record-keeping ledgers.* This is appropriate to all Associations and in all circumstances. We propose a method where transactions are observed (not recorded in a ledger) and savings and loan obligations are tracked in individual passbooks. Ending cash balances are tracked through memorisation and simple notes. This means that the least literate member of the Association has full information about their savings and loan status and the disposition of the Association's assets. We no longer provide a backup written record-keeping system, because the evidence is now compelling that it adds no value.
- *Developed a way of saving in between meetings.* Slot-savings, deposited in exchange for tokens, can now be made outside meetings. Tokens can be exchanged for shares or withdrawn in cash at the next meeting to meet personal needs. This has been successfully tested in Bangladesh and has now been introduced in Benin, Ghana, Niger, Togo and Uganda.

These two developments offer a better adapted system for remote, low income areas. The elimination of ledgers reduces complexity and improves transparency, while daily slot savings makes it possible to reduce the frequency of meetings and increase savings rates.

The Programme Guide is based on previous versions, which have been developed over 16 years, through collaboration with a number of agencies (principally CARE USA, CLP, CRS, Oxfam America and Plan). The authors take responsibility for the content, but would like to note that the VSL approach is the result of the efforts of many other organisations, programmes and individuals.

French, Portuguese and Spanish language manuals

French, Portuguese and Spanish versions of the manual and Version 1.16 of the MIS are now available for free downloading at the VSL Associates Ltd. Website (www.vsla.net). The MIS can be switched between English, French, Portuguese and Spanish and provides the opportunity to enter a user-defined language.

Hugh Allen Solingen, Germany
Mark Staehle Bogra, Bangladesh

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Acknowledgements

This Programme Guide has been developed over 15 years through close collaboration with a number of individuals and agencies. These are:

Moira Eknes of CARE Norge, who developed the original methodology in 1991, in CARE Niger's Mata Masu Dubara (MMD) project. Her vision and persistence have been vindicated by the extraordinary success of the model throughout Africa, and now worldwide.

Réki Moussa of CARE Niger, who, worked with MMD for many years and presided over an expansion that has resulted in the creation of some 8,000 Associations serving more than 230,000 women members, in the world's poorest country.

Brian Larson of CARE Sierra Leone, who developed the first comprehensive training manual for MMD in Niger, on which this current version is based.

Alfred Hamadziripi of CARE Zimbabwe, who provided the first hard evidence that MMD could be adapted to different cultures and to difficult economic environments.

George Mkoma of CARE Tanzania and Hisa Microfinance, who pioneered a successful shareholding model in Zanzibar, continuing this work at a larger scale in Mwanza Region. The shareholding system is now in widespread use in Africa by a number of different agencies.

Jennifer Heney of the FAO, which financed the Spanish translation

CARE, CLP, CRS, Oxfam, and Plan are included, as organisations, to acknowledge their contributions at critical points in the development of the Guide and MIS.

- CARE USA's Economic Development Unit (EDU). Under the leadership of **Lauren Hendricks**, the EDU has made a wider audience aware of VSL: promoting it effectively as a new and important contribution to the state of the art that complements the better-known work of MFIs.
- CLP in Bangladesh. **Mark Staehle** engaged in long and lively discussions in the light of SafeSave's groundbreaking experience in the slums of Dhaka, and CLP's work in the remote riverine chars of the north-west. This led us to simplify the methodology by eliminating centralised written records and developing a safe and practical daily-savings system.
- CRS. **Guy Vanmeenan** worked with us to consolidate the two original Programme Guides into a single volume for CRS' SILC programmes, making it accessible to a wider audience throughout CRS programmes in Africa.
- Oxfam USA. **Jeff Ashe** and **Vinod Parmeshwar**, whose 'Saving for Change' approach and training tools have been developed at much the same time and on similar lines, have been close collaborators. We maintain an open exchange that contributes to each others' work. In particular, Vinod's critical commentary on the MIS has improved its usefulness and Jeff's regular sharing of research findings has validated much of what we do.
- Plan International. Plan provided the opportunity to consolidate the manual; simplifying the language and incorporating principles of Islamic banking into the methodology. Unstinting of his time, **John Schiller** is a generous and active collaborator and has introduced our tools throughout Plan's country offices in Africa. Plan Togo financed the French translation.

CARE USA, CRS, Oxfam America and Plan have all contributed to funding the further development of the VSL Management Information System, also released in October 2007.

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Notes to the user

The Guide: General

- Throughout this Programme Guide the word 'Association' is used to refer to a Village Savings and Loan Association (VSLA). The word 'Group' is equally applicable.
- This Programme Guide is based on a system of record-keeping that depends on individual Member Share Passbooks (referred to in this manual as 'passbooks'), supported by the memorisation of certain key data. While this system was originally developed for Associations whose members cannot read and write it is also appropriate for Associations whose members are literate and, who may be expected to appreciate its simplicity, transparency and capacity to facilitate complex transactions.
- This Guide should be used with VSL Associates MIS (Management Information System) in the form of a blank template. Annex 5 illustrates an example of this MIS with a typical set of data filled in. This shows a programme with four Field Officers (FOs), each one of whom has his/her own portfolio worksheet.
- Throughout the manual we have used the Tanzania Shilling (TSh) in all the examples. The rate of exchange to the US dollar at the time of writing is approximately 1,100:1.

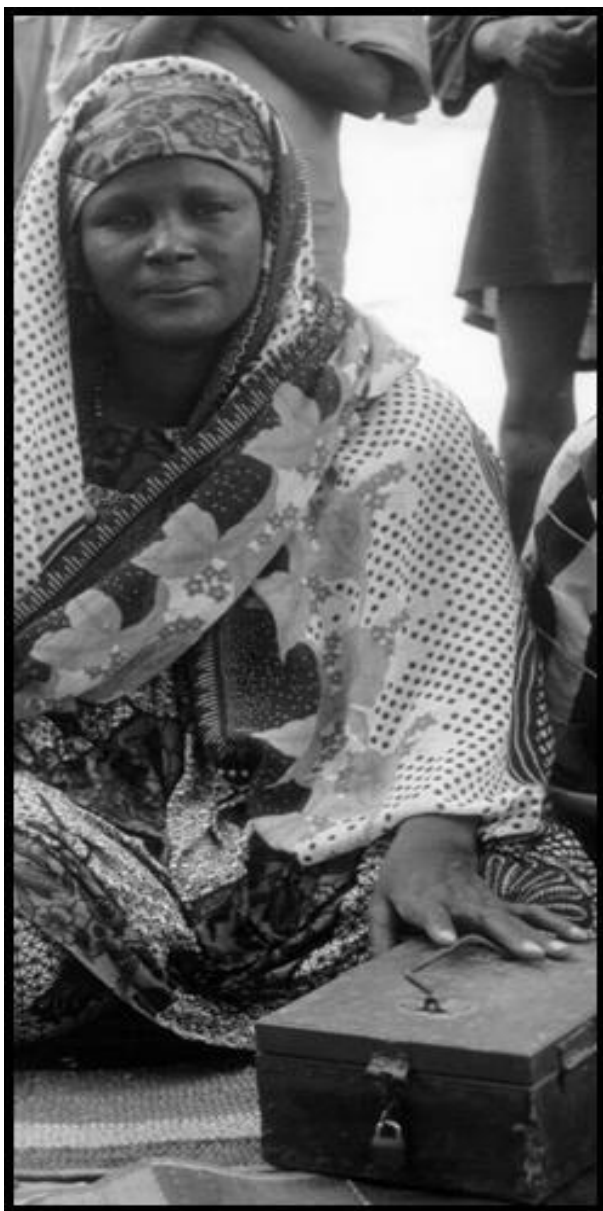
Contacting the authors

- The manual is an updated release and, despite the many reviews to which it has been subjected before publication, may contain errors. We will be grateful to users if they can alert us to any that they discover.
- Clarifications can be sought of the authors of any points that are not clear, and a dialogue on the methodology is welcomed: we are anxious to learn of others' experience in starting up and running such programmes. For matters that pertain to the methodology and its history and also to the text, please contact Hugh Allen on hugh@vsla.net or Mark Staehle on mark@clp.org.bd For clarifications pertaining to the MIS please contact Chuck Waterfield on chuck@vsla.net

Table of acronyms

AOB.....	Any Other Business
ASCA.....	Accumulating savings and credit association
CARE.....	Cooperative for Assistance and Relief Everywhere
Char.....	A riverine land area in Bangladesh (either an island or adjacent to rivers) subject to seasonal flooding
CLP.....	Chars Livelihood Programme
CRS.....	Catholic Relief Services
FO.....	Field Officer
MFI.....	Microfinance Institution
MIS.....	Management Information System
MMD.....	Mata Masu Dubara. CARE Niger's pioneering VSL programme. Hausa for 'Women on the Move'
NGO.....	Non-Governmental Organisation
Oxfam.....	Oxford Committee for Famine Relief
SHG.....	Self-help group
TShs.....	Tanzania Shillings
VSL.....	Village Savings and Loan. Also known as VS&L
VSLA.....	Village Savings and Loan Association, or 'Association.' Also known as VS&LA

Part 1: Introduction



Chapter 1: How the methodology works

This chapter provides a brief description of the basic principles of the VSL system, and describes the savings, credit and insurance products of a typical VSL Association. It also provides a brief guide to FOs, describing the method of working.

The basic principle of the Village Savings and Loan (VSL) system is that members of a self-selected group voluntarily form a VSLA and save money, through purchasing shares. The savings are invested in a loan fund from which members can borrow, repaying with a service charge added. VSLAs are a form of accumulating savings and credit association (ASCA), a generic term that describes this type of small-scale community-managed financial institution.

The primary purpose of a VSLA is to provide simple savings and loan facilities, in a community that does not have access to formal financial services. Loans can also provide a form of self-insurance to members, supplemented by a social fund which provides small but important grants to members in distress.

Associations are autonomous and self-managing. This is fundamental because a VSLA's goal is institutional and financial independence. *Promoting institutions should never seek to manage a VSLA's affairs on behalf of its members.*

All transactions are carried out at meetings in front of all the members of the Association, to ensure transparency and accountability. To ensure that transactions do not take place outside the regular meetings, a lockable cash box is used, to prevent unauthorised cash movement and the risk that records might be tampered with.

The cycle of savings and lending is time bound. At the end of an agreed period (the 'cycle'), the accumulated savings and service charge earnings are shared out amongst the membership in proportion to the amount that each member has saved throughout the cycle. This is critical for resolving outstanding issues; for transparency and for maintaining the confidence of the members. A cycle must not last for more than one year prior to share-out.

All members have an individual passbook. This is necessary to permit varying rates of savings and to track member loan liabilities, *but there is no Association record-keeping ledger.* Only the starting and closing balances of the Association social fund and the loan fund are recorded, mainly through memorisation, at each meeting.

VSLAs are made up of 10 - 25 members. This strikes a balance between being big enough to create a useful pool of capital and small enough to keep meetings manageable. The members are self-selected, usually from amongst the adult population. Membership is open both to women and to men, but at least three of the five Committee members elected are normally female in the case of mixed Associations. Members who hold public office should not be eligible for Committee positions.

Associations meet at regular intervals, weekly, fortnightly or every four weeks during the first cycle, as the members agree. In future cycles, once VSLAs are independent, meetings may reduce in frequency.

Associations are comprised of a General Assembly and a Management Committee. Members of the Management Committee are elected by the General Assembly. Each member of the General Assembly has one vote.

The Management Committee consists of five people: a Chairperson, Record-keeper, Box-keeper and two Money-counters. The Management Committee must be re-elected at the start of each cycle.

Each Association develops a written constitution that is signed by every member. A Constitution performs two functions: first to provide a framework for governance, dispute resolution and disciplinary action and secondly to specify the conditions for share-purchase/savings, access to benefits payable from the social fund. Each member of the General Assembly may be assigned one or more rules to remember, on which they are likely to be questioned at meetings. This has the effect that after some months everyone knows the regulations by heart.

Associations agree on the length of the operating cycle and this is recorded in the constitution. A cycle should not be less than nine months, or longer than a year.

All members of the Association save through Share-purchase. This is the core activity of the VSLA and regularity in saving is the key to mutual confidence and success. Between 1 - 5 shares can be purchased at each meeting.

The value of a share is set by the Association. It is set at a level that allows the poorest members reliably and regularly to buy at least one share per meeting. However it should not be set so low that five shares will not satisfy the savings objectives of the majority. At the start of a new cycle, and with the agreement of all members of the Association, the value of a share can be increased or decreased.

Suspension of share-purchase/savings. An Association may allow a member who is experiencing financial difficulties to stop saving (buying shares), but only for a limited period. At certain times of the year it may be hard to save, or there may be no time to attend meetings. While it is important to ensure financial discipline and regular share-purchase, it is a reality that rural incomes are unstable and variable. Even if an Association has suspended share-purchase/savings, loans must continue to be repaid and can continue to be disbursed.

Associations may provide a daily savings service to members through use of a slot-savings system. This system is optional. It makes savings easier because it allows the regular deposit of small amounts. This enables members to meet the minimum share-purchase/savings requirements.

Loans are made every four weeks. All members of the Association have the same right to borrow from the loan fund, which is comprised of the members' share purchase money, loan service charges and fines. The Association sets the length of the loan repayment term, which should never be more than six months and, during the first cycle, no longer than 12 weeks.

The size of a loan available to a member may not be more than three times the total value of all the shares they have bought. This ensures a fair distribution of capital and prevents the risk that any one member will be overwhelmed by too much credit.

The Association decides the percentage rate of the service charge for loans, and notes it in the constitution.

Service charges on loans are due at four-week intervals. The service charge is applied to the balance of the loan every four weeks until fully repaid. It must be paid when due, regardless of whether or not the member repays loan principal.

Loan principal repayments are made at four-week intervals. The period of loan repayment is agreed when the loan is taken, but the borrower may repay early, to avoid further service charges if (s)he wishes. When a borrower pays part of the balance due, the remaining balance is treated as a new loan, with the service charge percentage applied to the new amount and due at the end of the next four-week period.

The Association does not fine borrowers for late loan repayment. This aggravates any underlying economic crisis the household may be facing. The embarrassment of being late is sufficient penalty.

Associations may wish to create a social fund. Associations agree on a regular, equal contribution by all the members to this fund. This provides small grants for specific purposes

such as emergency assistance, funeral expenses and educational costs for orphans. The fund is not intended to grow, but is set at a level that covers the minimum insurance needs of the Association's members.

Anyone needing a grant from the social fund makes the request publicly to the General Assembly. Approval rests with the General Assembly and may be immediately disbursed. The social fund is kept separate from the loan fund, and is not included in the end of cycle share-out.

When the operating cycle comes to an end, the Association shares out the total value of its financial assets amongst the members (except for the social fund). As the end of the cycle approaches, no new loans are issued and all outstanding loans are repaid. This is mingled with any money remaining on hand and is shared out amongst the members in proportion to the number of each person's shares. After the share-out, members who do not want to stay in the Association may leave and new members may be invited to join.

At the end of the share-out meeting, members who plan to continue to the next cycle may consider making a lump-sum starting contribution to the loan fund in order to initiate lending activities with a useful amount of money on hand. If they decide to do this, all members should agree to contribute the same amount at the first meeting of the next cycle, which should take place immediately. The amount of the contribution on this one occasion is not limited to the normal five-share ceiling. Once the start-up shares are stamped into all passbooks, deposit shares will be bought as normal, subject to the normal five-share ceiling.

When a new cycle begins, members can agree to change the value of the standard share. The price of a share cannot be changed during the cycle.

1.1 A Note to Field Officers

Field Officers (FOs) are *facilitators*, not service providers. They ensure the stability of the Association by assisting the participants to organise themselves and build their own resources through a VSLA. Their major objective is to build awareness and confidence so that participants learn the system, use it properly, and save actively.

The goal of a FO's work is to create independent VSLAs, and to maintain a training relationship with them that is never longer than a year. Thus, *FOs should never manage the activities of the Association*. FOs assist the members to organise themselves and build their own resources. The activities of the FO are to ensure that participants learn to use the VSL system properly, follow the rules and become active savers and borrowers.

General principles and methods of working

A successful FO will:

- Ensure that local leaders and MFI workers understand the VSL approach
- Teach VSLA members to manage their own association, not to depend on the FO
- Encourage all members to be actively involved in meetings
- Encourage all members to attend meetings on time
- Encourage all members to save regularly
- Ensure that the Management Committee fulfils its responsibilities and behaves democratically
- Be creative in helping the participants resolve interpersonal conflicts.
- **This works!** So be confident in the value of VSL, and be confident that poor people can and will save regularly!



Part 2: Field Operations Manual



Chapter 2: Schedule of operations

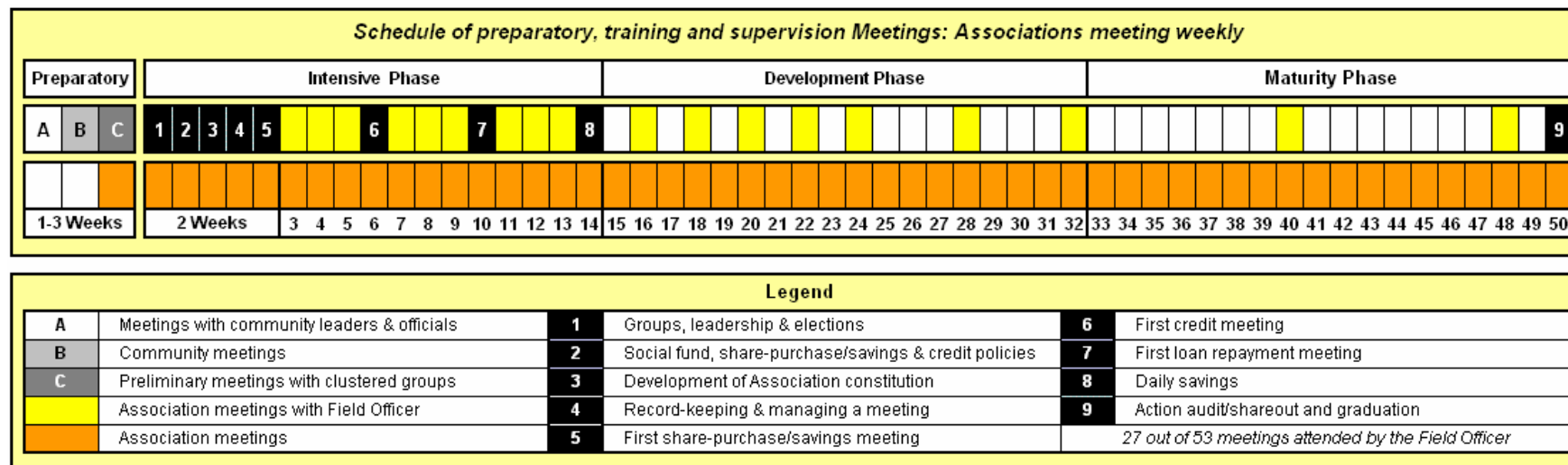
Through the use of diagrams, this chapter describes the four main phases through which Association members pass over a period of about 1 year before they are fully independent of the implementing organisation and able to manage their own savings, credit and insurance activities. It also describes in summary form the content of training and suggests a schedule of FO visits.

VSL Associations meet and buy shares at every meeting (which may be weekly, fortnightly or every four weeks, as the members decide), and borrow and repay loans every four weeks. A VSL promotion and training programme is implemented in four phases.

- **Preparatory phase:** This three-week phase provides general information to local leaders and prospective VSLA members. This is necessary before a FO starts to train Associations.
- **The Intensive phase:** This phase lasts 14 weeks. It starts off with five consecutive training meetings that take place over a maximum period of two weeks. During the training the Association self-selects, elects its leaders, establishes its constitution and sets out the rules and procedures that govern financial activities. It then continues to meetings, in which the Association learns to manage social fund, share-purchase/savings and loan transactions. The FO attends all meetings during this phase and is actively involved in guiding procedures..
- **The Development phase:** During this phase the FO visits less frequently and is less active in Association meetings. This phase lasts 18 weeks.
- **The Maturity phase:** This phase lasts up to 18 weeks and involves three visits. Two of these are supervision visits, to check that the Association is running without any outside help. If the Association needs additional training or supervision, the cycle can be extended. If the Association is ready to be independent, the FO makes a third visit at the time of the last meeting of the cycle, to facilitate share-out procedures and celebrate the Association's independence from the Implementing Organisation.

Movement from one phase to the next depends on agreement between the FO and his/her supervisor that the Association is ready to move onwards and does not need any re-training.

Table 2.1: Diagram of FO and Association meetings: Associations meeting weekly



The diagram covers a 50 week period (excluding the preparatory phase). The lower (brown/medium shaded) blocks show Association meetings. The upper row indicates meetings attended by the FO. The black boxes indicate a training meeting, while the yellow/lightly-shaded boxes indicate supervision by the FO.

The FO starts off by meeting with Community Leaders and Officials (A). The next meeting is a Community meeting (B) and the third is the first meeting attended by groups of people who are interested in forming Associations (C). This preparatory work should not take more than three weeks.

The first five meetings of the Intensive Phase are completed in 2 weeks. The new Association forms and establishes its procedures, and then conducts its first share-purchase/savings meeting (meeting 5). The remaining three training meetings (6 - 9) are conducted in the weeks indicated.

Note: If Associations decide to meet every week, then the FO must visit every meeting until the Development Phase. This will significantly reduce the number of Associations that can be developed and supervised by a FO and, since daily savings are feasible and credit meetings occur every four weeks, will also increase the amount of time that members must spend in Association meetings. *Wherever possible, a two-week schedule should be encouraged* because it reduces the amount of time that members have to spend in meetings and increases FO efficiency. It may, however, be the case that Associations strongly prefer to meet weekly and this must be respected by the FO.

Table 2.2: Diagram of FO and Association meetings: Every meeting every two weeks

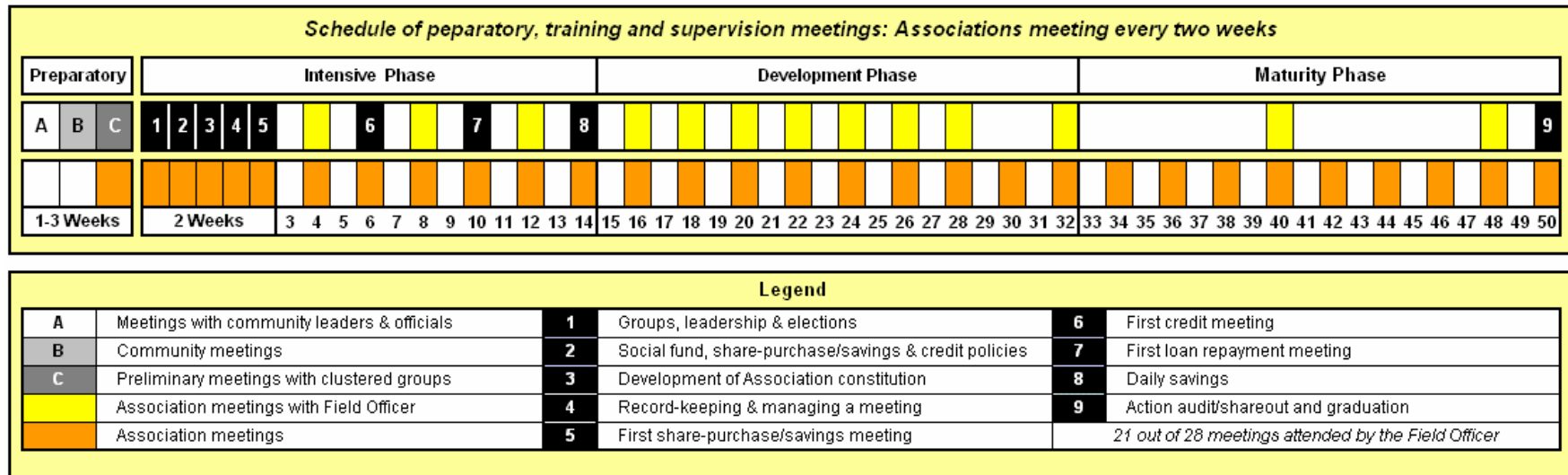
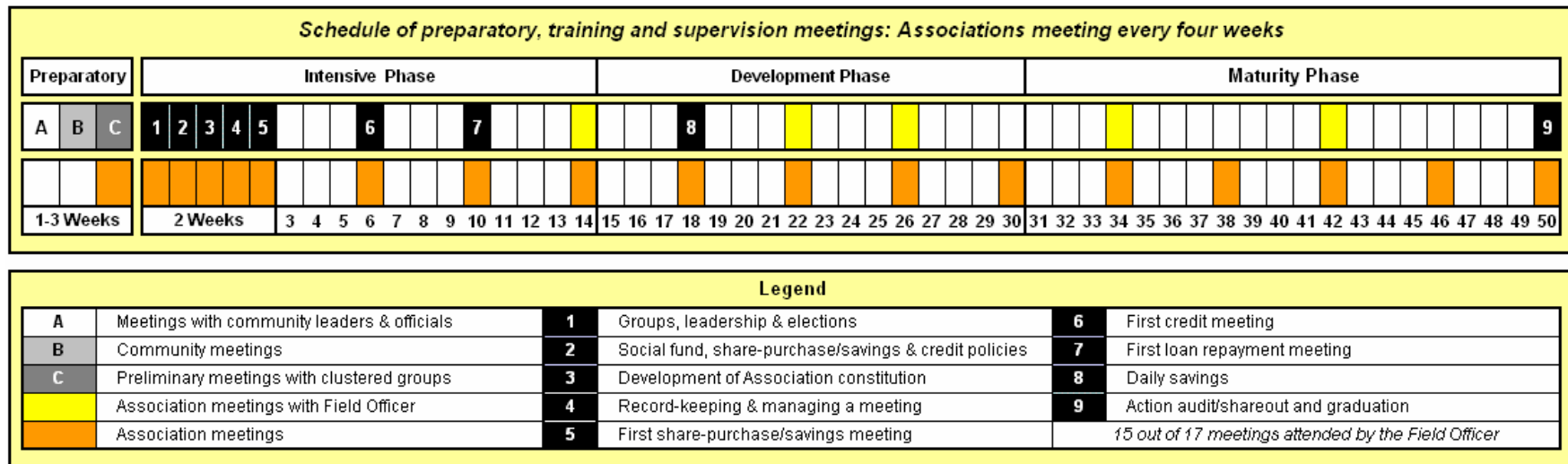


Table 2.3: Diagram of FO and Association meetings: Associations meeting every four weeks



Chapter 3: Preparatory phase - awareness raising

There are three steps involved in the preparatory phase:

- Orientation of community leaders and administration officials
- Meetings with the community
- Preliminary meetings with clustered groups of potential VSLA members

Table 3.1 on the following page illustrates the sequence of the three stages.

Table 3.1: Diagram of preparatory phase

Preparatory phase: Awareness raising/recruitment of Associations: 2 weeks			
<i>Type of meeting and who is involved</i>	<i>Orientation of community leaders and administration officials (more than 1 meeting)</i>	<i>Introduction of VSL to the community</i>	<i>Preliminary meeting with clustered groups of potential participants</i>
<i>Overall purpose of meeting</i>	<ol style="list-style-type: none"> 1. To obtain the support of Community Leaders and relevant Government officials. 2. To understand economic and social issues that may influence the programme. 	<ol style="list-style-type: none"> 1. To create general awareness in the community of the programme's purpose, methodology and process 2. To offer the opportunity to register for training. 	<ol style="list-style-type: none"> 1. To explore the usefulness of the proposed services. 2. To ensure a detailed understanding of the VSL approach. 3. To clarify mutual expectations and obligations. 4. To register for training and set up a schedule and venue for meetings.
<i>Detailed content of meeting</i>	<ol style="list-style-type: none"> 1. Introduction of the Implementing Organisation. 2. Project goals and objectives. 3. Target group to be served 4. Services offered. 5. Role of local leaders and administrators. 	<ol style="list-style-type: none"> 1. Introduction of the Implementing Organisation. 2. What services the programme offers to communities. 3. How the methodology works. 4. The group-based delivery channel. 5. How interested groups can contact the Implementing Organisation for further info. 	<ol style="list-style-type: none"> 1. Types of services to be developed and expected impact. 2. Step-by-step description of how the methodology works. 3. How the 3-phased training system works 4. Individual self-selection. 5. Group obligations and the Implementing Organisation's obligations. 6. Discussion of training schedule and selection of training site.
<i>Comments</i>	Meeting with Administration and Government officials at District level and with traditional authorities at local level.	Meeting at village level. Participants will discuss the opportunity with other members of their community.	50 - 100 people - equivalent to 2-5 potential Associations (greater numbers will reduce the opportunity to be clear and to address specific concerns).

3.1 First Meeting: Orientation of community leaders and administration officials

Objectives:

At the end of the session:

- The project is given permission to operate in the area
- The FO becomes familiar with local leaders, Government officials and their representatives
- Leaders and officials understand the Implementing Organisation, what the project is trying to achieve and how it works
- The FO develops a better understanding of the area and where the programme might start to work
- Community Leaders and Administration Officials agree to convene a public meeting to introduce the project to the community

Who is involved?

A project should inform Government administrators and line ministries at appropriate levels about what it wants to do. Usually this will start at the District (or its equivalent), and continue downwards from there to the targeted local community. Contacts should be made in a series of small meetings to ensure understanding and agreement.

Most important of all will be community level administrators and traditional leaders. These are the people who can arrange a public meeting and who will know who can be most influential in creating community acceptance.

NGOs working in the area should also be contacted. They may have special insights into cultural issues that can affect the way in which VSL is received. It is possible that NGOs with micro-credit programmes may see VSL as a threat to their programmes, and their directors will need to understand that VSL is something that can exist in their targeted communities as a complementary service.



What is covered in these meetings?

- 1 Introductions: The FO introduces him/herself, the project and the Implementing Organisation.
- 2 Project purpose and goals: to build the capacity of community groups to be able to mobilise savings for three purposes:
 - To increase household security through savings
 - To provide the opportunity for loans for investments and other needs
 - To create a social fund for relief of members experiencing emergencies

- 3 Relevance of VSLAs to community members:
 - The opportunity to save and borrow flexibly, and make attractive profits on their savings. Very poor people who lack access to MFIs and banks may find that VSLAs meet their needs better than any alternative.
 - People who have accounts with MFIs and banks can continue to use those services if they wish.
 - VSLAs can satisfy the needs of the poor, as there are no problems of high minimum deposit requirements, hidden charges, complicated procedures, or difficulty in accessing loans.
 - VSLAs can assist members in case of death, disease or natural disaster; local moneylenders may not be willing to provide this service to the poorest.
 - VSLAs help members build self-respect, self-reliance and self-confidence
- 4 History of the project and of similar projects worldwide. There are more than a million poor people successfully and independently managing their VSLAs throughout the world. More than 90% of VSLAs succeed and remain together for several years or more. It is, therefore, likely that it will work well in the local setting.
- 5 VSLAs are taught to manage their own activities over a cycle of nine months to one year. The first cycle is the training cycle, and a facilitator will attend most of the Association's meetings to train and assist them. After the first cycle, the Association manages its own affairs.
- 6 The fieldworker promises the following to the community:
 - Reliability
 - Integrity
 - Establishment of a sustainable service that enjoys community support and has an important economic impact. Women in particular can expect to benefit.
- 7 What the fieldworker needs from Government and Community Leaders:
 - Permission for the project to work in the area
 - Mobilisation of the community to attend a public meeting, at which VSL will be explained and community groups invited to participate
- 8 Feedback: the FO should take questions and ask for feedback.
- 9 Public meeting arrangements: The FO makes sure that someone is made responsible for arranging a public meeting and a date set is at which the FO can meet with the community. The public meeting should bring together 50 - 100 potential VSLA members as well as local leaders (such as religious leaders and prominent local business people) who can spread the word to other communities. The place and date of the public meeting should be agreed at this point, so that the FO can schedule an appearance and be introduced by the local leaders.

3.2 Second meeting: Introducing VSL to the community

Objectives:

By the end of the meeting:

- **Members of the community will be aware of the services offered by the project**
- **The community will understand that the sole source of loan funds will be members' savings, with no external loans or grants being provided**
- **The community will understand that VSL depends on the formation of groups of 10-25 members selected amongst themselves**
- **The community will understand that training is required and attendance at meetings by all members is necessary**
- **The community understands what next steps they must take in order to register with the project and participate further**

Who is involved?

The FO's next responsibility is to hold a public meeting with the community in order to explain his/her presence in the community and what (s)he is doing. Once everyone is assembled, the FO is introduced by the local leaders. The participants will be potential VSLA members who can spread the word to their communities.

What is covered in this meeting?

The FO gives them the following information and explanations:

- 1 The name of the Implementing Organisation and the project, which employs him/her: The point of supplying these details is to avoid confusion with other organisations, especially those offering financial services.
- 2 The Implementing Organisation: i.e. non-political, and not-for-profit. Give a brief history of the organisation's past work in the locality.
- 3 The source of loan funds: *All of the funds used to provide loans to the members of an Association come from the members' own share-purchase/savings and not from an outside lender, such as a microfinance institution or bank.* Some attendees will be discouraged to hear this, so the FO gives examples of the success of VSLAs in other places, and explains that in time, they can develop a large amount of their own capital for loans, without depending upon outside institutions.
- 4 The purpose of VSL: VSLAs are taught to *manage their own savings and loan activities* – the facilitator is only there to teach them the system. The facilitator will attend most of the Association's meetings to train and assist them for one year, after which the Association will be independent. The FO emphasises that great care must be taken in the selection of members, who know and trust each other.
- 5 The operating principles: An Association is set up to mobilise savings, disburse and recover loans and provide self-insurance through a social fund. The savings consist of regular purchase of shares by all members at each meeting. The money contributed in this way becomes the fund from which short-term loans can be given to members. Each person's savings grows as loans are repaid with a service charge. Members also contribute to a social fund to help cope with unexpected emergencies.
- 6 The size of the Association must be not less than 10 members and not more than 25. Existing groups are encouraged to participate; joining together or dividing where necessary to achieve the necessary scale.

- 7 Profits: The attendees can expect that they will get a better return on their money saved in this way than in any MFI or bank. Similar programmes show that if a person saves for a year in a VSLA, they will get back *at least* 30% more than they save in a year, and perhaps even more. They are also told that loans start off with very small amounts but grow as savings grows.
- 8 Where meetings are held: The members of the proposed Association choose where the meetings are to be held. The location can be a local mosque or church, a local school or other public building, the home of the Chairperson of the Association, or elsewhere. The important thing is that the location is big enough for all the members to be seated comfortably and that it is quiet, shaded, not too windy, and private. It is the custom for mats to be laid on the ground and for refreshments to be provided, even if only fresh water.
- 9 Participation in meetings: All members must attend and participate in every meeting. The attendance of all members guarantees the correctness of the records. Meetings should not be interrupted by outsiders except in emergencies.
- 10 Training: The FO explains the training curriculum. VSLAs need to elect leaders and develop a Constitution and they need to make their own rules concerning share-purchase/savings and credit. In addition, they need to maintain passbooks and memorise the amount of money on hand at the end of every meeting. The initial training, which is spread over a two-week period, is divided into five separate sessions and each training session lasts about two hours.
- 11 Contact with the FO: The FO tells the assembly that (s)he will return to the community at an agreed time to see if people are interested in participation. The purpose of this second meeting is to explain VSL in more detail to people who are seriously interested.
- 12 Group responsibility before joining the project: Those who are interested must form groups of 10 - 25 members before the next meeting. The FO stresses that members must know and trust each other. The groups should *not* elect their leaders at this point, as this will be done as part of the training process.

3.3 Third meeting: Preliminary meetings with clustered groups of potential participants

Objectives:

By the end of the meeting:

- The participants will have a detailed understanding of the methodology
- The participants will decide if they want to form a VSLA

Who is involved?

The preliminary meeting with potential participants is likely to involve several groups. At this time people will have formed themselves into groups that think they may want to do VSL, but this meeting is not yet part of the formal training process. This meeting can involve two or three groups, but probably not more, because it becomes unmanageable and does not provide the opportunity for everyone's questions to be answered.

What is covered in this meeting?

Step 1: The FO describes the basic features of a VSLA:

- A Village Savings and Loan Association (VSLA) is created so that people can save, borrow small amounts and receive benefits from a small insurance fund.
- Members are self-selected
- An Association is managed by its members and makes all its own decisions.
- Every Association has a written constitution and clear rules
- Every Association has a Management Committee, which is changed once a year through elections
- An Association allows all members to save small amounts each week
- An Association decides the minimum and maximum value of weekly savings, which allows each member to buy shares in the Association.
- Members do not need to save the same amount each week, or the same amount as each other
- The savings are used to provide small loans to members
- All loans are repaid over a period of not more than 3 months
- All borrowers have to pay a service charge on their loans, at a rate that is the same for everyone and decided by the members themselves.
- There is a difference between interest paid on a loan and a service charge. Interest leaves the community and is paid to an outside lender: Service charges remain in the VSLA and are the property of the people who paid them.
- There is a social fund from which members can receive grants for emergencies
- All of the Association's cash is kept in a box with three locks that can only be opened in meetings when all of the Key-holders are present
- All transactions take place in meetings, in front of all of the members
- Record-keeping is based on passbooks and memorisation so that everyone understands the system and the financial status of the Association
- At the end of each year, all loans are repaid, and all savings and profits are distributed to members according to the amount that they have saved
- After this annual money distribution is complete, members who do not want to stay can leave, and new members can join – the activities then begin for another year
- The profits from loans stay within the association and are not paid to an MFI or bank

Step 2: The FO next describes his or her role. The FO is a trainer, who trains the Association to manage its own activities. The FO never manages the activities of the Association and never touches the Association's money.

Step 3: The FO then explains the responsibilities of the Association's members:

- All members must attend all meetings and be on time
- Late and missing members must pay a fine
- All members must pay attention in meetings
- All members must contribute the minimum share-purchase/savings at each meeting
- Any borrowers must repay their loans on time
- All members will cooperate to approve loan requests and requests for help from the social fund
- All members will cooperate to resolve disagreements
- All members will help and encourage each other to be successful and active members of the Association

Step 4: The FO then explains that not everyone may want to be a member of a VSLA, just because they are already members of another type of group. Members must be aware of the qualities that are needed in a member, because these can be different to the qualities needed in a member of another group. They are that members have:

- Confidence in each other
- A reputation for honesty
- A cooperative personality
- The ability to save regularly, even in small amounts
- The ability to repay loans reliably

The FO says that before deciding to go ahead, everyone should consider if they and all other potential members meet these criteria, so that difficulties can be later avoided.

Key questions that may be asked by potential participants

1. Why should we join a savings Association?

The purpose of a VSLA is to provide a safe and reliable place for individuals to save; and to receive a profit on those savings. This enables members to meet household and small business expenses without the trouble of approaching a moneylender or MFI. While the amount of money is small, it is easy to obtain and can solve immediate problems.

2. We can save on our own, or we can form our own savings group; why should we join a VSLA?

- The VSLA system uses a cash-box and is a safer place to save than keeping cash in a cupboard or under a mattress
- The VSLA system insures everyone an attractive and fair profit on savings
- The passbook-based record-keeping of VSLA prevents quarrelling and unfair treatment from literate members
- VSLAs may have a social fund to offer members mutual support and a form of self-insurance
- VSLAs have regular democratic elections

Summary and conclusion:

The FO should ask if the participants have any questions.

The participants decide if they are interested in becoming a VSLA. If they wish to do so, the FO agrees on the date of the first training module: Groups, leadership and elections

The participants are thanked for their participation and the meeting is closed.

Chapter 4: Intensive phase - modules 1 - 8

This chapter is the heart of the training. It covers 8 of the 9 modules that are delivered throughout the year in which the FO trains and supervises the Association's operations. 8 modules are delivered during the Intensive Phase, and the last training, covering share-out of the Association's assets at the end of the cycle, takes place at the end of the year. Each training session lays out objectives for the training and then step-by-step instructions for the FO. The chapter starts with a diagram that illustrates the content of each training module and the progression towards independent operation.

There are nine training sessions, eight of which are conducted during the Intensive Phase. The final training session is the end of cycle share-out.

Module 1: Groups, leadership and elections

Module 2: Social fund, share-purchase/savings and credit policies

Module 3: Development of Association constitution

Module 4: Record-keeping and how to manage a meeting

Module 5: First share-purchase/savings

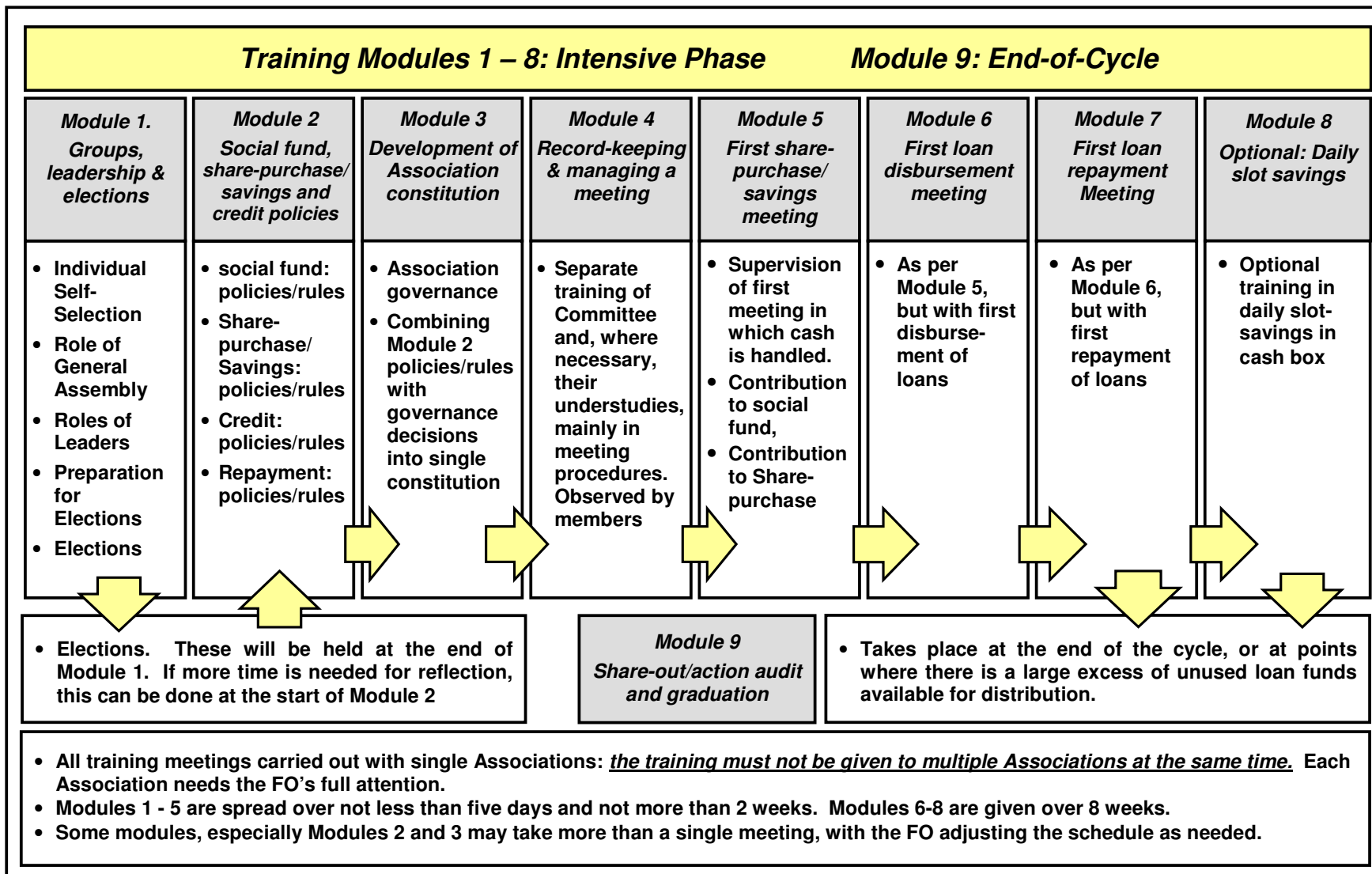
Module 6: First loan disbursement

Module 7: First loan repayment

Module 8: Daily slot savings

Table 4.1 on the following page illustrates the sequence of the nine training sessions.

Table 4.1: Diagram of training schedule



4.1 Module 1: Groups, leadership and elections

Objectives:

At the end of the training session:

- The participants will confirm that they are all people who will support their Association, and that everyone is interested and committed
- The participants will agree to form themselves into a Village Savings and Loan Association
- The participants will understand the role and authority of the General Assembly
- The participants will understand the roles of their leaders and be prepared to carry out elections of the Management Committee

General

At the beginning of the meeting the FO ensures that everyone is in attendance. If anyone comes late, (s)he will tell them that at normal meetings, when the Association has started its proper operations, anyone who comes late will be fined and asks the members to suggest what that fine should be. The FO shows the members the fines bowl (which is part of the Association equipment kit) and explains that it is normally placed in front of the Chairperson and anyone coming late will be required to pay the fine on arrival. The FO explains that (s)he, too, will have to pay a fine if (s)he arrives late. (S)he explains that the Association will later develop its own set of rules and will consider for what other reasons fines will be charged

The FO ensures that everyone is seated comfortably and discusses how the meeting place should be arranged. Typically an Association will be asked to provide seating mats or chairs, water and glasses for refreshment and, if possible, a low table on which share-purchase/savings and loan transactions can take place. The Association agrees at this point who will be responsible for making sure these facilities are available at the next meeting.

The FO explains that the training programme has nine components, eight of which will be carried out during the next 16 weeks. One will be left to the end of the operating cycle. The nine modules are:

- Module 1: Groups, leadership and elections
- Module 2: Development of policies and rules for social fund, share-purchase/savings and credit activities
- Module 3: Development of Association constitution
- Module 4: Record-keeping and how to manage a meeting
- Module 5: First share-purchase/savings meeting
- Module 6: First loan disbursement meeting
- Module 7: First loan repayment meeting
- Module 8: Daily slot savings
- Module 9: Share-out/action-audit and graduation

The FO calls for nine people to remember one topic each. (S)he says this is practice for them because, once their operations begin, each person must be able to memorise cash balances and who has borrowed money.

The FO will conclude this introductory part of the meeting by asking everyone in turn to state his or her name, which (s)he writes down.

Note: *The FO should deliberately arrive late (no more than 10 minutes) at a future meeting and pay the fine. This is a powerful way of letting people know that no-one is exempt from the Association's rules.*

Individual self-selection

Step 1: The FO starts by reminding the Association of the preliminary meeting, at which (s)he met the prospective Association for the first time. (S)he asks the Association if they remember what (s)he said about the qualities needed in members of a VSLA. These were that members must have:

- Confidence in each other
- A reputation for honesty
- A cooperative personality
- The ability to save regularly, even in small amounts
- The ability to repay loans reliably

Step 2: The FO then asks the members to suggest other characteristics that are important in a member of a Village Savings and Loan Association. As the suggestions are made they are noted by the FO for reference. (S)he should try to ensure that the following characteristics are mentioned:

- Trustworthy and honest
- Responsible, mature
- Not argumentative: cooperative
- Not afraid to contribute to discussions
- Open to other people's ideas
- Respected in the community
- Fair and considerate of others
- A positive personality
- Hard working
- Have time for meetings

Step 3: The FO stresses that Associations can fall apart if members do not possess these qualities and should also stress that members must want to buy shares (save money) as their principal objective, because this contributes to their personal and family security. (S)he then tells the Association that members should think hard about whether or not they want to carry on as members of the Association. If they decide that they do not, no-one will think worse of them, and they should withdraw before the next meeting and there is no reason for them to feel embarrassed.

Note: *The FO should avoid suggesting that people who are present should start to comment on each other's characters and capacity and must ensure that no one suffers embarrassment in this process.*

Definition and role of the General Assembly

Step 1: The Association (no longer just a group) should choose a name, which the FO writes down. The FO also gives the Association a number, which uniquely identifies the Association in the MIS.

Step 2: The FO asks if members belong to other groups. Most Associations will have people who are members of other groups and the FO then asks the members to discuss what makes for a successful and an unsuccessful group. The FO emphasises the importance of participation by all members. (S)he then says that the Association will first of all try to explore the role of the General Assembly.

Step 3: The FO explains the definition and role of the General Assembly. (S)he should explain that the General Assembly is just a name for the members of the Association and everyone is a member of the General Assembly. The General Assembly makes the decisions and the Management Committee carries them out, meaning that the Management Committee works for the General Assembly.

Step 4: The FO says that:

- All members of the Association are members of the General Assembly
- All participants have the same rights in the Association. In voting, the rule of “one person, one vote” applies. All members have the right to vote and to be elected to the Management Committee of the Association.
- The General Assembly elects the Management Committee (Chairperson, Record-keeper, Box-keeper and Money-counters).
- The General Assembly, *not the Management Committee* is responsible for setting the rules and regulations of the Association in a written Constitution. The Management Committee enforces the rules which are established by the general assembly and takes responsibility for running meetings and representing the Association to outsiders.
- If the Management Committee does not do its work well, the General Assembly may replace it, or any one of its members, by calling a special meeting, discussing the matter and deciding by voting if there should be any changes made.
- All the members have the right to propose an issue to be discussed in a meeting. These discussions take place after the share-purchase/savings and loan activities are completed.

Preparation for elections

At the end of the session the FO explains that the next step is to consider what positions need to be filled in a Management Committee and the qualities that the Association will be looking for in the people who will be elected to these positions.

Step 1: Story 1. The FO starts by reading Story 1 (page 33) and tries to draw out from the participants the conclusion that the Association was working badly because it did not have leaders who were qualified and whose roles and authority were properly defined. (S)he also draws out the need for the Association to agree on a set of rules to govern their meetings.

Step 2: What is a leader? The FO asks what types of leaders are to be found in the community and makes a list. (S)he then asks what types of leaders are needed to manage a Village Savings and Loan Association. This is likely to result in Chairperson, Secretary and Treasurer. The FO says that to make sure that everyone understands the work of each person, the Secretary will be called the Record-keeper and the Treasurer will be called the Box-keeper. (S)he then says that because money is involved it is necessary to have at least two people verifying the amounts that are contributed and issued as loans. (S)he reaches consensus on the need for Money-counters. The FO then facilitates a discussion in which the desirable qualities and responsibilities of people elected to each position are defined.

Step 3: Description of Roles, Responsibilities and Qualities of Association Leaders. Story 2 (page 33). The FO tells the story and asks the members what conclusions they draw. (the lesson here is that this person might have been very good as a Box-keeper, but not as a Chairperson). (S)he says that each position calls for different qualities and asks the Association to discuss what the qualities and responsibilities of each Committee member ought to be. Tables 4.2 – 4.5 that follow are a guide for the FO and (S)he should ensure that the members' responses are approximately in line with what is suggested here.

Table 4.2: Qualities and responsibilities of the Association Chairperson

Qualities	Responsibilities
<ul style="list-style-type: none"> • Respected • Has good ideas • Trustworthy • Fair with everyone at all times and treats everyone equally • Confident and calm • Listens to others and takes their opinions into account • Organised • Punctual • At ease speaking in front of others • Capable of summarising the views of many people 	<ul style="list-style-type: none"> • To call the meetings to order, announce the agenda and lead discussions • To ensure that the meetings follow proper procedure and that the Constitution is followed and respected • To maintain discipline and charge fines as needed • To facilitate discussions and to ensure that everyone's views are listened to • To resolve conflicts • To represent the Association to outsiders and non-members, including local government officials.

Table 4.3: Qualities and responsibilities of the Association Record-keeper

Qualities	Responsibilities
<ul style="list-style-type: none"> • Good with numbers and capable of maintaining the passbooks • Trustworthy • Reliable • Intelligent • From a respected home, reputed for honesty • Available for specialised training by the FO • Punctual 	<ul style="list-style-type: none"> • Ensures that all financial transactions concerning social fund, share-purchase/savings and lending take place according to procedure • Makes all passbook entries for shares and loans • Provides a verbal summary of the financial state of Association affairs at every meeting • Assists the FO to update his/her records during monitoring visits

Table 4.4: Qualities and responsibilities of the Association Box-keeper

Qualities	Responsibilities
<ul style="list-style-type: none"> • Numerate and able to keep a simple record for daily savings in between meetings • Trustworthy and with a strong character • From a family with a good reputation • Lives in a secure house, close to the meeting-place • Reliable and responsible • Punctual 	<ul style="list-style-type: none"> • Keeps the Association box in between meetings • Takes slot-savings deposits in between meetings, placing money through the slot in the box, issuing tokens and keeping a simple temporary record

Table 4.5: Qualities and responsibilities of the Association Money-counters

Qualities	Responsibilities
<ul style="list-style-type: none"> • Numerate • Trustworthy • Calm and organised • Punctual 	<ul style="list-style-type: none"> • Verifies all movements of money both in and out of the cash-box • Counts the money during each cash-box operation • Informs the Record-keeper of each transaction • Assists the Record-keeper in resolving any cash discrepancies

Step 4: The FO tells the Association that the Management Committee will serve for one cycle, which is not more than one year, after which new elections will be held.

Step 5: The FO then tells the members that they need to nominate people for each position, starting with the Chairperson. (S)he should explain that nominations can be made by anyone and if a person is nominated, then that person has to agree to stand for election. If they do not want to be considered, they have the right to refuse and not be pressured into standing. At least two people should be nominated for each position, so that there is a choice. Each position should be discussed, nominations made and the election completed before the next position is considered.

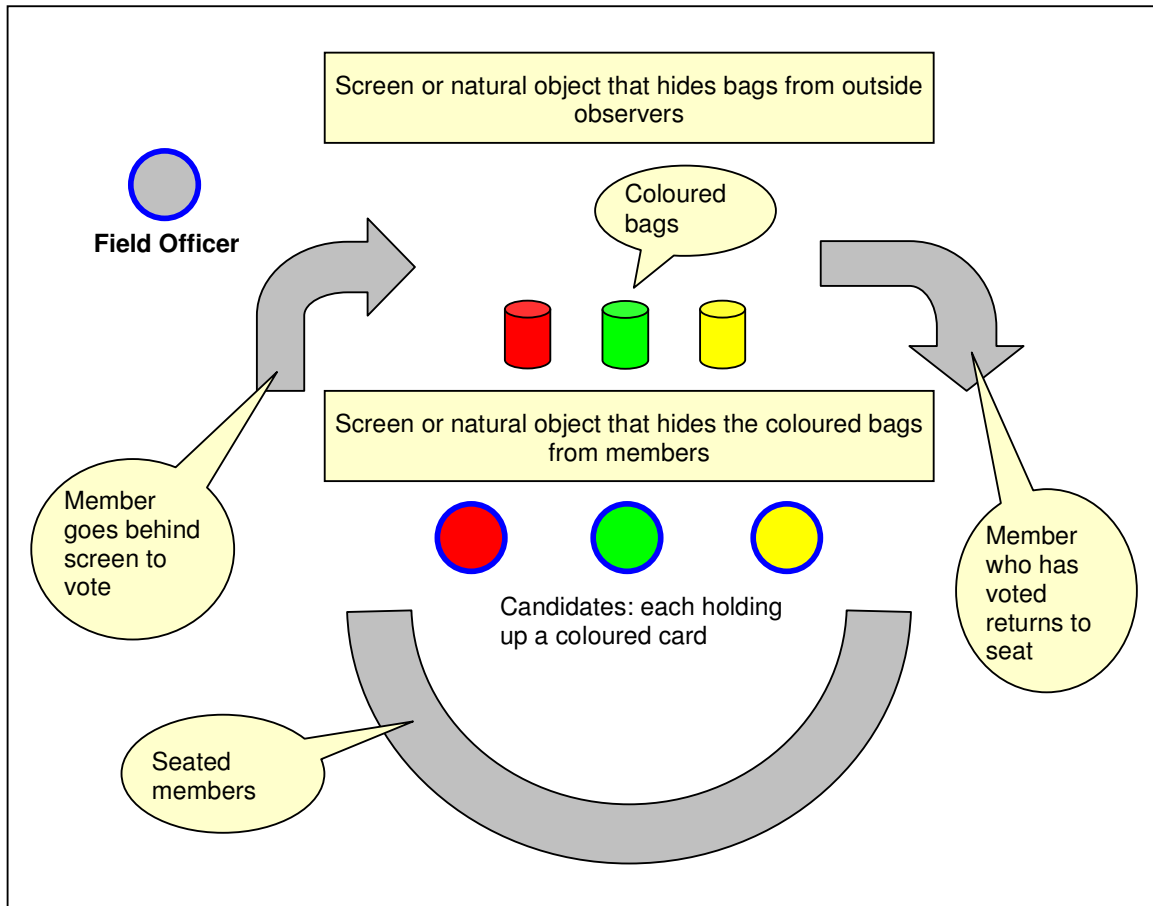
In an Association with both men and women, the FO reminds the members that at least two of the members of the Management Committee should be female, and suggest that at least one female should occupy the post of Chairperson, Record-keeper or Box-keeper (rather than simply the Money Counter positions).

Step 6: The FO facilitates the nomination of candidates for Chairperson, Record-keeper, Box-keeper and Money-counters.

Step 7: The FO prepares the members for the election and explains the process (see Figure 4.1, page 32). (S)he brings three bags to the Association meeting, each in a different colour and a number of metal washers, equal to the number of members. (S)he also brings three cards in the same colours as the bags. The members are told that as each post comes up for election, each candidate will be represented by a coloured card (which they hold up) and each person who votes will be given one washer by the FO. The coloured bags will be placed behind a screen (or inside a building) some distance from the gathering and sheltered from view of members and passers-by. Each person in turn will go behind the screen (or into the building) and, hidden from the members but under the eye of the FO, deposit a washer in the bag of his/her choice. When all of the members have voted, the FO will count out the votes in

front of the members by removing the washers from each bag. The FO will declare the winner and confirm that the total of the metal washers in the bags is equal to the total handed out at the start of the process.

Figure 4.1: Diagram of election procedure



Step 8: The FO then facilitates the election of the officials, starting with the Chairperson, and congratulates the winners. *The Association may, however, decide that it needs time to think over whom it would like to elect to each position.* In this case the FO tells them that the election must be completed before the Association moves on to the next stage of training and tells them to show up at the next meeting and expect that the first task will be the election of the leaders and Money-counters.

Step 9: *The FO stresses that Elections are not a one-time thing and that they have to be held at least once a year, usually at the end of the cycle.* If elections are not held, members may feel that they are being dominated by a few leaders, who act like bosses and do not think they have to explain things. By having regular elections the Association leaders are reminded that they need to serve the members if they want to keep their position. Everyone is also reminded by this that the General Assembly is the supreme body of the Association.

Summary and conclusion:

The FO should ask if the members have any questions

The FO announces the date of the next training meeting, the topic of which will be 'Development of policies and rules for social fund, share-purchase/savings and credit activities'

The Association is thanked for its participation and the meeting is closed.

Stories

The stories help the participants to understand the meeting's topic. However, the real value of the story is when it is interactive. The participants must find the conclusion, the moral of the story, and they themselves must decide which aspects of the story apply to

the meeting's topic.

The FO must ensure that the stories do not contain the names of any of the participants in the Association to avoid misunderstandings. Check this before the meetings.

Story 1 - Topics: The importance of creating a Management Committee, the importance of each member's responsibilities and the importance of following a set procedure for meetings.

In the community of Daraja Mbili the participants decide to form a Village Savings and Loan Association. They felt that because they all knew each other there was no reason to elect a Management Committee. After a few meetings the members tried to speed up meetings and allowed people to come and go as they wanted, so long as money was deposited to the collection bowl. A member of the Association volunteered to keep records and they agreed that any spare cash would be kept in a safe place by a trusted widow.

At the next meeting there was disagreement as to how much money was owned by the Association, because the money brought by the widow did not correspond to what the person keeping records claimed should be there, and when different people tried to count it the total was always different. Some members got angry and started to shout at others, who got upset and left the meeting. The Sub-Chief had to be called to restore order and to try and find a solution.

At this point, the FO can ask the members to state the participants' problems, and how they could have been avoided.

Story 2 - Topic: The importance of each participant's role and of their ability to fulfil that role.

This is the story of the Village Savings and Loan Association in the village of Ugachiku. At the beginning, there were 20 participants, but they soon found themselves with 35 participants, and had to divide the Association in two. For the second VSLA, the participants elected the daughter of a well-respected local businessman, a very honest, reliable but timid woman, as Chairperson. They did this because they did not want to offend her husband, who was a very important person in the village. The FO tried, without success, to explain that the role of Chairperson demanded confidence; that he or she had to know how to organise and run meetings, and to maintain order and handle conflicts. The Chairperson also had to be able to represent the Association to outsiders and non-members.

After several weeks the new Chairperson grew uncomfortable with her responsibilities and resigned. The participants of the Association elected a new Chairperson, but were delayed in their savings and loan activities, as the new Chairperson had to be trained.

How could this situation have been avoided?

This story should help the participants to define the characteristics necessary for each member of the Management Committee.

4.2 Module 2: Development of policies & rules for social fund, share-purchase/savings and credit activities

Objectives:

At the end of the training session:

- The VSLA will understand the purpose of a social fund and will have decided if they wish to have one and, if so, how it will be run
- The Association will understand the importance of savings and how each individual can invest their savings in a VSL loan fund.
- The Association will have decided on a minimum amount that each member should save at each meeting (the value of a share)
- The Association will understand the usefulness of credit; who should get loans and what terms and conditions will apply if they want to borrow

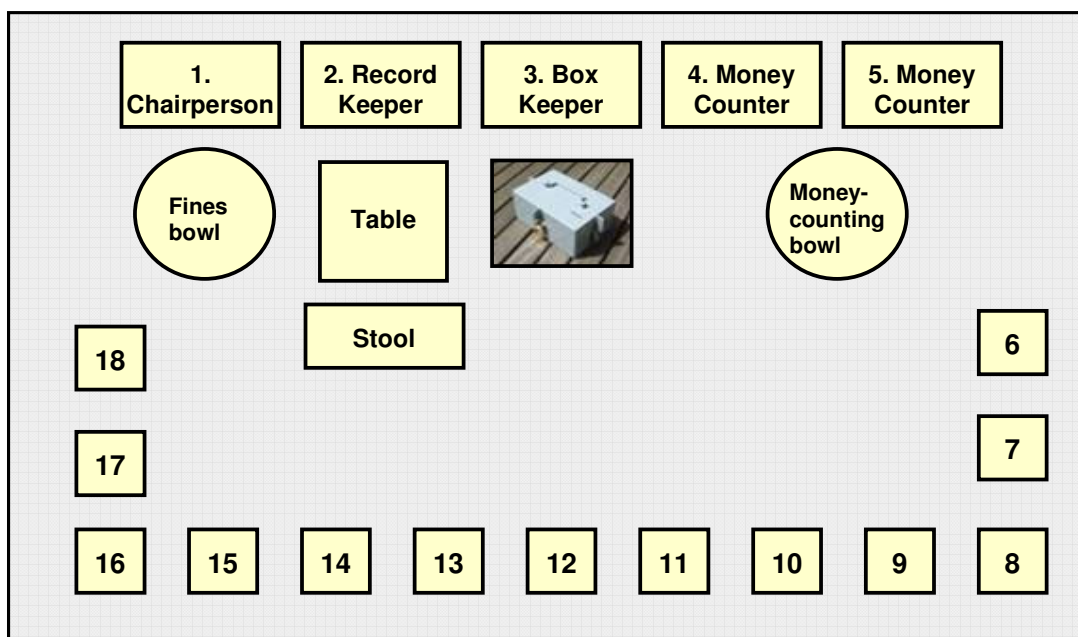
General

Once the meeting is declared open, the FO calls the new Committee members up one by one, and places them facing the General Assembly, behind a low table or stool. By doing this (s)he is emphasising that the Association now has leaders who will start to play a role in conducting its activities from now onwards. It also creates an atmosphere of formality and order. (S)he then hands out numbered cards to each member, starting with the Chairperson, continuing to the other members of the Management Committee and the rest of the members, as illustrated in Figure 4.2 below. The members are told that they must always bring their numbered cards to every meeting.

Seating arrangements

The diagram below shows how members are seated in a meeting. They always sit in the same position and in number order to facilitate orderly and efficient savings and lending activity

Figure 4.2: Layout of meeting place: Association with 18 members



The arrangement in Figure 4.2 on the previous page shows that members of a VSLA with 18 members sit in numerical order, starting from the Chairperson.

Social fund

Step 1: The FO asks what was remembered from the previous session. The FO then announces the objectives of the present session: to develop the rules for the social fund, share-purchase/savings and loans.

Step 2: The FO says that the Association can, if it wishes, create a social fund to provide small grants to members who encounter serious problems and disasters. The members should discuss what types of emergencies will be covered and how much the benefits should be. The emergencies usually covered by a social fund include:

- Funeral expenses
- Catastrophes, such as a house burning down
- Educational support to orphans

Step 3: If the Association decides that it does not wish to establish a social fund, the Field Officer skips to 'Savings Concepts' (page 37). But, if the Association then decides that it wishes to have a social fund the Field Officer says that, it is the first activity to be conducted in a meeting, after the roll-call. *(S)he explains that the social fund is not treated like the Association's loan fund and the money that is raised for the social fund is kept separate from other money.* (S)he explains that it is never used for loans because emergencies cannot be predicted and some money must remain on hand to pay for them when they occur..

Step 4: The Association then decides what the amount of regular contributions to the social fund should be. The FO tells the members that the amount of money needed will always depend on two things: the types of emergencies covered and how often they occur. It is up to the Association to decide what a suitable contribution might be. It is common practice to make a payment that is between 20 - 40% of the single share value. Thus, if shares are valued at TShs 500 each, the contribution to the social fund can start at between TShs 100 - 200 per member, per meeting. The FO can tell the members that after they have been running the social fund for about half a year they will have a good idea if the amount they are contributing is enough, or whether or not it needs to be adjusted up or down. The amount of money to be regularly contributed by each member to the social fund is written down by the FO.

Step 5: Referring back to Step 3, the FO repeats that the social fund must be kept separately from other funds because, if it is mixed with loan funds, (and used for normal lending) it will not be available for emergencies. The social fund will be stored in its own fabric bag.

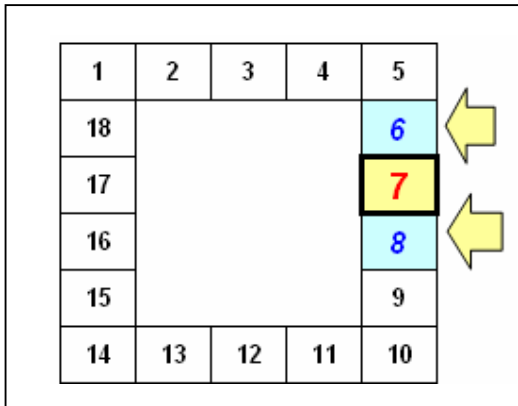
The social fund 'Rememberers'

Step 1: The FO tells the members that there is no need to keep complicated records for the social fund, because the amounts are very small, so, instead of writing everything down there will be two 'Rememberers' for every member of the Association. The 'Rememberers' have a single duty, which they perform when called on by the Record-keeper: to remember if anyone fails to make a contribution to the social fund

(S)he says that the system is based on the number of the person in question: the two members with numbers before and after the debtor's number are that person's 'Rememberers'. This never changes throughout the cycle. To make this easy to understand, the FO gets the members to note who is on their left and right. These are their 'Rememberers'. Figures 4.3 – 4.4 illustrate the point.

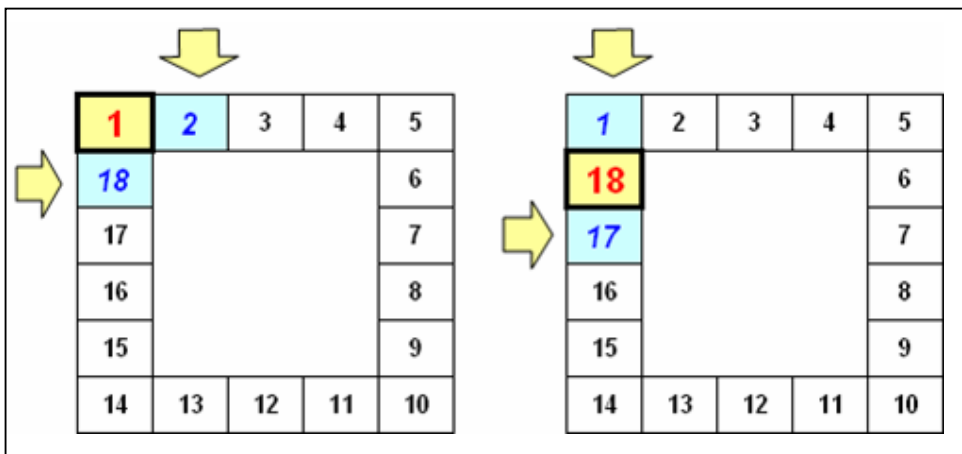
For example, in Figure 4.3, Member No. 7's 'Rememberers' are members Nos. 6 and 8.

Figure 4.3: 'Rememberers'



In Figure 4.4, below, the 'Rememberers' for members 1 and 18 are illustrated:

Figure 4.4: 'Rememberers' for first and last members, by number



Thus, member number 18, on the right above, will not only have her social fund transactions remembered by members 1 and 17, but will also be responsible for remembering what, if anything, either of her 'Rememberers' (1 and 17) might owe to the Association

Savings concepts

The FO explains that *savings belong to the saver*, and increase their security and options, while loans are made up of money that *belongs to someone else*. Loans increase risk, because they must be paid back and things may go wrong. So it is a good idea for people to build up savings before they start to take out loans, so that if things go wrong they can still pay them back. (S)he says that VSLAs provides a safe place to save easily (in the form of shares) and earn a good profit on the money invested.

Share-purchase/savings practice and rules

Step 1: *The FO discusses the idea that savings are more important to poor people than loans, because people need to have a 'cushion' of wealth before they can start to take the risks associated with borrowing.*

The FO asks if they feel confident that they can save regularly. (S)he says that not only can poor people save, but they already do so. (S)he says that savings are not always held in cash and asks the Association to suggest other forms of savings. The list may include:

- Buying and fattening livestock (cattle, goats, sheep, chickens)
- Buying jewellery, agricultural tools, bicycles, furniture, cooking pots and other items that can be traded when needed
- A handful of rice (the setting aside of a handful of rice every day into a separate pot, for periods when money or food is scarce)
- Storing grain

The FO says that all of these things are savings, as they can quickly be converted to money when needed, or consumed to cope with a shortage. (S)he points out that they could not, in fact, survive without savings in some way or another and says that savings are just another way of saying that people must set aside something when they don't immediately need to use it or consume it, for use in the future when they would otherwise not have it. Grain stored in a granary is a good example: it cannot be eaten all at one time at harvest but needs to be on hand during any 'hungry season' that is expected.

Step 2: The members are asked why a person is better off saving in an Association than individually. The answers should cover the following:

- The Association encourages people to save when otherwise they might spend the money
- Savings held by the Association are more secure because they are less likely to be lost or stolen, or demanded by members of the household if they are left in the house
- By using the savings as a source of loans for members the savings earn service charges and increase in value. When they are held in the household they don't earn anything.

Step 3: How savings can grow. The answers may include:

- Share-purchase
- Service charges earned on loans
- Fines charged to members for breaking Association rules

Step 4: The FO then asks the members if it is easy to save the local equivalent of \$3 per month. Probably the members will say that it is hard. (S)he then asks them if it is hard to save \$0.1 per day. The answer is likely to be that it is easy. The promoter should then say that \$0.1 per day is \$3 a month, so saving large amounts is possible by saving small amounts frequently.

Step 5: The FO asks what the value of a share should be. (S)he tells the members that the amount should be something that everyone in the Association is sure that they can afford throughout the entire cycle at every meeting, including during the seasons when there is very little cash available. She explains that all members must try to buy at least one share per meeting, and that up to five shares per member per meeting is permitted. So they must pick a value that satisfies everyone and that the poorest amongst them can regularly contribute. For example, if \$0.50 per share is chosen, everyone must agree that saving between \$0.5 and \$2.5 per meeting is acceptable to all members.

Step 6: The FO notes the share value and tells the members that they will put it into their written Constitution, which will be developed in the next session. (S)he says that the Association must take the obligation to buy shares very seriously and that it will damage the Association if some people stop saving or save irregularly. (S)he then gets the Association to discuss what will happen if a person stops buying shares and writes down the Association's decision for later inclusion in the written Constitution. (S)he also says that in times of the year when it is very hard to save (such as just before harvest) the whole Association can agree to suspend contributions for a month or two. This is very common in other countries during a 'hungry' season, where 1 - 3 month's share-purchase/savings suspension is common. Nevertheless (s)he stresses that the obligation to save is at the heart of the Association's activities and that stopping share-purchase/savings should only be temporary and a last resort.

Lending practice and rules

Step 1: The FO asks members if anyone has received a loan from a bank, from a moneylender, savings group, shopkeeper, family member or friend. The FO asks what the purposes of such loans have been.

Step 2: (S)he then asks what is common to most loans and says that all loans have repayment conditions that specify how long it will be before the loan is repaid, how it will be repaid (instalments or in a lump sum) and if it attracts service charges or not. (S)he then tells the General Assembly that if they use the members' share-purchase/savings as a source of loan capital, they must agree on standard conditions – a set of rules - to avoid favouritism or disagreement.

Step 3: The Association is then asked for what purposes loans will be given. The FO says that members should not take out loans that they cannot repay easily, but it is a fact that many loans will be taken out in times of money shortage, and that this is not always bad, even if it is not for investment in a business activity. The FO uses Story 1 on page 41 to illustrate this point. *Loans do not always have to be for investments, but can sometimes also be used for paying expenses when the borrower knows that there will be income to repay the loan.* The FO asks if the members of the Association can think of similar examples from their own experience.

Step 4: The Association is then asked for how long people should be allowed to take out loans. The FO says that when loans are short-term, most people in the Association get a chance to borrow. However some activities like animal fattening or horticulture benefit from loans that take longer than four weeks. The Association should be encouraged to have a minimum loan term of four weeks and a maximum loan term of twelve weeks during the first cycle, but may consider changing this after one year's experience. Once the Association has decided on loan duration limits, the FO writes this down.

Step 5: The FO says that the amount borrowed by any member cannot be more than three times the total share holding of that person. The FO should explain that this prevents unequal distribution of limited loan funds, and prevents a member from borrowing more than they can afford to repay comfortably.

Step 6: Service charges. The FO should return to the concept of service charges, which was previously discussed, during the Preliminary meeting with clustered Associations. *The service charge should not be confused with interest paid to a commercial lender.* The money raised through the service charge is the property of the Association and is not lost to the members (as it would be if they had borrowed from a bank or a moneylender). It ends up back in their pockets and is, in effect, another form of savings, because they get it back at the end of the cycle when the money is shared out.

The following reasons can be given for asking for a service charge on a loan:

- Money that is lent could potentially be used by the lender to invest in a business that brings income. If someone else is using it (because it was borrowed) he/she cannot get the profit and must be compensated for the loss.
- To cover potential losses from unpaid loans.
- To increase the Association's assets for lending.
- To discourage borrowing without a serious need or purpose.

The Association should then decide how much the monthly service charge (levied every four weeks) should be. The FO says that the higher the rate of the service charge, the faster the fund will grow, but that this can make it expensive for members to borrow. The FO then suggests that in most VSLAs 10% is normal, but that some charge as little as 5% and some as much as 20%. When the Association has decided on a monthly service charge rate the FO notes this down.

The FO should ask if the Association wants to use a declining balance service charge methodology, or a flat service charge. The FO says that declining balance payments are fair, because the charge is calculated on the remaining sum that has not yet been repaid, while a flat service charge system requires a member to pay the same charge, no matter what proportion of the loan has already been repaid. If the Association prefers to use flat interest, they can do so, because it simplifies calculations, *but members should be made aware of the implication, which is, in effect, a higher cost to borrowing.*

The FO then explains that the Association's total funds will grow rapidly through the borrowing of the members, but members are not obliged to borrow. Some may feel that the most important thing is to have a safe place to save. *No one should feel pressured to take out a loan that they do not need.*

The FO should then warn the Association about lending to non-members. Other VSLAs have lost money by doing this. VSLAs that only lend to members experience very attractive profits, without the need to take too much risk. Associations which charge a 10% monthly service charge on loans often experience a 50% profit in one cycle (for example, a member who buys \$100 worth of shares should expect to receive \$150 at share-out time). Associations should be confident that if they follow the system they will succeed.

Safety of Association funds

Step 1: The FO says that there will be a lot of money managed by the Association. This will be from:

- Share-purchase/savings
- Fines
- Service charge earnings

The FO tells the members that the main reason for three locks on the cash box is *not* because there is a serious risk of theft by robbers, but to ensure that all transactions take place in front of the Association. Story No. 2 (page 41) should be told at this point to illustrate the dangers of not having a lockable cash box.

Step 2: The FO shows the Association the type of heavy-duty cash-box that the project has had manufactured and which they will use. (S)he tells the Association that they will be provided with a complete kit of equipment so that they can run their savings and lending activities and that the cash box is part of that kit. The FO explains that the cash box will be held by the Box-keeper, who will safeguard it between meetings. When the box is locked at the end of the meeting the Box-keeper cannot open it because (s)he does not have the keys. The FO shows the members the entire kit. This consists of:

- Lockable cash box
- Three good quality padlocks, each with two keys
- 25 Passbooks
- 25 Member number cards (already handed out to members)
- 2 Rubber stamps: one for shares and a different one for daily slot savings
- Rubber stamp ink pad
- Ruler
- Two ball point pens: one black or blue, the other red.
- Calculator
- 2 plastic bowls, at least 30 cm in diameter and at least 15 cm deep (one for fines and one for managing contributions to the social fund, collection of share-purchase/savings and loan repayments)
- 3 fabric money-bags, with draw strings: one for the social fund, one for the loan fund and one to hold the daily slot savings tokens
- 60 coloured metal washers (slot-savings tokens) at least 3 cm in diameter

(S)he hands the kit over and tells the Association that it must be paid for during Module 4. (S)he tells them that they must prepare themselves to come with their payment for the cost of the kit, otherwise training will not be able to proceed.

Note: *VSL programmes must use lockable boxes. The lockable boxes maintain confidence in the system, and Associations that do not have cash boxes experience losses (and reduced trust in their leadership, who are often suspected of making private use of the money between meetings).*

The cash box also guarantees that transactions can only be carried out when all of the Association's members are present and that records cannot be altered, except with the consent of all of the members.

The only circumstance where this principle can be relaxed is in places where theft is common, such as urban slums. In this case the cash may be banked (because banks are more easily found in urban areas), or heavy-duty lockable canvas bags that can be hidden beneath clothing can be used..

Summary and conclusion:

The FO should ask if the members have any questions

The FO announces the date of the next training meeting, the topic of which will be "Development of association constitution" and tells the Record-keeper that (s)he will be expected to report the day's proceedings at the next meeting. (S)he also designates another seven people to remember the titles of the training sessions, telling them that they will be asked to remember the titles at the next meeting. If needed, these should be repeated.

The Association is thanked for its participation and the meeting is closed.

Stories

Story 1 - Topic: What is a Productive Loan? Jemimah is a member of the Magugu 3 VSLA. She has three bags of rice paddy in store after harvest. School fees are due and she is thinking of selling the paddy to pay the school fees. Jemimah is one of the founding members of Magugu 3. She asks for a loan so that she can pay the school fees. She is told that she can't have a loan for this purpose because it is not productive. She says that she wants to keep the paddy for a month because at this time of year it is known that the value will double. She says that she can pay back the loan, pay the service charge and end up with a profit. The FO asks if the members think that Jemimah should get her loan.

Story 2 – Topic: Security of Association Property. The Ngare Mtoni Savings Group (they weren't a trained VSLA but just an informal group) entrusted their money and records to their Treasurer, who was a woman with a reputation for honesty. She took them home in her bag and always showed up to meetings with the records and with the small amount of spare cash left over after previous meetings. After six months a small amount of the group's funds began to accumulate. The Treasurer found that she was holding on to an average of TShs 10,000 in a cupboard in her house.

One day, her husband demanded to use a few thousand TShs for his milk trading business and paid it back on time, but without paying any service charge. Later he took TShs 5,000 to send their son to Nairobi to look for work, and this time he didn't ask his wife, or pay it back in time for the next meeting. The Treasurer was desperate, and to try and hide this, she altered her own savings records, reducing them by the amount that her husband had taken. But the Secretary of the savings group noticed the alterations and accused her of falsifying the ledger and said that there was no guarantee she wouldn't do the same thing with another member's records, even though, in this way, she was restoring the loss by cancelling her own savings. She confessed what had happened and was allowed to remain in the Association, but lost her job as Treasurer and her family's reputation was badly affected.

Ask the Association to discuss the importance of the three-lock system, and ensuring that keys are maintained by different members of the Association. Discuss how this is important to anyone who agrees to be Box-keeper (to avoid anyone feeling that they might be dishonest - if they don't have the opportunity to steal or misuse the funds, they don't need to worry about people not trusting them or being suspicious).

4.3 Module 3: Development of Association constitution

Objectives:

At the end of the training session:

- **The VSLA will have developed a Constitution. The Constitution will:**
 - describe how the Association is governed, by whom it is governed and how the people who govern it acquire their authority
 - set out the rules that govern social fund and Savings and Loan Policies

General

The FO asks the Chairperson, Record-keeper and Box-keeper to call the meeting to order and asks the Record-keeper to report to the Association what was covered at the last training meeting. (S)he then asks again for the titles of the sessions in the training from the nine people designated to remember.

(S)he then announces the objectives of the present session, telling the members that the goal of the meeting is to develop a Constitution to guide them in running the Association.

The members must understand that they create the regulations for themselves, and can modify them in the General Assembly if they prove to be incomplete or ineffective. Once the Constitution is established, and, even if some members of the Association cannot read and write, it will be written and put in the cash box where it will always be available in the case of misunderstandings. This builds confidence amongst the members that there is a record of their decisions that can be referred to in times of crisis or dispute.

A Constitution:

- is a written document that defines the goals and purpose of a VSLA
- defines who governs the VSLA
- states how the people who govern the VSLA get their authority

An Association is owned by its members and it elects leaders to run its affairs. The Constitution needs to say how this happens.

An Association Constitution contains more than just information relating to ownership, authority and election procedures. It also covers the policies that relate to the social fund, share-purchase/savings and lending and how the Association shares out its money at the end of the operating cycle.

The FO plans to divide the session into two parts: one relating to Association governance and the other relating to share-purchase/savings, lending and social fund rules.

Governance

Step 1: The FO asks the question, ‘What is a Constitution?’ (S)he facilitates a discussion in which (s)he moves towards the answer that a Constitution is a written document that describes what the Association wants to do, how it will be governed and how the people who govern it will be elected and what their powers will be. It will also be a document that lays out the rules, or policies that cover the way its activities (social fund, share-purchase/savings and lending) are implemented.

Step 2: The FO asks the Association the question, ‘Who makes the rules and controls the Association?’ It is likely that the participants will say that this is the Management Committee, but (s)he reminds them that the General Assembly makes the rules. The Management Committee can enforce the rules only because the members of the General Assembly have agreed on the rules and the right of the leaders to enforce them.

Step 3: The FO asks the members to suggest what sorts of things will be needed in a constitution. She tries to make sure that most of the following get mentioned.

- Governance
 - What the purpose of the Association will be
 - Who can belong and who cannot
 - How the leaders will be elected
 - How leaders will be removed
 - How often the Association will meet
 - How members will leave the Association
 - What happens in the case of death of a member
 - What sort of fines the Management Committee can impose for what offences
- Services (some notes were already taken in the last meeting)
 - How members will save
 - How members will borrow
 - What the social fund contribution will be
 - What benefits a social fund will provide

Notice that the issues listed above are grouped into those that cover how the Association manages itself (Governance) and those that cover how services will be delivered. The FO tells the members that they will deal with each one in turn, but points out that decisions relating to the social fund and to share-purchase/savings and lending were covered in the last meeting, so they don’t need to be discussed again. The FO reminds them that (s)he took note of their decisions concerning how these things would be done at that time and that these decisions will be included in the Constitution.

Step 4: The FO tells the Association that (s)he has a written framework that covers the topics listed and that the next step will involve going through the list, with the FO asking the members to discuss each point and reach a consensus. (S)he advises them that they should not rush through the process, because they have to obey the rules that they agree on. If necessary, a second meeting on the topic to complete the Constitution can be arranged.

Step 5: Discussion and completion of the framework (see below). The FO should expect this activity to take at least two hours, and should ensure that all members pay careful attention and participate actively.

Services offered by the Association

Step 1: The FO refers to the previous meeting in which the Association determined the rules and regulations that would guide the operations of the social fund and share-purchase/savings and lending. The FO goes over this again and asks everyone if what (s)he has written is correct. If there is any disagreement it must be resolved at this point. This activity proceeds rapidly.

Constitution framework: Notes to the FO:

- The framework for a VSLA Constitution on the next few pages is shown as a list of questions. Once these have been discussed by the members, the constitution can be written in final form and everyone who is able will sign, with non-literate members affixing their fingerprints, to ensure that everyone is in agreement with the provisions. *See Annex 2 for a blank form allowing the Constitution to be written down.*
 - Where no flexibility should be given to the Association (because experience has proven the general value and applicability of a particular approach), the relevant clause is written as a statement and not a question. It is also *italicised*.
 - Clause III, 'Relationship to External Sources of Finance' will need careful discussion. The FO should say that the Association's greatest strengths are self-reliance and savings. When they build up their own capital members will feel a greater sense of achievement and independence than people who depend on borrowing from an institution for their capital. The following things should be considered:
 - Associations should never agree to deposit their savings with a lending institution, because the lending institution may try to block access to the savings while the Association has a loan
 - If the Association does borrow money from an MFI or bank, it is better if it borrows a lump sum and turns this into smaller loans for its members. There are two reasons for this:
 - By borrowing as a group it is possible to borrow at lower cost, because it is more efficient for the lender
 - By borrowing one large amount and dividing it into smaller, higher rate loans, the Association can make a profit; if an outside lender lends to individual members, all the profit is made by the outside institution
 - Associations should never borrow more than the total value of all shares for two reasons:
 - So that members don't take out very large loans that become hard to repay: their businesses are safer if they grow slowly than if they try to make them grow quickly
 - To ensure that the Association can always repay its loans, even if individual members cannot
-

Constitution framework

How the Association will govern itself

I. BASIC INFORMATION ON THE ASSOCIATION

- Name of the Association?
- What is the address of the Association?
- On what date was the Association formed?
- Date of registration, if any?

II. OBJECTIVE OF THE ASSOCIATION

- *The purpose of the Association is to be an independent, profitable provider of financial services to its members.*
- What services will the Association provide in order to achieve this objective?

III. RELATIONSHIP TO EXTERNAL SOURCES OF FINANCIAL SERVICES

- *The Association will not borrow from financial institutions during the first cycle of savings and lending. If it does so in subsequent cycles it will use the following principles:*
 - *The Association must be the borrower and not individual members*
 - *The Association will not allow the lender access to information on individual loans*
 - *Members' savings cannot be used as collateral for an external loan*
 - *Any borrowing by the Association must not exceed the total value of all members' paid up shares*

IV. WHO MAY BE A MEMBER OF THE ASSOCIATION?

- Lower age limit?
- Gender?
- Place of residence?
- Other common circumstances?

V. COMPOSITION OF THE MANAGEMENT COMMITTEE

- *Chairperson*
- *Record-keeper*
- *Box-keeper*
- *2 Money-counters*

VI. ELECTION PROCEDURES

- How many terms can any one person serve on the Management Committee?
- *Elections must be held at the start of each new cycle.*
- What is the minimum number of members who must be present to hold an election?
- *The election procedure will use a system that allows everyone's vote to be secret.*
- *The minimum number of people that must stand for each position is 2.*
- *A candidate for election to a post must be proposed for office by another member.*

VII. REMOVAL OF OFFICERS FROM THEIR POSITION BETWEEN ELECTIONS

- Any member of the General Assembly can request a review of a member’s suitability to be on the existing Management Committee. If a majority of the members decide that the person should be removed from the Management Committee, the member must step down and another member be elected to the same position.

VIII. MEETINGS

- To mobilise savings the Association will meet every?
- To disburse loans the Association will meet every four weeks.
- The cycle of meetings will continue for a maximum of 52 weeks before the Association shares out its assets

IX. MEMBERS LEAVING THE ASSOCIATION

- If a member leaves the Association because they have no alternative (such as if they move away) how will the Association calculate how much they must be paid?
- If a person leaves the Association before the end of the cycle for no good reason, except their wish to leave, how will the Association calculate how much they are paid?
- If a person is expelled for failing to make regular share-purchase/savings deposits, how will the Association calculate how much they must be paid
- If a person is expelled for failing to repay a loan, how will the Association calculate how much they must be paid?

X. EXPULSION FROM THE ASSOCIATION

- For what reasons should a person be expelled from the Association?

XI. DEATH OF A MEMBER

- If a member dies how will the Association calculate how much money should be given to their heirs/survivors?

XII. FINES

The following table lists the fines that can be charged for offences committed by members.

Offence	Amount
Non-attendance at a meeting for personal reasons	
Late to meetings	
Not remembering Association rules	
Loss of member number card	
Chatting through the proceedings	
Showing disrespect to a fellow member	
Not remembering decisions and activities of the preceding meeting	
Failure of a member of the Management Committee to perform his or her duties	

XIII. AMENDMENTS TO THE CONSTITUTION

- 2/3 of the members must agree before the constitution can be changed
- Anyone can propose a change to the Constitution

Services offered by the Association

I. SAVINGS

- *Members may buy 1 - 5 shares in each meeting*
- *What will be the value of a share?*
- *Members may contribute an equal agreed-upon amount at the start of every future cycle to speed up the growth of the loan portfolio. This can be more than five shares if all members agree.*

II. LENDING

- *Who is eligible to borrow?*
- *The maximum amount that anyone can borrow is three times the value of their shares.*
- *The maximum length of loan term is 24 weeks, but only 12 weeks during the first cycle*
- *A member must repay a loan before (s)he can take another*
- *What service charge rate will be applied every four weeks?*
- *What will happen if a member does not repay a loan?*
- *After how long should the Association consider that a loan is unlikely to be repaid and begin recovery action against the defaulter?*
- *What will happen to the loan if a borrower dies?*
- *What will be the highest priority for loans?*
- *What will be the second highest priority for loans?*
- *What will be the third highest priority for loans?*

III. SOCIAL FUND

- *What will be the contribution amount for the social fund?*
- *How often will contributions be made to the social fund?.*
- *For what types of emergencies will the social fund offer benefits?*
 - *What will be the benefits for the death of a spouse?*
 - *What will be the benefits for the death of a child?*
 - *What will be the benefits for the death of a parent?*
 - *What will be the benefit for a member whose house or workplace is accidentally destroyed?*
 - *What will be the benefit for sickness of a family member?*

N.B. Each Programme will develop a list of benefits from the social fund that most participants think are the most important. What is shown here is a suggested list that may need modification

Step 2: Once all of the decisions have been reached, the blank copy of the Constitution (See Annex 2) is filled in and everyone in the Association signs it. The Constitution is then handed over to the Association Chairperson and (s)he is told that she must safeguard it until the next meeting, when it will be put inside the Association's box.

Summary and conclusion:

The FO asks if the members have any questions.

The FO then tells the members that in order for all of them to know the rules of the Association, each person must remember one rule, starting from Clause II and excluding Clause IV (Composition of the Management Committee). The number of rules is greater than the number of members, so only a limited number of rules can be remembered at one time. The FO tells

each member, *by number*, what rule he or she must remember and asks them to repeat it, to be sure that the member understands the rule. The FO notes down which rule is to be remembered by which member and tells them that they will be fined at the next meeting, according to the Constitution if they cannot remember their rule. (S)he makes sure that the members agree that this is fair.

The FO uses another blank copy of the constitution and writes down the number of each member against the particular rule that they have been asked to remember. This makes sure that at the next meeting the FO will be easily able to connect each question to the right member.

The FO tells the members that the next meeting will involve everyone, but its purpose will be to train the Management Committee, so that they can learn how to run a meeting and can learn how to keep passbook-based records. The title of this meeting will be 'Record-keeping and how to manage a share-purchase/savings meeting'

The FO reminds the members that the Management Committee can only carry out its training if the kit of equipment is paid for. The cost of the kit is again mentioned and the FO confirms that the Management Committee will have the necessary money on hand at the next meeting.¹ At this point, the FO can suggest that the Association as a whole commits each member to making the necessary contribution, and helps them calculate the sum that each will have to pay.

The Association is thanked for its participation and the meeting is closed.



¹ Some programmes agree that Associations can pay for the kit over a period of a month, during which time the Association mobilises the necessary contributions from each member. The most important factor is that the kit is paid for on the basis of clear agreements and is not donated. This establishes, at an early stage, the basic principle of self-reliance.

4.4 Module 4: Record-keeping and how to manage a share-purchase/savings meeting

Objectives:

At the end of the training session:

- Each member of the Management Committee will understand their responsibilities
- The Record-keeper and Money-counters will understand their roles in maintaining passbook-based records

The kit and the key-holders

The kit, whose contents are listed on page 39, needs to be handed over to the Association. Members will already have received their number cards (which are part of the kit) and the FO should first confirm that everyone has brought their card to the meeting.

Step 1: The FO receives the money for the kit (agreed at the previous meeting) and formally hands it over, together with a receipt, to the Chairperson, who is then asked to place the copy of the Association's Constitution inside.

The Association is told that the safety of the kit will be the responsibility of the Box-keeper and that (s)he must carry all of it to every meeting of the Association. The FO should suggest to the Committee that after each meeting the Box-keeper is accompanied to his/her home by other members and escorted to meetings, so as to add to the security of the cash box.



The FO also brings along 3 sets of sample passbooks that will be used in the practice session, filled out as shown in Figures 4.6, 4.7 and 4.8 (pages 52 -54)

Step 2: The FO asks the members, one by one, about the rule that they were each asked to remember and calls on each, by number, to recite his/her rule. If a member has forgotten, they are fined (according to the Constitution), and the FO asks the rest of the members if anyone else can remember. The fines are put into the loan fund fabric bag in the kit. Once this step is complete the FO tells them that they will go through the same process at the next meeting until everyone has remembered their rule.

Step 3: The FO tells the members that although they have appointed their Management Committee, it is necessary to appoint three people, to be called Key-holders, who will keep the keys, so that the box can only be opened in meetings. It is not necessary to hold an election to appoint these people, but they can be identified by discussion. The criteria for selection are:

- Must be members of the General Assembly and not the Management Committee
- Reliable
- Are careful people who are unlikely to lose the key
- Live close to the meeting place

Step 4: The FO tells the Association that the three padlocks mean that the box cannot be opened without the cooperation of the three people who keep the keys and the Box-keeper.

This serves two purposes. (S)he asks the members to guess what they might be. (S)he facilitates a discussion until (s)he has the following answers:

- it makes the box hard to break in to, because at least 4 different people have to agree to open it; so the money is safe.
- because the box cannot be opened between meetings, transactions can only take place in front of all members and records cannot be altered.

Passbook-based principles

Step 1: The FO asks what composes the Association's wealth. The answer (s)he is seeking is that it is composed of:

- the cash in the box
- loans owed by members
- any property owned by the Associations

(S)he concludes by explaining that the amount of cash in the box must be remembered by everyone, and that loans owed by members will be recorded in the individual

l's passbook. The condition and existence of property can be confirmed by observation.

Step 2: She then asks what every member needs to know about their own personal financial situation with the Association. (S)he facilitates a discussion and seeks the answer that individuals need to know:

- how much money they have saved
- how much money they owe in unpaid loans

Step 3: The FO then says that information about individual share and loan amounts is held in written passbooks that are owned by the members. (S)he shows them the passbooks at this point and shows them how the front half of the books tracks each member's shares, and the back half tracks each member's loans.

Step 4: The FO tells the Management Committee that record-keeping is an activity of the whole Association, not just the Management Committee, and that the Management Committee's job is to ensure that everyone is clear on the amounts involved and the process.

Step 5: The FO tells the Management Committee that although this system does not need people who can read and write, it needs people who can count. (S)he should verify once more that everyone on the Management Committee (especially the Money-counters) is able to count properly.

Share-purchase/savings


Step 1: The FO asks everyone to hold up their number card. (S)he says that when transactions are carried out, the Record-keeper will not need to remember everyone's name, but can call out their number, so no-one gets forgotten. Members are told that each must safeguard his/her number card and will be fined if it is lost, as agreed in the Constitution.

Step 2: The FO says that members may want to save different amounts from each other, and each member may also want to save different amounts at different times. For this reason, VSL allows members to save in different amounts by buying between 1 - 5 shares at each meeting. The value of a share has already been decided by the Association and the FO asks the members to say what it is. For example, if the amount of one share is the equivalent of \$0.10, then each member can save \$0.1, \$0.2, \$0.3, \$0.4 or \$0.5 at each meeting.

Step 3: At this point the FO uses 3 sets of sample passbooks to demonstrate how Share-purchases are entered. These are filled out as per Figures 4.6, 4.7 and 4.8. A maximum of 13 will be needed (for an Association of 25), with two members sharing a passbook. The cover of the sample passbooks is shown below in Figure 4.5. If need be, the passbooks can be made

from ordinary school exercise books, so that specialised printing is not needed. Normally these can be made in A5 size (148 x 210 mm).

Figure 4.5: Passbook cover

<p><i>Village Savings and Loan Associations</i></p> <p>Member Share Passbook</p> 	
Association Name	<u>Ralang B</u>
Association Number	<u>1</u>
Member Name	<u>Monica Auma</u>
Member Number	<u>11</u>

The passbook cover has space for the name and number of the Association and the name and number of the member. The member number must match the number on the number card that has been given to each member so that no-one else can use another member's passbook.

Managing a meeting: General

The members of the Management Committee are told that there are two basic types of meeting: savings meetings and savings and loan meetings. The FO says that every meeting is a share-purchase/savings meeting, but loan meetings only happen every four weeks.

At this point, the Management Committee will be learning *only* how to conduct a share-purchase/savings meeting. The roles of the Chairperson, Record-keeper and Box-keeper are as follows:

- The Chairperson maintains order; levies fines and announces each step of the meeting as it moves from one procedure to another.
- The Record-keeper is responsible for controlling the financial transactions occurring during each step in the meeting – at this point only those related to the social fund and share-purchase/savings, but in the future also loan repayments and disbursements. (S)he is also responsible for passbook entries and for announcing balances at the end of the meeting.
- The Box-keeper is responsible for the security of the cash box between meetings, assisting the Record-keeper to maintain passbooks, and in the future, managing the slot savings system.

Managing a share-purchase/savings meeting: Specific

Step 1: To facilitate this training session for the Management Committee, the FO uses Table 4.6: (First Share-Purchase/Savings Meeting – Procedures). The FO does not hand this out to the Committee but has it on hand for reference.

Step 2: The Committee is arranged in the way they will sit in the meeting and the FO tells them that they need not worry about making mistakes because (s)he will be there to help in actual meetings.

Step 3: The FO says that they will only concentrate on the social fund and share-purchase/savings at this point. This will give them a chance to get familiar with how things are run before they learn about loan meetings.

Step 4: The FO then goes through the procedures in Table 4.6.

Table 4.6: Procedures for a share-purchase/savings meeting

Meeting step	First share-purchase/savings meeting – Procedures
1. Meeting opening	<ul style="list-style-type: none"> • The Chairperson calls the meeting to order. • The Record-keeper performs a roll call. • The Key-holders open the box, which remains in front of the Box-keeper. • The Fines bowl is placed in front of the Chairperson, so that fines can be collected during the meeting. • The Record-keeper then gives the members their passbooks.
2. Social fund	<ul style="list-style-type: none"> • The Chairperson announces that contributions will be made to the social fund. All members must contribute the same amount. • The Record-keeper calls each member, by number, to give their social fund contributions to the Money-counters. The Money-counters confirm the amount and place it in the money-counting bowl. • The Record-keeper then asks for requests from the social fund. Members in need make their request to the Association. • If approved, the money is provided to the member according to the Constitution. • After all benefits have been paid, the Money-counters count the remaining social fund money. • The Record-keeper confirms the balance of the social fund, and asks the members to remember it for the next meeting. • The social fund money is then put in its draw-string bag and put in the cash-box.
3. Share-purchase/savings	<ul style="list-style-type: none"> • The Chairperson announces that members will make their first share-purchase/savings contributions and the Record-keeper calls each member to the front by their number. • Each member buys between 1 - 5 shares, giving the money to the Money-counters and their passbook to the Record-keeper. • The Money-counters count the money, place it in the money-counting bowl and announce the number of shares that have been purchased. • The Record-keeper stamps the correct number of shares into the passbook and crosses out any unused blocks. • The member then checks that the number of new stamps in the passbook is correct; and the passbook remains with the Record-keeper for the rest of the meeting. <p><i>Note: The FO should encourage the members to clap when someone buys 5 shares.</i></p>
4. Expenses	<ul style="list-style-type: none"> • The Chairperson asks the Record-keeper if there will be any necessary expenses before the next meeting. If any expenses are approved by all of the members, the Chairperson instructs the Money-counters to remove the necessary amount from the money-counting bowl and give it to the member who is responsible for paying the expense.

Meeting step	First share-purchase/savings meeting – Procedures
<p>5. Calculating the loan fund balance</p>	<ul style="list-style-type: none"> • The Money-counters combine the money in the Fines bowl and the money-counting bowl. • The Money-counters count the money and the Record-keeper announces the total to the Association. • The Record-keeper then tells the Association that this money constitutes their loan fund. • The Money-counters place the loan fund in its draw-string bag and put it in the cash-box.
<p>6. Closing balances</p>	<ul style="list-style-type: none"> • The Record-keeper announces the total of the social fund once again, and the Chairperson instructs all members to memorise the social fund balance for the next meeting. • The Record-keeper announces the total of the loan fund once again, and the Chairperson instructs all members to memorise the balance of the loan fund for the next meeting. • The Record-keeper notes down these two balances in the notebook provided in the kit and encourages members who are able, to also note them down or memorise them. • The Key-holders are called by the Chairperson to lock the box.
<p>7. Closing</p>	<ul style="list-style-type: none"> • The Chairperson invites members to discuss any items of business that may be of interest. • The Chairperson announces the date and time of the next meeting and reminds everyone to come with their social fund contributions and share-purchase/savings money. • The Chairperson tells the members that they will be able to borrow for the first time four weeks from the date of this meeting • Once discussion is complete, the Chairperson closes the meeting.

Summary and conclusion:

The FO answers any remaining questions about the share-purchase/savings and lending procedures and reminds the Management Committee that from now on the success of the Association depends on their leadership.

The FO reminds the members that they will be expected to repeat the rule from the constitution that they are supposed to remember at the start of the next meeting. The Committee and any members observing are thanked and the meeting is closed.

4.5 Module 5: First share-purchase/savings meeting

Objectives:

By the end of the training meeting:

- Everyone will have contributed to the social fund for the first time
- Everyone will have bought shares for the first time
- The members of the Management Committee will have managed their first meeting.

General

The Chairperson calls the meeting to order and reviews the agenda for the meeting.

The first item of business, at each meeting until all members clearly understand the constitution, is for the FO to ask each member to repeat the rule from the Constitution that they have been asked to remember. Members who have forgotten their rule are fined and reminded that the process of memorisation is very important to VSL. By remembering the rules of the Association they help to manage it

As this is the first meeting with money, the Chairperson reminds everyone of the amount of the social fund contribution and the value of a single share. (S)he reminds all members that they can save by buying between 1 and 5 shares.

First share-purchase/savings

Step 1: The FO seats everyone in place, facing the Management Committee, with the Money-counters sitting on a mat in front of the Committee table (if the Association has provided a table).

Step 2: Each Key-holder is given all the keys to his or her lock and told to keep them in a safe place, bringing only one to each meeting. (S)he is told that she must never let anyone else have any of the spare keys but must send the key to the meetings with another member if, for any reason (s)he is unable to attend a meeting.



Step 3: *The FO then explains to the General Assembly that from now on (s)he is only there to support the Management Committee, which is now in charge of meetings.*

Step 4: The Chairperson calls on the Key-holders to open the box and the Record-keeper takes out the passbooks. The Record-keeper reminds everyone that they have been given a number and says that (s)he will call each person up and help them to prepare their passbook. Each member is called up by number, in turn and their names and their number are written on the cover of the passbook, along with the name and number of the Association and the value of a single share.

Step 5: The Committee conducts a share-purchase/savings meeting as per the steps laid out in Table 4.6 from the previous meeting.

Summary and conclusion:

The FO answers any questions about the share-purchase/savings procedures. The Chairperson reminds the General Assembly of the time of the next share-purchase/savings meeting and reminds all members to come with their social fund contributions and Share-purchase money. (S)he should also tell the members that the first loan meeting will occur four weeks from this first savings meeting.

The FO then goes through Constitution, giving each person a new rule to remember for the next meeting; again, noting which member is required to remember which rule. This process goes on throughout the whole training until the FO is satisfied that members are all aware of the rules in the Constitution. *It is not mentioned again in this training manual, but is a routine part of all meetings till the end of the Intensive Phase.*

The members are thanked for their participation and the meeting is closed.

4.6 Module 6: First loan disbursement meeting

Objectives:

By the end of the training meeting:

- The social fund and savings procedures will have been followed as normal
- Some members will have taken out loans for the first time

General

This meeting will be the first opportunity for members of the Association to borrow from the Association's funds. Only a few share-purchase/savings meetings will have occurred and the money in the loan fund will be small. So the FO must help the Association discuss who will be allowed to take a loan.

The Chairperson calls the meeting to order and discusses the agenda for the meeting. (S)he explains that this will be the first meeting with loans.

First disbursement of loans

Step 1: The FO says that loans will be taken and repaid every four weeks, regardless of how often the Association meets. Some Associations will want to borrow as often as they meet, so that all of their savings is in circulation. But this is not advisable during the first cycle because experience shows that this usually leads to confusion. It is better for Associations that meet weekly or fortnightly to get used to lending and repaying every 4 weeks for the whole of the first cycle before starting on the more complicated task of managing loan-taking and repayment at every meeting.

Step 2: Loan Management in passbooks. The FO explains that the passbooks will also be used to keep a record of loans.

Step 3: At this point the FO hands out the same (third) set of pre-filled passbooks that were used at the previous training meeting, with the Loan Record filled out as illustrated in Figure 4.12 on page 62. (S)he explains that the passbooks not only record savings in the form of shares, but also the individual loans taken out by each member.

Step 4: The way the passbook is used to track loans is shown in Figures 4.9 – 4.12 on the following pages.

Figure 4.9: Member loan record (1)

Loans			
Loan No	Item	Amount	Signed
1	Loan Amount	30,000	Monica
	Service Charge	3,000	
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
End	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		

Explanation: The example on the left is Monica Auma's first loan (as shown in the 'Loan No.' column). She borrows TShs 30,000. No date is shown since loan meetings follow each other at intervals of 4 weeks.

The service charge is TShs 3,000 because her Association charges 10% of the principal sum every four weeks. In this case, the loan period is 12 weeks, indicated by the word 'End' against the 'Paid' row, 12 weeks in the future.

Monica signs this to show that she understands that she owes TShs 30,000 for the loan and TShs 3,000 for the service charge for four weeks. *It is, in effect, a contract*

At the next loan meeting, four weeks later, she made a service charge payment of TShs 3,000. The next entry in her passbook appeared as in Figure 4.10 below.

Figure 4.10: Member loan record (2)

Loans			
Loan No	Item	Amount	Signed
1	Loan Amount	30,000	Monica
	Service Charge	3,000	
	Paid	3,000	Monica
	Loan Amount	30,000	
	Service Charge	3,000	
	Paid		
	Loan Amount		
	Service Charge		
End	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		

Explanation: This shows that Monica still owes TShs 30,000 and, once again, a service charge of TShs 3,000 will be payable at the next meeting

Next, the Record-keeper writes the new balance due, which is TShs 33,000 – TShs 3,000 = TShs 30,000, in the 'Amount' column.

She then adds a TShs 3,000 service charge to the new amount borrowed. The 30,000 is treated as if it is a new loan, which, over the next month, will attract TShs 3,000 in service charges. Thus, Monica is told that she will owe TShs 33,000 in the next loan repayment meeting, four weeks later.

Figure 4.11: Member loan record (3)

Loans			
Loan No	Item	Amount	Signed
1	Loan Amount	30,000	Monica
	Service Charge	3,000	
	Paid	3,000	
	Loan Amount	30,000	Monica
	Service Charge	3,000	
	Paid	10,000	
	Loan Amount	23,000	Monica
	Service Charge	2,300	
	Paid		
End	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		

Explanation: After another four weeks she was able to pay only TShs 10,000. Because she now owes TShs 33,000 (TShs 30,000 principal and TShs 3,000 accrued service charge) this means that she still owes TShs 23,000.

The Record-keeper receives the TShs 10,000 and writes a new loan of TShs 23,000 (with the same loan number) on the next line. She also adds a service charge of TShs 2,300, which will be owed at the time of the next meeting. Thus, the total Monica will owe is TShs 25,300.

Figure 4.12: Member loan record (4)

Loans			
Loan No	Item	Amount	Signed
1	Loan Amount	30,000	Monica
	Service Charge	3,000	
	Paid	3,000	
	Loan Amount	30,000	Monica
	Service Charge	3,000	
	Paid	10,000	
	Loan Amount	23,000	Monica
	Service Charge	2,300	
	Paid	25,300	
End	Loan Amount	0	Helen
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		


Explanation: Figure 4.12 on the left shows that at the next meeting, Monica pays the full TShs 25,300 owing. The Record-keeper enters TShs 25,300 in the 'Paid' row and signs the entry.

Once the loan is fully paid the Record-keeper draws a red line through the whole loan record. This indicates that the loan has been completely repaid.

Once this step is complete the FO collects up the sample passbooks.

If Monica had failed to pay the full amount on time, this would be immediately obvious, because there would remain a sum entered in the 'Loan Amount' box after the agreed period, marked as 'End' and there would be no diagonal line cancelling the loan.

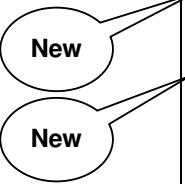
Managing a share-purchase/savings and loan disbursement meeting: Specific

Step 1: The FO uses the guide in Table 4.7 to facilitate the meeting. This guide is the same as the previous guide, but now includes the procedures for loan disbursement. The changes are noted as  and all else remains the same.


The FO does not hand this out to the Committee but has it on hand for reference.

Step 2: The FO then goes through the procedures listed in Table 4.7 (page 64).

Table 4.7: Procedures for a share-purchase/savings and First Loan Disbursement Meeting

Meeting step	Share-purchase/savings and first loan disbursement – Procedures
<p>1. Meeting opening</p>	<ul style="list-style-type: none"> • The Chairperson calls the meeting to order. • The Record-keeper performs a roll call. • The Key-holders open the box, which remains in front of the Box-keeper. • The Fines bowl is placed in front of the Chairperson, so that fines can be collected during the meeting. • The Record-keeper then gives the members their passbooks.
<p>2. Social fund</p> 	<ul style="list-style-type: none"> • The Record-keeper asks the Association to recall the balance of the social fund from the previous meeting. • The Money-counters then remove the money from the social fund bag, place it in the money-counting bowl, count it, and announce the amount to the members. • The Chairperson announces that contributions will be made to the social fund. All members must contribute the same amount. • The Record-keeper calls each member, by number, to give their social fund contributions to the Money-counters. The Money-counters confirm the amount and place it in the money-counting bowl. • The Record-keeper then asks if any member owes money to the social fund. If any member has an outstanding contribution to the social fund, the 'Rememberers' confirm the amount due. • The Record-keeper then asks for new requests from the social fund. Members in need make their request to the Association. • If approved, the money is provided to the member according to the Constitution. • After all benefits have been paid, the Money-counters count the remaining social fund money. • The Record-keeper confirms the balance of the social fund, and asks the members to remember it for the next meeting. • The social fund money is then replaced in its draw-string bag and put back in the cash-box.

Meeting step	Share-purchase/savings and first loan disbursement – Procedures
<p>3. Share-purchase/savings</p> <p>New</p> <p>New</p>	<ul style="list-style-type: none"> • The Record-keeper asks the Association to recall the balance of the loan fund from the previous meeting. • The Money-counters then remove the loan fund from its bag and count it, announcing the amount to the members. • Once it is agreed that the amount remembered and the amount counted are the same, the money is placed in the money-counting bowl. • The Chairperson announces that members will make their share-purchase/savings contributions and the Record-keeper calls each member to the front by their number. • Each member buys between 1 - 5 shares, giving the money to the Money-counters and their passbook to the Record-keeper. • The Money-counters count the money, place it in the money-counting bowl and announce the number of shares that have been purchased. • The Record-keeper stamps the correct number of shares into the passbook and crosses out any unused blocks. • The member then checks that the number of new stamps in the passbook is correct; the passbook remains with the Record-keeper for the rest of the meeting. • (If a member needs a withdrawal, they will ask for it instead of buying shares. When a withdrawal is needed, the Record-keeper will cross out the number of shares from the member's passbook that corresponds to the value of the withdrawal and the Money-counters will give the money from the money-counting bowl. The value of a share paid back to the member will be equal to its original purchase price.)
<p>4. Expenses</p> <p>New</p>	<ul style="list-style-type: none"> • If any money was given for expenses in the previous meeting, the person who made the expenditure gives an account and returns any change to the Money-counters, who place it in the money-counting bowl. • The Chairperson asks the Record-keeper if there will be any necessary expenses before the next meeting. If any expenses are approved by all of the members, the Chairperson instructs the Money-counters to remove the necessary amount from the money-counting bowl and give it to the member who is responsible for paying the expense.
<p>5. Calculating the new loan fund balance</p>	<ul style="list-style-type: none"> • The Money-counters combine the money in the Fines bowl and the money-counting bowl. • The Money-counters count the money in the money-counting bowl and the Record-keeper announces the amount to the Association. • The Record-keeper then tells the Association that this money constitutes their loan fund.

Meeting step	Share-purchase/savings and first loan disbursement – Procedures
<p>6. Loan taking</p> 	<ul style="list-style-type: none"> • The Chairperson invites loan requests, reminding members of the maximum loan term and loan amount (three times the member’s savings). • Each member who wants a loan then makes a request out loud to the Association, announcing the amount requested, the purpose of the loan and over what period of time they expect to repay. • The Record-keeper then calculates the total value of the requests and announces it. • If the total value of loans requested is more than the money available in the loan fund, the Association must discuss adjustments to the individual loan amounts until all members are satisfied. • Once it is decided how much each borrower will receive, the Record-keeper calls each borrower to the front in order of their number. • The Record-keeper then enters the loan number, loan amount and service charge due in the Member’s passbook. • The Record-keeper instructs the Money-counters to give the borrower the loan amount from the money-counting bowl. • The borrower then counts the money, and signs the passbook. • The Record-keeper then instructs the borrower to announce out loud the total amount due and the date it is due. • This process is repeated until all loans have been issued. • The Money-counters then count the money remaining in the money-counting bowl and announce the amount to the Association. • The Record-keeper then tells the Association that this money constitutes their loan fund. • The Money-counters then place the loan fund in its draw-string bag and put it in the cash-box.
<p>7. Closing balances</p>	<ul style="list-style-type: none"> • The Record-keeper announces the total of the social fund once again, and the Chairperson instructs all members to memorise the social fund balance for the next meeting. • The Record-keeper announces the total of the loan fund once again, and the Chairperson instructs all members to memorise the balance of the loan fund for the next meeting. • The Record-keeper notes down these two balances in the notebook provided in the kit and encourages members who are able, to also note them down or memorise them. • The Key-holders are called by the Chairperson to lock the box.
<p>8. Closing</p>	<ul style="list-style-type: none"> • Before closing the meeting, the Chairperson invites members to discuss any items of business that may be of interest. • The Chairperson announces the date and time of the next meeting. • Once discussion is complete, the Chairperson closes the meeting.

4.7 Module 7: First loan repayment meeting

Objectives:

By the end of the training meeting:

3. Everyone will have continued to contribute to the social fund and to have bought more shares

- **Those who took loans in the first loan meeting will start to repay their loans**
- **New borrowers will have taken out loans**

General

This meeting will be the first in which loan repayments will be made. Members who are not planning to repay the loan (in full or in part) must still pay the service charge.


The Chairperson calls the meeting to order and discusses the agenda, noting any other items for discussion.

The FO announces that after the normal social fund and share-purchase/savings procedures, she will be teaching the Management Committee how to manage the loan repayment process as they actually do it. The FO uses Table 4.8 to facilitate procedures, playing an especially active role as (s)he gets to the loan repayment part of the meeting.

Table 4.8: Procedures for a share-purchase/savings, Loan Repayment and Loan Disbursement Meeting

Meeting step	Share-purchase/savings, first loan repayment and loan disbursement – Procedures
1. Meeting Opening	<ul style="list-style-type: none"> • The Chairperson calls the meeting to order. • The Record-keeper performs a roll call. • The Key-holders open the box, which remains in front of the Box-keeper. • The Fines bowl is placed in front of the Chairperson, so that fines can be collected during the meeting. • The Record-keeper then gives the members their passbooks.
2. Social fund	<ul style="list-style-type: none"> • The Record-keeper asks the Association to recall the balance of the social fund from the previous meeting. • The Money-counters then remove the money from the social fund bag, place it in the money-counting bowl, count it, and announce the amount to the members. • The Chairperson announces that contributions will be made to the social fund. All members must contribute the same amount. • The Record-keeper calls each member, by number, to give their social fund contributions to the Money-counters. The Money-counters confirm the amount and place it in the money-counting bowl. • The Record-keeper then asks if any member owes money to the social fund. If any member has an outstanding contribution to the social fund, the 'Rememberers' confirm the amount due. • The Record-keeper then asks for new requests from the social fund. Members in need make their request to the Association. • If approved, the money is provided to the member according to the Constitution. • After all benefits have been paid, the Money-counters count the remaining social fund money. • The Record-keeper confirms the balance of the social fund, and asks the members to remember it for the next meeting. • The social fund money is then replaced in its draw-string bag and put back in the cash-box.

Meeting step	Share-purchase/savings, first loan repayment and loan disbursement – Procedures
3. Share-purchase/savings	<ul style="list-style-type: none"> • The Record-keeper asks the Association to recall the balance of the loan fund from the previous meeting. • The Money-counters then remove the loan fund from its bag and count it, announcing the amount to the members. • Once it is agreed that the amount remembered and the amount counted are the same, the money is placed in the money-counting bowl. • The Chairperson announces that members will make their share-purchase/savings contributions and the Record-keeper calls each member to the front by their number. • Each member buys between 1 - 5 shares, giving the money to the Money-counters and their passbook to the Record-keeper. • The Money-counters count the money, place it in the money-counting bowl and announce the number of shares that have been purchased. • The Record-keeper stamps the correct number of shares into the passbook and crosses out any unused blocks. • The member then checks that the number of new stamps in the passbook is correct; the passbook remains with the Record-keeper for the rest of the meeting. • If a member needs a withdrawal, they will ask for it instead of buying shares. When a withdrawal is needed, the Record-keeper will cross out the number of shares from the member's passbook that corresponds to the value of the withdrawal and the Money-counters will give the money from the money-counting bowl. The value of a share paid back to the member will be equal to its original purchase price.
4. Expenses	<ul style="list-style-type: none"> • If any money was given for expenses in the previous meeting, the person who made the expenditure gives an account and returns any change to the Money-counters, who place it in the money-counting bowl. • The Chairperson asks the Record-keeper if there will be any necessary expenses before the next meeting. If any expenses are approved by all of the members, the Chairperson instructs the Money-counters to remove the necessary amount from the money-counting bowl and give it to the member who is responsible for paying the expense.

<p>5. Loan repayment</p> 	<ul style="list-style-type: none"> • The Chairperson asks borrowers to identify themselves. • The Record-keeper verifies the amount due by referring to their passbooks • Each borrower is then called to the front in order of their number to give their payment amount to the Money-counters. It must not be less than the service charge due. • The Money-counters count the payment, announce the amount and place it in the money-counting bowl. • The Record-keeper enters the payment amount in the member's passbook in the 'Paid' box. • The Record-keeper then calculates the remaining balance due and enters it in the 'Loan Amount' box in the member's passbook • If the remaining balance due is zero, the Record-keeper signs the passbook and announces that the loan is repaid, cancelling the loan with a diagonal line drawn through the transactions. • If a balance is remaining, the Record-keeper then calculates the service charge due in the next meeting and enters it in the appropriate space. The borrower then signs in the space provided. <p><i>Note: The members should clap when a loan is fully repaid.</i></p>
<p>6. Calculating the new loan fund balance</p>	<ul style="list-style-type: none"> • The Money-counters combine the money in the Fines bowl and the money-counting bowl. • The Money-counters count the money in the money-counting bowl and the Record-keeper announces the amount to the Association. • The Record-keeper then tells the Association that this money constitutes their loan fund.
<p>7. Loan taking</p>	<ul style="list-style-type: none"> • The Chairperson invites loan requests, reminding members of the maximum loan term and loan amount (three times the member's savings). • Each member who wants a loan then makes a request out loud to the Association, announcing the amount requested, the purpose of the loan and over what period of time they expect to repay. • The Record-keeper then calculates the total value of the requests and announces it. • If the total value of loans requested is more than the money available in the loan fund, the Association must discuss adjustments to the individual loan amounts until all members are satisfied. • Once it is decided how much each borrower will receive, the Record-keeper calls each borrower to the front in order of their number. • The Record-keeper then enters the loan number, loan amount and service charge due in the Member's passbook. • The Record-keeper instructs the Money-counters to give the borrower the loan amount from the money-counting bowl. • The borrower then counts the money, and signs the passbook. • The Record-keeper then instructs the borrower to announce out loud the total amount due and the date it is due. • This process is repeated until all loans have been issued. • The Money-counters then count the money remaining in the money-counting bowl and announce the amount to the Association. • The Record-keeper then tells the Association that this money constitutes their loan fund. • The Money-counters then place the loan fund in its draw-string bag and put it in the cash-box.

8. Closing balances	<ul style="list-style-type: none">• The Record-keeper announces the total of the social fund once again, and the Chairperson instructs all members to memorise the social fund balance for the next meeting.• The Record-keeper announces the total of the loan fund once again, and the Chairperson instructs all members to memorise the balance of the loan fund for the next meeting.• The Record-keeper notes down these two balances in the notebook provided in the kit and encourages members who are able to also note them down or memorise them.• The Key-holders are called by the Chairperson to lock the box.
9. Closing	<ul style="list-style-type: none">• Before closing the meeting, the Chairperson invites members to discuss any items of business that may be of interest.• The Chairperson announces the date and time of the next meeting.• Once discussion is complete, the Chairperson closes the meeting.

4.8 Module 8: Daily slot savings

Objectives:

By the end of the training meeting:

- Everyone will understand how they can save as often as they like and to get access to their savings
- The Box-keeper will fully understand how to keep daily savings records and to manage the daily savings repayment procedures in the savings part of every meeting

General

The FO asks the members if they are interested in being able to make savings at any time, rather than waiting for the regular meeting. If they are, a training in daily slot-savings will take place as scheduled in Tables 2.1-2.3, on pages 14 and 15, or at any time thereafter. Training is offered to Associations whose members have regular small streams of income and want to make savings at intervals that are more frequent than those of the normal meeting. In effect, a VSLA uses the metal box as a poor-man's ATM: accepting deposits whenever convenient and permitting regular withdrawal at pre-determined intervals.

Daily slot savings procedures

Step 1: The FO refers back to training Module 2, step 4 on page 37. (S)he says that while it is hard to save \$3 a month, it may be easy to save \$0.1 a day, which, after a month, will lead to having saved \$3. The FO explains that the purpose of this session is to help the Association understand how this can be done.



Step 2: The FO tells the Association that they will have already seen that the cash box is divided into two compartments and that the smaller compartment has a slot cut into the top of the box immediately above it.

This means that the Box-keeper can store all of the Associations passbooks, social fund bag, loan fund bag and stationery on one side of the box, leaving the other side free to receive daily savings, dropped through the slot cut in the lid. Without having to open the box, the members of the Association can deposit small amounts of money as often as they want. The idea is that members will be able to visit the Box-keeper between meetings and put money in the box and, at the regular meeting of the Association, recover the money to

invest in shares.

Step 3: The FO tells the Association that the procedures are simple and are divided into two parts: procedures that take place outside a meeting and those that take place in the full meeting of the Association.

The basic idea is that when a member saves money in this way, they receive a metal token from the Box-keeper that represents the value of the money they have deposited in the box, while the Box-keeper uses a stamp to record the number of tokens taken by the member.

The procedures laid out in Table 4.9 below show what happens outside the meeting when the member goes to the home of the Box-keeper.

Table 4.9: Daily Slot-savings Procedures: at the Box-keeper’s House

Step	Daily Slot-savings at the Box-keeper’s house
1. Daily slot-savings	<ul style="list-style-type: none"> • The member places his/her savings in the slot in the cash-box. The money saved is usually a value equivalent to a single share and thus able to buy a full share in the regular Association meeting, <i>but some Associations may value a token at less than a full share, to permit very small amounts to be saved.</i> • The Box-keeper stamps the number of tokens bought by the member in an exercise book. <i>(The stamp used is different to the share stamp to prevent fraud and especially if the value of a token is different to the value of a share. See Table 4.13 below).</i> • The Box-keeper gives metal tokens to the depositor (painted steel washers) equivalent in number to the value of money deposited. • Immediately before the next meeting, the Box-keeper counts up the number of shares bought and writes down the total.

Figure 4.13: Daily Slot-savings Record

Name	Member No.	Tokens Bought	Total
Consolata Ariyo	10	★ ★ ★ ★ ★	5
Irene Achieng	12	★ ★ ★ ★ ★	5
Zibia Akeyo	4	★ ★	2
George Akech	1	★ ★ ★	3
Mary Atieno	15	★ ★ ★	3
Monica Auma	11	★ ★ ★	3
Irene Achieng	12	★ ★ ★	3
Zablon Odoyo	2	★ ★	2
Angeline Omolo	8	★ ★ ★ ★ ★	6
<i>Total Tokens Bought</i>			32

The daily slot-savings record can be maintained in the notebook provided as part of the kit.

The Box-keeper needs to keep the ink pad and the rubber stamp on hand and not locked up in the cash box. A depositor can make several deposits between meetings.

Step 4: The FO says that because there is now loose cash in the cash box in the slot-savings compartment, the Association will have to change its procedures, starting the meetings after the Roll Call by immediately handling the daily slot-savings

repayment. The procedures are listed in Table 4.10 on the next page, and precede the social fund activity. Table 4.10 shows the procedures from the beginning of the meeting until the daily savings reconciliation is completed, but does not show the procedures thereafter: these

continue with social fund procedures, share-purchase/savings, repayment and loan disbursement activities etc.

Table 4.10: Daily Slot-savings Repayment Procedures

Meeting step	Daily slot-savings repayment procedures in the Association meeting
<p>1 Meeting opening</p>	<ul style="list-style-type: none"> • The Chairperson calls the meeting to order. • The Record-keeper performs a roll call. • The Key-holders open the box, which remains in front of the Box-keeper. • The Fines bowl is placed in front of the Chairperson, so that fines can be collected during the meeting. • The Record-keeper then gives the members their passbooks.
<p>2 Daily slot-savings <i>(if daily slot-savings is used)</i></p>	<ul style="list-style-type: none"> • The Box-keeper calls up each member by number to collect their daily savings deposits. • The members give their token(s) to the Box-keeper. • The Box-keeper returns the daily savings to the members and crosses out the record • When all of the money is returned to the depositors, the record sheet is cancelled

Once the daily slot-savings repayment procedures are completed, the meeting proceeds with social fund activities.

Note: *A person can save more than the value of 5 shares between meetings, even though it is only permitted to buy a maximum of 5 shares during a meeting. Any money saved between meetings in excess of the amount needed to buy 5 shares must be withdrawn by the depositor at the next meeting. In this way the VSLA makes short-term savings possible for small expenses that may have nothing to do with the VSLA.*

Note: *If a member has saved through daily savings, but has not come to the meeting, their money should remain in the slot side of the box. It should not be used to buy shares in their passbook, as they are still holding the token(s).*

Chapter 5: Supervision - development and maturity phases

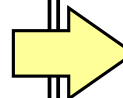
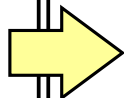
This describes the manner in which the FO works with the Association, once it has completed its training. It covers two phases: the Development phase and the Maturity phase. It describes how the FO progressively disengages from the Association through reducing his/her direct management of procedures and, in the final phase, maintaining only occasional contact, so long as the Association operates smoothly. It concludes by describing the final meeting of the cycle: the share-out.

-
- Development supervision
 - Maturity supervision
 - Share-out/action-audit and graduation

Table 5.1 on the following page illustrates the sequence of the two stages.

Table 5.1: Diagram of the Development and Maturity Phases

Change of phase	Development	Change of phase	Maturity
<ul style="list-style-type: none"> • Moving to the Development Phase from the Intensive Phase requires a change of phase assessment, involving the FO and his/her supervisor. <i>A FO cannot make this judgement independently.</i> • See Association health diagnosis and change of phase form. Annex 3, Page 95 	<ul style="list-style-type: none"> • <i>This period lasts for at least 18 weeks (9 meetings)</i> • The Development Phase is chiefly characterised by a change in the role of the FO. While the FO plays an active role in the Intensive Phase, he/she visits less often during the Development Phase, only intervening in the process if it veers off track or if the members seek advice. • If it seems that the Association is not operating as well as it should, particularly in terms of memory-based record-keeping, the proper maintenance of passbooks or in terms of the roles and responsibilities of the Committee, the FO may undertake re-training in the relevant module 	<ul style="list-style-type: none"> • Moving to the Maturity Phase from the Development Phase also requires a change of phase assessment, involving the FO and his/her supervisor. • Use the same Association health diagnosis and change of phase form. Annex 3, Page 95 	<ul style="list-style-type: none"> • <i>This period lasts for 18 weeks (9 meetings) but may be less if the area is affected by seasonal floods or migrations</i> • The FO visits three times: <ul style="list-style-type: none"> • twice to verify that the Association can run successfully for long periods without supervision or support • once to graduate the Association to full independence • The second visit is made to evaluate the Association's preparedness to become and is conducted by the FO and his/her supervisor. • The final visit will usually coincide with the Association's first Share-out/Action-audit, where the FO plays an active supervisory role and shows the Association how their money will be divided. Ceremonies are also usually conducted to mark the transition of the Association to full independence



5.1 Supervision: Development

The second phase is the Development Phase, which lasts for 18 weeks. The purpose of this phase is for the Association to take over full responsibility for running meetings, with the FO acting more as a consultant responding to members' concerns than actively guiding the meetings. This is to consolidate the Association so that it can be confident in its capacity to manage operations.

If there is a problem that keeps recurring, it may be necessary to examine the situation in more depth. Discuss the problem with the members in order to decide how best to solve it.

When the problem is related to a lack of comprehension, the FO returns to the topic that was not well understood. If not, confusion will reign and impede the Association's progress.

Even if the members say that everything is working well, the FO should periodically ask some questions which will allow him/her to uncover potential issues.

For example:

- Do the members attend meetings when the FO is not there?
- Are the share-purchase/savings deposits regular?
- Is the Constitution (for example, payment of fines) respected?
- Is the Management Committee fulfilling its role?
- Is there any confusion in the operation of the loan disbursement and repayment methods?
- Are the passbooks being maintained properly and accurately and is the Record-keeper providing an informative report on the state of the Association's finances?
- Are there any disputes that are causing difficulties?
- Do they think they need technical support? If yes, what kind of support?

After each monitoring visit, the weak points are analysed and the Association is informed of what they seem to be. The FO discusses the problems with the participants so that they can address the issues and, if need be, make arrangements for re-training.

At the end of the Development Phase the FO once again uses the "Association Health Diagnosis and Change of Phase Form", (Annex 3, Page 95) which (s)he fills in, again in the company of his/her supervisor. Moving to the next phase, the Maturity Phase, depends on a satisfactory assessment by the FO and his/her supervisor. This is a particularly important changeover. The FO is telling the Association, in effect, to operate for long periods of time without support. If there are any weaknesses or lack of cohesion they *must* be addressed at this point by the FO and his/her supervisor who can prescribe remedial training and an extension of the Development Phase. FOs and their supervisors must not be tempted to ignore any issues that are unresolved just because they want to have the Association move onwards.

5.2 Supervision: Maturity

By the time this phase arrives there should be no need for regular FO interaction with the Association, unless training in other, relevant, activities, is being undertaken. If so, this is an ideal time to implement such training because by this time the Association should be thoroughly skilled in managing itself and will have time and attention to acquire new skills.

By maintaining occasional contact with Associations, the Implementing Organisation is identifying/agreeing on a point of final assessment to check and see if the Association manages to run successfully, without supervision, for long periods of time. It is also to ensure that the Implementing Organisation can help the Association when the time comes to distribute (share-out) its funds amongst the members at the end of the cycle, if this is what they want to do.

A first meeting is scheduled about eight weeks through this eighteen-week phase (about week 40), attended by the FO and his/her supervisor. At this time they look at the passbooks, confirm that members are remembering the balance of the Social and loan funds and ask the Record-keeper to give them a report on the Association's status (total of: value of the social fund, cash on hand, loans outstanding).

During this visit the FO can, if necessary, help resolve any problems that the participants faced in the preceding meetings and, where needed, propose re-training in areas of weakness.

A second meeting is scheduled at about week 48 to make a final evaluation of the Association's readiness to graduate. The results of the evaluation will guide the FO and his/her supervisor in making their decision as to whether or not the Association should become independent.

The timing of the share-out/action-audit should be predicted well in advance and loans should only be issued late in the cycle if they can be repaid before the share-out. Thus, two months prior to the annual share-out/action-audit, loans may only be taken for two months; and one month prior to Share-out, loans may only be taken for one month.

In the last loan meeting before the Share-out both the FO and the FO's Supervisor attend the Association meeting. They examine the Passbook-based records and verify the accuracy of the members' knowledge of loans outstanding. Furthermore, they question the members to see if they know the Association's financial status (total value of the social fund, loan fund and loans outstanding).

During this visit, the FO must ensure that the Record Keeper can operate the calculator. This is necessary to perform the annual share-out. If the Record Keeper cannot yet operate the calculator, the FO arranges to train him/her, along with the Management Committee and any interested members. The FO also reminds the members of the exact date of the Share-out/Action-audit and tells them that all members must attend.

The Share-out/Action-audit procedure requires training and is the last of the training modules. It is separated from the rest of the training modules because it takes place about 48 weeks after the original sessions.

5.3 Module 9: Share-out/action-audit and graduation

Objectives:

By the end of the training meeting:

- Everyone will have received their share of the Association's Assets
- Those who intend to continue on as members of the Association into the next cycle will have been accepted
- The value of the next cycle's share value and social fund contribution will have been agreed
- The number of shares to be bought by all continuing and new members, to seed the Association's loan fund at the start of the next cycle, will have been agreed upon.

The share-out is a simple procedure, but must be done with care. The principle is to allocate the money amongst the members proportionate to the amount that they have saved. It is only necessary to count up the total number of shares and divide the number of shares into the amount to be distributed, to arrive at a single share value - and then to multiply the value of a single share by the number of shares owned by each member.

Note: *The social fund is not shared-out. The social fund belongs to the Association and it may be distributed at any time, in equal amounts to all members (because they have all contributed the same amount), but any distribution of funds from the social fund must not be confused with the Share-out of the Association's loan fund.*

Background

The timing of the end of the cycle will normally coincide with a time of the year when either there is a need for money that is common to most people, such as an important religious holiday, or some naturally re-occurring event that affects everyone in the Association, such as seasonal migration or annual flooding. The timing of this share-out should be predicted well in advance and should be borne in mind as loans are issued close to the end of the cycle. Loans should only be issued late in the cycle if they can be repaid before the share-out.

Share-out procedures

Step 1: Once the Association has completed all the social fund, loan repayment and fines procedures the Chairperson calls on the Money-counters to count the total amount of money in front of the members. *The FO then fills out the Field Officer Data Collection Form.*²

Step 2: If any member owes the Association money (from loan arrears), the shares equal in value to his/her debt are cancelled in his/her passbook. In this way the defaulting member is penalised, because the cancellation of the shares means that he/she will not receive the profit on those shares, but only on the number of shares remaining. By this time it is too late to make up the arrears, because money paid in the last meeting cannot be borrowed and will only unfairly serve to increase the particular member's share of the profits if it is paid in at the last minute.

Step 3: The Record-keeper then takes each of the members' passbooks and counts the total number of shares that have been bought. Using the calculator in the kit, (s)he then divides this number into the total amount of money on the table and announces the result as the value of a single share. In the example illustrated in Table 5.2, the total number of shares is 1,352. The

² This is important. The programme ought to keep a record of the net worth of all graduating Associations, but if they have already distributed their assets, this will not be possible.

amount of money to be shared out is TShs 1,149,200. When 1,352 is divided into 1,149,200 the result is 850, which is the value of a single share.

Table 5.2: Single share value calculation table

Total to be shared out	Total shares	Value of 1 share
1,149,200	1,352	850 Shillings

This system makes it much easier to facilitate the share-out at the end of the cycle, because complicated mathematical procedures involving percentage calculations can be avoided and the process is intuitively understood, whereas percentage calculation will not be - and may open the door to manipulation of the results. Counting up a small number of share stamps, instead of a large number of currency units, also leads to fewer mathematical errors.

Step 4: The FO then takes each individual passbook and announces the number of shares that a person owns. (S)he then helps the Record-keeper to multiply this number by the value of a single share (again using the calculator) and the Record-keeper announces the amount.

Step 5: The amount is counted out, *rounded down to the nearest whole currency unit* and placed on top of the member’s passbook, held down by a stone. This procedure is carried out for all of the members until all of the money has been distributed. If only a small amount of money remains (because the sums were rounded down) the cash can be put back in the loan fund bag. The member then comes forward and receives the money from the Money-counters. At the same time the Record-keeper removes the shares from the passbook by striking them out with a large ‘X’ in red as shown in Figure 5.1 below. If there is not enough money to pay everyone, an error has occurred and the money must be re-combined, recounted and the procedure repeated.

Figure 5.1: Cancelled shares

Single Share Value <u>TShs 500</u>	
Shares Bought per Meeting	
Starting number of shares	25
Number of shares bought this period	36
Number of shares sold this period	9
Net shares end period (to be carried forward)	52

Explanation: The page on the left shows the passbook of Monica Auma at the end of a one-year cycle. *It is the second page of the passbook* Together with the meetings on this page there have been a total of 26 meetings over 52 weeks (1 Year)

This shows that by the start of meeting 14, Monica owned 25 shares ('Starting number of shares' in the table at the bottom of the page – this must be the same as the 'Net shares end period' from the previous page). It shows that between meetings 14 and 26 she bought 36 more shares and thus owned a total of 61. Because, at some time after meeting 20 (when she bought no shares), she cashed in nine shares, the total number of shares that were available for cashing in at the end of the cycle was reduced to 52 (25 + 36 – 9). Thus, if the single share value was TShs 850, she would have received TShs 44,200 (850 x 52).

Step 6: The members then discuss the next cycle. Members who wish to continue with the Association into the next cycle make this known and anyone who will not be staying in the Association tell this to the members. It may be that some members decide to leave the Association or that other people are allowed to join at this stage (although joining at any stage can be considered, so long as shares are bought).

Step 7: When the composition of the Association's membership is settled, members then decide on the value of a share for the next cycle. It may increase if the members want to increase the size of their loan fund, or it may decrease if members have found it hard in the first cycle to meet the minimum share-purchase requirement

Step 8: The members then decide how much money each person will contribute, in order to 'kick-start' the loan fund at a reasonable level in the next cycle. This means that the members decide on an amount that everyone in the Association can afford to pay, in sums that match a given number of shares. Everyone should agree to a similar sum so that no-one is made to feel that they are not an equal partner in the Association at the beginning of the cycle. Thus, for example, the members may agree to raise the share value from \$0.50 to \$1.0 and everyone agrees to buy ten shares. Everyone must, then, contribute \$10 and buy ten shares. After this first Share-purchase, the members will go back to restricting their Share-purchases to a range between 1 and 5 shares in all subsequent meetings. The value of the social fund contribution is also agreed.

Step 9: The box is locked

Step 10: There is usually a party to celebrate the Association's independence.



Part 3: Annexes



Annex 1: Field Officers' consolidated guide to meeting procedures

This guide should be copied and laminated in plastic for reference in the field and routinely used for Association meetings, after the completion of the training.

Meeting step	Procedures
<p>1. Meeting opening</p>	<ul style="list-style-type: none"> • The Chairperson calls the meeting to order. • The Record-keeper performs a roll call. • The Key-holders open the box, which remains in front of the Box-keeper. • The Fines bowl is placed in front of the Chairperson, so that fines can be collected during the meeting. • The Record-keeper then gives the members their passbooks. <p><i>Note: Fines for lateness and missed meetings are very important to the Association's success.</i></p>
<p>2. Daily savings <i>(if the Association does not have daily savings, skip to step 3)</i></p>	<ul style="list-style-type: none"> • The Box-keeper calls up each member by number to collect their daily savings deposits. • The members give their token(s) to the Box-keeper. • The Box-keeper returns the daily savings to the member and crosses out the record. • When all of the money is returned to the depositors, the record sheet is cancelled. <p><i>Note: If a member has saved through daily savings, but has not come to the meeting, their money should remain in the slot side of the box. It should not be used to buy shares in their passbook, as they are still holding the token(s).</i></p>

Meeting step	Procedures
3. Social fund	<ul style="list-style-type: none"> • The Record-keeper asks the Association to recall the balance of the social fund from the previous meeting. • The Money-counters then remove the money from the social fund bag, place it in the money-counting bowl, count it, and announce the amount to the members. • The Chairperson announces that contributions will be made to the social fund. All members must contribute the same amount. • The Record-keeper calls each member, by number, to give their social fund contributions to the Money-counters. The Money-counters confirm the amount and place it in the money-counting bowl. • The Record-keeper then asks if any member owes money to the social fund. If any member has an outstanding contribution to the social fund, the ‘Rememberers’ confirm the amount due. • The Record-keeper then asks for new requests from the social fund. Members in need make their request to the Association. • If approved, the money is provided to the member according to the Constitution. • After all benefits have been paid, the Money-counters count the remaining social fund money. • The Record-keeper confirms the balance of the social fund, and asks the members to remember it for the next meeting. • The social fund money is then replaced in its draw-string bag and put back in the cash-box.
4. Share-purchase/savings	<ul style="list-style-type: none"> • The Record-keeper asks the Association to recall the balance of the loan fund from the previous meeting. • The Money-counters then remove the loan fund from its bag and count it, announcing the amount to the members. • Once it is agreed that the amount remembered and the amount counted are the same, the money is placed in the money-counting bowl. • The Chairperson announces that members will make their share-purchase/savings contributions and the Record-keeper calls each member to the front by their number. • Each member buys between 1 - 5 shares, giving the money to the Money-counters and their passbook to the Record-keeper. • The Money-counters count the money, place it in the money-counting bowl and announce the number of shares that have been purchased. • The Record-keeper stamps the correct number of shares into the passbook and crosses out any unused blocks. • The member then checks that the number of new stamps in the passbook is correct; the passbook remains with the Record-keeper for the rest of the meeting. • If a member needs a withdrawal, they will ask for it instead of buying shares. When a withdrawal is needed, the Record-keeper will cross out the number of shares from the member’s passbook that corresponds to the value of the withdrawal and the Money-counters will give the money from the money-counting bowl. The value of a share paid back to the member will be equal to its original purchase price.

Meeting step	Procedures
<p>5. Expenses</p>	<ul style="list-style-type: none"> • If any money was given for expenses in the previous meeting, the person who made the expenditure gives an account and returns any change to the Money-counters, who place it in the money-counting bowl. • The Chairperson asks the Record-keeper if there will be any necessary expenses before the next meeting. If any expenses are approved by all members, the Chairperson instructs the Money-counters to remove the necessary amount from the money-counting bowl and give it to the member who is designated to make the expenditure.
<p>6. Loan repayment <i>(if this is not a loan meeting, skip to step 7 and then step 9)</i></p>	<ul style="list-style-type: none"> • The Chairperson asks borrowers to identify themselves. • The Record-keeper verifies the amount due by referring to their passbook. • Each borrower is then called to the front in order of their number to give their payment amount to the Money-counters. It must not be less than the service charge due. • The Money-counters count the payment, announce the amount and place it in the money-counting bowl. • The Record-keeper enters the payment amount in the member's passbook in the 'Paid' box. • The Record-keeper then calculates the remaining balance due and enters it in the 'Loan Amount' box. • If the remaining balance due is zero, the Record-keeper signs the passbook and announces that the loan is repaid, cancelling the loan with a diagonal line drawn through the transactions. • If a balance is remaining, the Record-keeper then calculates the service charge due in the next meeting and enters it in the appropriate space. The borrower then signs in the space provided.
<p>7. Calculating the new loan fund balance</p>	<ul style="list-style-type: none"> • The Money-counters combine the money in the Fines bowl and the money-counting bowl. • The Money-counters count the money in the money-counting bowl and the Record-keeper announces the amount to the Association. • The Record-keeper then tells the Association that this money constitutes their loan fund.

Meeting step	Procedures
8. Loan taking	<ul style="list-style-type: none"> • The Chairperson invites loan requests, reminding members of the maximum loan term and loan amount (three times the member’s savings). • Each member who wants a loan then makes a request out loud to the Association, announcing the amount requested, the purpose of the loan and over what period of time they expect to repay. • The Record-keeper then calculates the total value of the requests and announces it. • If the total value of loans requested is more than the money available in the loan fund, the Association must discuss adjustments to the individual loan amounts until all members are satisfied. • Once it is decided how much each borrower will receive, the Record-keeper calls each borrower to the front in order of their number. • The Record-keeper then enters the loan number, loan amount and service charge due in the Member’s passbook. • The Record-keeper instructs the Money-counters to give the borrower the loan amount from the money-counting bowl. • The borrower then counts the money, and signs the passbook. • The Record-keeper then instructs the borrower to announce out loud the total amount due and the date it is due. • The Record-keeper instructs the ‘Rememberers’ to repeat out loud the total amount due and the date it is due. • This process is repeated until all loans have been issued. • The Money-counters then count the money remaining in the money-counting bowl and announce the amount to the Association. • The Record-keeper then tells the Association that this money constitutes their loan fund. • The Money-counters then place the loan fund in its draw-string bag and put it in the cash-box.
9. Closing balances	<ul style="list-style-type: none"> • The Record-keeper announces the total of the social fund once again, and the Chairperson instructs all members to memorise the social fund balance for the next meeting. • The Record-keeper announces the total of the loan fund once again, and the Chairperson instructs all members to memorise the balance of the loan fund for the next meeting. • The Record-keeper notes down these two balances in the notebook provided in the kit and encourages members who are able to also note them down or memorise them • The Key-holders are called by the Chairperson to lock the box.
10. Closing	<ul style="list-style-type: none"> • Before closing the meeting, the Chairperson invites members to discuss any items of business that may be of interest. • The Chairperson announces the date and time of the next meeting. • Once discussion is complete, the Chairperson closes the meeting.

Annex 2: Constitution

Part 1: How the Association will govern itself

I. BASIC INFORMATION ON THE ASSOCIATION

- Name of the Association _____
- Address: _____
- The Association was formed on: _____
- Date of official registration: _____

II. OBJECTIVE OF THE ASSOCIATION

- The purpose of the Association is to be an independent, profitable provider of financial services to the members
- The services the Association provides to its members in order to achieve this objective are:

III. RELATIONSHIP TO EXTERNAL SOURCES OF FINANCIAL SERVICES

- The Association will not borrow from financial institutions during the first cycle of savings and lending. If it does so in subsequent cycles it will use the following principles:
 - The Association must be the borrower and not individual members
 - The Association will not allow the lender access to information on individual loans
 - Members' savings cannot be used as collateral for an external loan
 - Any borrowing by the Association must not exceed the total value of all members' paid up shares

IV. WHO MAY BE A MEMBER OF THE ASSOCIATION?

- Lower age limit _____
- Gender _____
- Residence _____
- Other common circumstances _____

V. COMPOSITION OF THE MANAGEMENT COMMITTEE

- Chairperson:
- Record-keeper:
- Box-keeper:
- 2 Money-counters

VI. ELECTION PROCEDURES

- The maximum number of consecutive terms any one person may serve on the Management Committee is: _____
- Elections must be held at the beginning of each new cycle.
- The minimum number of members who must be present to hold an election is: _____
- The election procedure will use a system that allows everyone’s vote to be secret.
- The minimum number of people that must stand for each position is 2.
- A candidate for election to a post must be proposed for office by another member.

VII. REMOVAL OF OFFICERS FROM THEIR POSITION BETWEEN ELECTIONS

- Any member of the General Assembly can call for a vote of no confidence in a member of the Management Committee. If a majority of the members the member decide that the person should be removed from the Management Committee, the member must step down and another member be elected to the same position.

VIII. MEETINGS

- To mobilise savings the Association will meet every _____
- To disburse loans the Association will meet every four weeks.
- The cycle of meetings will continue for a maximum of 52 weeks before the Association shares out its assets.

IX. MEMBERS LEAVING THE ASSOCIATION

- If a member leaves the Association because they have no alternative, the Association will calculate how much they must be paid using the following principle:

- If a person leaves the Association before the end of the cycle for no reason, except their wish to leave, the Association will calculate how much they are paid using the following principle:

- If a person is expelled for failing to make regular share-purchase/savings deposits, the Association will calculate how much they are paid using the following principle:

- If a person is expelled for failing to repay a loan, the Association will calculate how much they are paid using the following principle:

X. EXPULSION FROM THE ASSOCIATION

- The reasons for which a person should be expelled from the Association are:

XI. DEATH OF A MEMBER

- If a member dies the Association will calculate how much money should be given to their heirs using the following principle:

XII. FINES

The following table lists the fines that can be charged for offences committed by members.

Offence	Amount
Non-attendance at a meeting for personal reasons	
Late to meetings	
Not remembering Association rules	
Loss of member number card	
Forgetting key	
Chatting through the proceedings	
Showing disrespect to a fellow member	
Not remembering decisions and activities of the preceding meeting	
Failure of a member of the Management Committee to perform their duties	

XIII. AMENDMENTS TO THE CONSTITUTION

- 2/3 of the members must agree before the constitution can be changed
- Anyone can propose an amendment to the Constitution

Part 2: Services offered by the Association

I. SAVINGS

- Members may buy 1 – 5 shares in each meeting
- Members may contribute an equal agreed-upon amount at the start of every future cycle to speed up the growth of the loan portfolio. This can be more than 5 shares if all members agree

II. LENDING

- Those eligible to borrow are: _____

- The maximum amount that anyone can borrow is three times the value of their shares
- The maximum length of loan term is 24 weeks, but only 12 weeks during the first cycle
- A member must repay a loan before (s)he can take another
- The service charge rate to be charged every four weeks (month) is: _____ %
- When a member does not repay a loan the following principle will apply: _____

- A loan that is not repaid will be considered uncollectible after: _____
- If a member dies his/her loan need not be repaid.
- The highest priority for loans will be given for: _____
- The second highest priority for loans will be given for: _____
- The third highest priority for loans will be given for: _____

III. SOCIAL FUND

- The contribution to the social fund will be: _____
- The social fund contribution will be paid: _____
- The benefits for the death of a spouse will be: _____
- The benefits for the death of a child will be: _____
- The benefits for the death of a parent will be: _____
- The benefit to a member whose house or workplace is accidentally destroyed will be: _____

- The benefit for sickness of a family member will be: _____

Note: Each Programme will develop a list of benefits from the social fund that most participants think are the most important. What is shown here is a suggested list that may need modification

Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____

Annex 3: Operational administration

The forms that follow are part of the Management Information System (MIS) for a VSL project, but use qualitative data to evaluate Association performance and FO performance.



Periodic report by VSLA

Name of FO:

Name of the Community:

Name of the Association:

Number of the Association:

Phase and Stage:

Date of Visit:

FO's summary

1 –Number of meetings held in the month (if meetings were not held, explain why)

2 –Topics of meetings held.

3 –Problems encountered.

4 –Visit by technical service or others (explain).

5 –Is there a demand for the creation of new Associations?

6 –Did you ask your supervisor's help in solving a problem? If yes, explain how.

Monthly report by zone covered by FO

Name of FO:

Name of Zone:

Number of Associations in Zone:

Number of Associations formed in the last month:

Number of Associations graduated in the last month:

Number of Associations visited during the month:

1 Describe problems that appear to be common to a number of Associations

2 How did you deal with these problems?

3 What recommendations do you propose for a long-term solution?

4 What additional support do you need?

5 What opportunities do you see for improving the efficiency of your work?

Monthly programme of activities

FO: _____

Month: _____ Year: _____

N.B. The name of Associations to be visited, administrative time and project staff meetings should appear on this form

Week	Monday	Tuesday	Wednesday	Thursday	Friday
1					
2					
3					
4					
5					

Association health diagnosis and change of phase form

Name of FO: _____

Name of the Community: _____

Name of the Association: _____

Number of the Association: _____

Date of visit: _____

Issue		Points
1. Did at least 80% of the members attend the meeting?		
2. Did at least 3/4 of the members arrive on time?		
3. Did the Management committee play its role well?		
4. Was the Constitution followed?		
5. Did the members of the Association participate in the discussions?		
6. Were share-purchase/savings and lending procedures followed correctly?		
7. Did at least 80% of the members regularly save since the start of the cycle?		
8. Were passbook share-purchase/savings records up to date and accurate?		
9. Were passbook loan records up to date and accurate?		
10. Did the Record-keeper accurately summarise the financial position of the Association at the end of the meeting?		
Total points:		
Points Key	Condition:	
1 = bad/no	Good health 21 - 30	
2 = average	Uncertain health 11 - 20	
3 = good/yes	Sick 0 - 10	
Signature of the Chairperson:		
Signature of the FO's Supervisor:		

Observations

FO supervision form

Name of FO:

Name of the FO's Supervisor:

Name of the Association:

Number of the Association:

Phase:

Date of Visit:

Was the FO's work plan for the month prepared?

Yes No

Was the objective of the meeting attained?

Yes No

Did the participants understand the purpose of the meeting?

Yes No

Did the FO encourage member participation?

Yes No

Did the FO deal properly with questions and problems?

Yes No

Did the FO ensure that proper procedure was followed?

Yes No

Did the FO check the Association's records and correct any faults?

Yes No

Did the FO allow the Committee to run the meeting or did (s)he tend to dominate?

Yes No

Feedback with the FO

Issues arising

Solutions recommended

Signature of FO:

Signature of Supervisor:

Annex 4: Impact evaluation matrix

Type of evaluation: **Impact**
 Level of enquiry: **Household and individual**
 When: **End of project**

Area of enquiry	Hypotheses	Means of measurement	Assumptions	Pilot project	Follow-on project
Household level	<ul style="list-style-type: none"> Participation in VSL programme leads to: <ul style="list-style-type: none"> Increased household assets: goods and transport, savings Increased household welfare: housing, education, food, health Income-generating activities (IGAs): <ul style="list-style-type: none"> Increased number of IGAs Increased labour allocated to family IGAs Increased stability of IGAs Improved regularity of income 	<ul style="list-style-type: none"> Impact evaluation In-depth interview 	<ul style="list-style-type: none"> Mostly household-based IGAs sharing a common pool of capital and labour. Principal strategy: diversification and income maximisation Identifying trends rather than measuring amounts is more feasible given the complexity of the household 	End of pilot survey	<ul style="list-style-type: none"> Mid-term formative evaluation End of project impact evaluation
Individual level	<ul style="list-style-type: none"> Increased Social Status Increased participation by women Increased control of resources by women, including enterprise resources, business and loan decision making and household decision making Increased self esteem No negative impacts on children's labour Increases in paid employment (including in a household IGA) 	<ul style="list-style-type: none"> Survey In-depth interview 	<ul style="list-style-type: none"> The final goal of all economic development programmes, regardless of services provided, is increased income and economic security Decisions on economic activities and use of resources within household may be joint or separate 		

Each programme that implements VSL will have its own set of priorities and may wish to test a wider range of hypotheses than listed here. An HIV/AIDS programme that uses VSL to improve livelihood conditions for its target group will have different indicators to an agricultural programme, or an infrastructure programme. For this reason we have not provided more detail. A questionnaire that is based on the framework above, adapted to carrying out surveys before and after project implementation is available in our Programme Guides posted on the VSL Associates website, available for free download in English, French and Spanish.

Annex 5: Management information system (MIS)

Performance data needs to be generated by the Associations, so that they can manage their savings and loan portfolios. *This should be the sole source of data that feeds into a VSL programme database.* Impact data should be treated separately as an evaluation exercise and is normally focused on the household.

The form on page 100 (Figure 2: FO Data Collection Form) captures the source data, controlled by the project, enabling it to evaluate Association-level scale, performance and efficiency. Most of this data can be gathered from the Association's passbooks, from the project's own data base and by direct observation. The FO carries out no analysis of this data but passes it on to the Data Capture Clerk. Once collected the data is input into the project's VSL Portfolio Tracking System, built on an Excel platform.

Once entered into the Tracking System, the output can be sorted in a number of ways to provide management information. The supervisor can also pass on to each FO their individual FO Performance Analysis sheets, sorted in as many ways as (s)he wishes, to analyse the performance of each FO and to identify the major characteristics of any individual FO's portfolio.

Flowing out of this is a form that is automatically generated by the spreadsheet. This is labelled the Programme Performance sheet and consolidates the performance of each FO into a programme wide analysis.

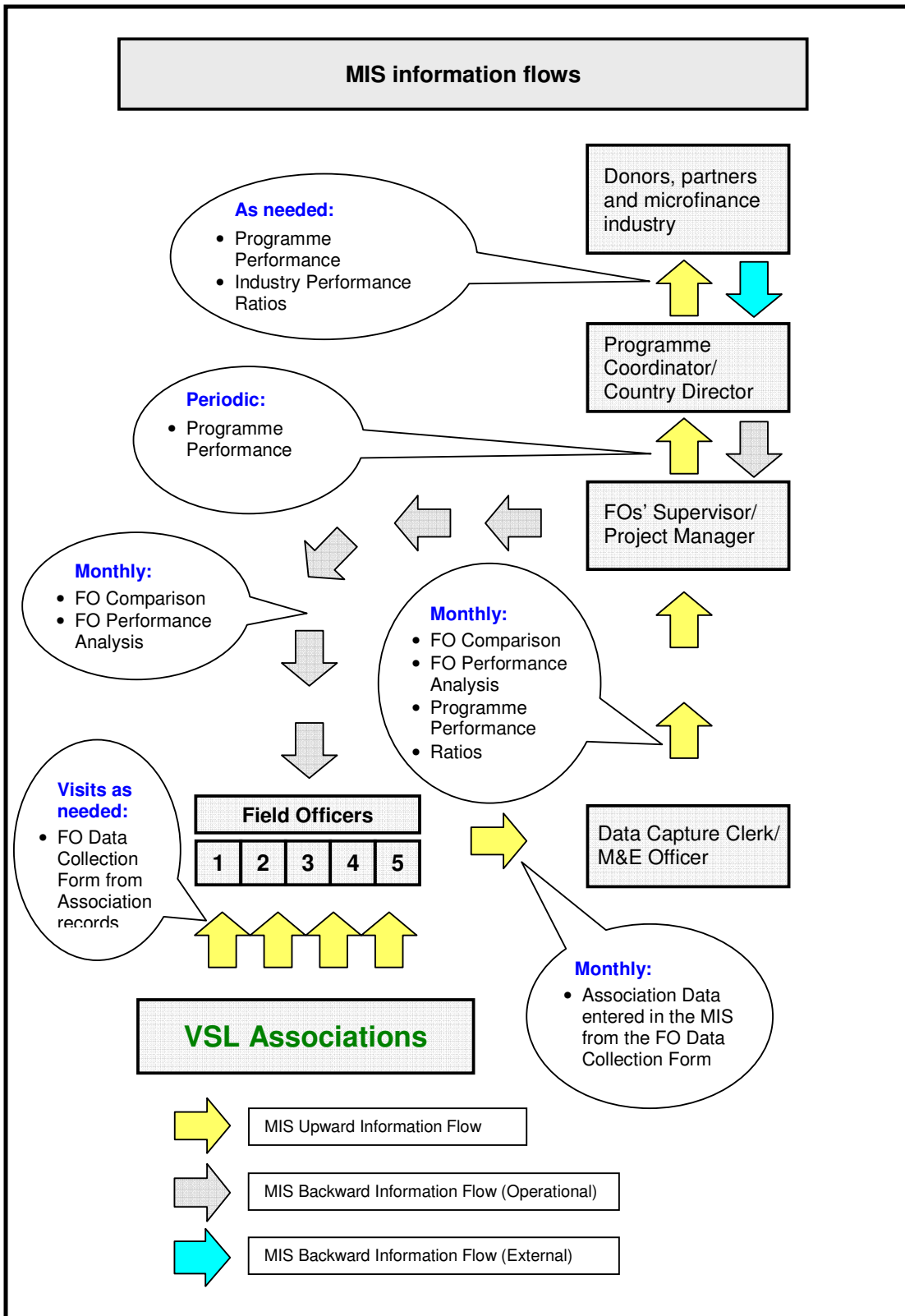
Table 1 shows the MIS process. This shows what data is used, who creates it, who receives it and how frequently it is generated.

Table 1 MIS matrix: Programme

What	Who creates	Who receives the information	When
FO Data Collection Form	FO from Association Data: <ul style="list-style-type: none"> • Passbooks • Memorised ending social fund and loan fund cash balances 	MIS/Data Capture Clerk	As soon after visit as possible
FO Performance Comparison	MIS/Data Capture Clerk	FOs FOs' Supervisor	Monthly
VSL FO Performance Analysis	MIS/Data Capture Clerk	FO Supervisor	Monthly
Overall VSL Project Performance	MIS/Data Capture Clerk	VSL Project Manager Country Programme Manager Head Office Technical	Periodic, usually quarterly
Selected Performance Ratios	MIS/Data Capture Clerk	VSL Project Manager Head Office Technical 'Industry' Audience	As needed

Figure 1 on the following page shows the MIS information flows in schematic form. This diagram is not an organigram, but shows how information flows upwards and back to the field. Data is periodically derived from each of the FO's Association's accounts (by the FOs) and sent to the Data Capture Clerk, who processes it for onward transmission upwards, in different forms and at the frequencies needed. It also shows how information flows as performance feedback from Managers to FOs.

Figure 1: Information flows



FO data collection form

The FO visits the Association and collects information at each visit. Some of this data is obtained from the project's database (e.g. date of Association start-up), some of it relates to observations made during a visit (e.g. number of members). Some of it is obtained from the individual passbooks, or by questioning the members. The FO Data Collection Form guides the FO as to where the data can be found. *In no case is the Association expected to generate any data that it does not need for its own financial management purposes.*

The FO Data Collection Form is a paper document and does not appear in any similar form on the computer-based MIS. It is intended solely to gather information while in the field. Figure 2 below shows what a typical set of data might look like, after being filled out by the FO, Nelly Otieno.

Figure 2: FO data collection form (filled out by hand)

Field Officer Data Collection Form			
Name and Number of Field Officer		<i>Nelly Otieno 1</i>	
No.	Item at End of Meeting	Amount/ Qty	Source of Data
1	Name of the Group/Association	<i>Ralang B</i>	Database
2	N ^o . of Assn.	<i>2</i>	Database
3	Date of savings startup	<i>1/1/05</i>	Database
4	Association formed by	<i>Field Officer</i>	Database
5	Members at savings startup	<i>20</i>	Database
6	Date of Visit	<i>4/6/5</i>	Note at time of visit
7	Active members at time of visit	<i>20</i>	Enquiry
8	Active men at time of visit	<i>5</i>	Enquiry
9	Active women at time of visit	<i>15</i>	Enquiry
10	Members attending meeting	<i>19</i>	Observation
11	Dropouts Since Start of Cycle	<i>1</i>	Enquiry
12	Cumulative value of savings	<i>338,500</i>	Member Share Passbooks
13	Number of active loans	<i>4</i>	Member Share Passbooks
14	Value of loans outstanding	<i>250,000</i>	Member Share Passbooks
15	Cash on hand and at bank	<i>144,600</i>	Observation and enquiry
16	Cash in social fund	<i>24,600</i>	Observation
17	Cash cost of goods in stock	<i>22,000</i>	Enquiry
18	Debts	<i>1,000</i>	Enquiry

The FO fills out the form and, once back in the office, hands in the form to the data capture clerk, who enters each of the 18 datum in the column of the same number in the relevant FO Performance Analysis sheet, in the accompanying MIS software. The pages that follow show how the MIS is used, how data is entered and how the various outputs may be used to analyse performance.

The FO fills out this form at each visit. (S)he does not need to analyse it in any way. It is also not important if visits are irregular, because the method of analysis looks at performance data that are not affected if visits are made irregularly. It is, however, the case that data becomes more accurate and meaningful after three months of share-purchase/savings and lending activity and is considered highly reliable in the closing three months of the cycle.

The example that follows uses the data from Ralang 'B' VSLA and shows how this relates to the overall FO portfolio information, which looks at all the Associations that (s)he is training and supervising. This is then combined into programme level information. The same example is followed throughout in the explanation of how to use the MIS.

Portfolio tracking system

The VSL Portfolio Tracking System (MIS) is provided as a template, built on an Excel 10 platform. It cannot run on Excel versions earlier than 2002 or on versions of Windows earlier than XP. If this is attempted, error messages will appear and frustrate the Data Capture Clerk, and some important utilities will also not work.

Because VSL programmes do not deal with people's money, no security levels have been assigned to operators and data can be revised.

Although the system runs on Excel, it is a protected file. This is to preserve the integrity of the programming, much of which is hidden from the user. Because the file is built on an Excel platform many users will immediately be at ease with the programme, but they will find that many traditional Excel utilities are either unavailable, or bypassed by this programme. Nevertheless, it is easy to use and has been designed for people with limited computer knowledge, but a working understanding of Excel.

The VSL MIS is a work in progress. Free downloadable upgrades will be found, as they are developed, at the VSL Associates website (www.vsla.net).

Opening screen

The Portfolio Tracking system is an Excel file that accompanies this manual: *Programme Level MIS 1.16*. This is dated 1st. November 2007

Figure 3 on the following page shows the opening screen of Version 1.16. This allows the Data Capture Clerk/Analyst to enter the name of the organisation (Uchumi Savings and Credit Project) and the language in which the MIS is configured. The worksheet is locked and data can only be entered in grey areas, where it appears as bold blue type.

English, French, Spanish and Portuguese are currently catered for. The user can also set up the sheet to include another language, by clicking on 'user-defined language' in the Language cell. Once this is done a 'Translation' worksheet appears, permitting entry of equivalent terms in any other language (again, in the grey cells only). This overrides the default language, which is English.

When the blank MIS is loaded, there are no FOs listed, but only a blank 'Field Officer' sheet, which can be reproduced and independently named with the name of each FO.

Figure 3: Opening screen

VSL Portfolio Tracking System - Passbook-based Records

For use with programmes using the Village Savings and Loan Association methodology



Version: 1.16
Release date: 1-Nov-07
Excel Version: 11.0
Developed by: Chuck Waterfield (chuck@vsla.net)
Hugh Allen (hugh@vsla.net)
© VSL Associates
www.vsla.net



Refinement of this MIS was funded by CARE USA and Oxfam USA

See the companion Programme Guide, for instructions on the use of this MIS

Institution:

Language:

Colour coding

The MIS is to be used only for tracking the performance of Associations that follow the VSL methodology and record-keeping system, because its design is closely integrated into the specific procedures and systems developed for VSL Associations and illustrated in this Programme Guide. The file is protected so that none of the formulae may be altered without the permission of the designers. While the users are free to enter data and to save the resulting file with whatever name they wish, data can only be entered in the unprotected cells. All unprotected cells are shown with grey backgrounds and when text is entered it appears as blue; cells that show an output have beige backgrounds and have black text, while the background to the worksheet is blue and no data can be entered or generated there. Light green indicates important headings.

The following segment of one of the sheets shows how this colour coding appears.

Figure 4: Colour coding

Overall VSL Project Performance			
Institution:		Uchumi Savings and Credit Project	
<i>Scale</i>			
Associations		Aggregate	%
Total			Average
Total		410	
Total		143	34.9%
Total		267	65.1%
Total number of members		27	
Average Association membership			15.2
Membership growth rate			9.3%
Attendance rate			79.0%
Dropouts		27	7.2%
Number of members who have graduated to graduated Associations		500	1.0
Total number of members in the programme		910	
Composition			
Cash on hand		1,521,305	11.9%
Loans		9,298,556	72.9%
Goods		775,700	6.1%
Social Funds		1,302,000	10.2%
Debts		141,000	1.1%
Net worth		12,756,561	100.0%
			472,465

This example (incomplete) is part of the Programme Performance Sheet. Because it is an output sheet it is beige with black text. The grey cell with blue text (number of clients belonging to graduated Associations) shows data entered by the Data Capture Clerk, while the background seen on the screen appears light blue (just visible to the top and left). The category heading 'Scale' is shown on a green background, with blue text and cannot be changed. These conventions are used throughout.

Analyst may choose to move all Associations that have left the programme or graduated to be archived, or only those that will be followed up for the long-term.

- Delete Row. This is self-explanatory. It is used when the Analyst removes an Association from the sheet that (s)he does not want to archive (see below)
- Add 10 more rows to this sheet. Self-explanatory. This is done to keep the length of the spreadsheet (for printing) to a minimum.

The first thing the analyst does is to enter the name of the FO and the FO's number in cells K2 and P2 respectively. The worksheet tab is also then renamed the same as the name of the FO. The next step is to enter the names of the Associations with which the FO works, including their number. Each FO numbers his/her Associations as they are recruited. This means that a master record of Associations must be taken in which the numbers are collated with the FO to create a master roll and avoid confusing different Associations because they may have the same number. This is not done by this worksheet.

The data is entered by a Data Capture Clerk or an Analyst, and is taken directly from the FO Data Collection Form. The table shown below shows what this FO's portfolio would look like, with each Association name and number entered.

Figure 6: Initial data entry (2)

Field Officer Performance Analysis - Inputs		
Add FO sheet	Print report	Rename sheet
Delete row	Archive Association	Delete this sheet
1. Name of Group/Association	2. N° of Assn.	Error checking
Totals	9	1
Averages		
Joy	1	
Ralang B	2	
Moyie	3	
Nguku	4	
Kinda	5	
Oloma	6	
Keyo	7	
Ralang A	8	
Kaliku	9	* You must enter the cash cost of goods in stock

Note that under the 'N° of Assn.' title, the total number of Associations is created automatically, but that the names and numbers of the specific Associations are entered manually.

To the right of the 'N° of Assn.' column are two error checking columns. If the red number is '1' this shows that data is not yet completely entered and describes what data must next be entered. If all of the data is fully entered the error message will disappear and the red number will change to '0'.

In this case, the Analyst/Data Capture Clerk has completed data entry to column 16, but must fill

in columns 17 and 18 (Cash Cost of Goods in Stock and Debts).

From this moment onwards, the Analyst/Data Capture Clerk moves the cursor to the right of the columns shown in Figure 6 and enters data in the next 16 columns (3 - 18) *in exactly the same sequence as they appear in the Field Officer Data Collection Form*. On the following page the 16 columns to the right of those shown above are reproduced. In this case the data is now completely filled out for all of the Associations, including Kaliku Association. When there is no data to be entered (such as, perhaps, 'Active Men at Time of Visit', or 'Debts', or 'Cash Cost of Goods in Stock') a zero must be entered, or an error message will remain.

Figure 7: Completed data entry sheet (initial data entry of association name and number omitted)

		Field Officer	Nelly Otieno	FO No.	1											
3. Date of savings startup	4. Association formed by	5. Members at savings startup	6. Date of visit	7. Active members at time of visit	8. Active men at time of visit	9. Active women at time of visit	10. Members attending meeting	11. Dropouts since start of cycle	12. Cumulative value of savings	13. Number of active loans	14. Value of loans outstanding	15. Cash on hand and at bank	16. Cash in Social Fund	17. Cash cost of goods in stock	18. Debts	
		128		144	47	97	116	4	2,894,433	61	2,785,056	538,200	472,700	162,000	31,000	
		14		16.0	5.2	10.8	81%	3%	321,604	6.8	309,451	59,800	52,522	18,000	3,444	
1-Jan-05	Field Officer	8	4-Jun-05	12	10	2	9	1	289,200	6	264,500	47,500	83,500	25,000	0	
1-Jan-05	Field Officer	20	4-Jun-05	20	5	15	19	1	338,500	4	250,000	144,600	24,600	22,000	1,000	
9-Feb-05	Field Officer	20	6-Jun-05	22	0	22	17	0	333,800	4	341,600	50,000	64,000	0	0	
7-Jan-05	Field Officer	12	6-Jun-05	16	6	10	10	0	452,000	7	410,500	92,000	62,400	20,000	10,000	
13-Jan-05	Village Agent	10	7-Jun-05	11	4	7	10	0	289,200	11	293,000	32,600	55,200	0	0	
2-Feb-05	Village Agent	23	7-Jun-05	20	6	14	16	1	396,267	11	358,527	56,500	63,400	50,000	0	
2-Feb-05	Village Agent	14	8-Jun-05	18	6	12	14	0	288,000	6	327,500	45,000	57,600	0	20,000	
7-Feb-05	Field Officer	11	8-Jun-05	14	6	8	12	1	260,800	7	279,429	45,000	50,000	0	0	
13-Feb-05	Field Officer	10	9-Jun-05	11	4	7	9	0	246,667	5	260,000	25,000	12,000	45,000	0	

It can be seen that the data on the Field Officer Data Collection Form (Figure 2, Page 101) is that of the second Association, Ralang 'B'. Each column is clearly headed with exactly the same number and similar words as those appearing on the Field Officer Data Collection Form.

What is shown here is a snapshot of the FO's portfolio, but mainly in terms of raw data. No analytical result is shown in this table, except for totals and averages that describe the portfolio in aggregate and average terms in rows 8 and 9. These aggregates and averages are shown in the green horizontal band below the headings, with totals on the top line and averages on the bottom. Where individual cells are shown in dark grey on this line, this is because no meaningful result can be obtained. It is, for example, illogical to have an average of column 6, since, by definition dates are not susceptible to averaging nor totals

Once the Analyst/Data Capture Clerk has entered the data, (S)he needs to do no further analytical work, because the output will show up further to the right as Outputs. This starts in column AA with the name of the Association/Group. The Outputs occupy 19 columns, which makes the text very hard to read in hard copy form on A4 (or Letter) printout. The Analyst need only print those of specific interest by hiding the columns that are not vitally important and may choose to print different versions of the same table for different audiences.

Outputs: FO portfolio

The table immediately below shows the complete set of outputs for Nelly Otieno's portfolio of nine VSL Associations.

Figure 8 Output sheet

Field Officer Performance Analysis - Outputs								Field Officer: Nelly Otieno					FO No. 1		As of		1-Jul-05	
Sort info.		Column	ad	Direction	Descend													
Initial Association data				Membership				Savings					Portfolio		Worth			
Name of Group/Association	N° of Assn.	Members at savings startup	Age of Association (weeks)	Active members at time of visit	Change in no. of members	Members attending meeting	% Women	Cumulative value of savings	Increase in value of savings	Return on savings to date	Net profit per member to date	Annualised net profit per member	Number of active loans	Value of loans outstanding	Cash, bank and Social Fund	Cash cost of goods in stock	Debts	Net worth to date
Totals	9	128		144	12.5%	116	67%	2,894,433	559,822				61	2,785,056	1,010,900	162,000	31,000	3,926,956
Averages		14.2	19.2	16.0		81%	67%	321,604	62,202	19%	3,888	10,783	6.8	309,451	112,322	18,000	3,444	436,328
Joy	1	8	22	12	50%	9.0	17%	289,200	47,800	17%	3,983	9,415	6	264,500	131,000	25,000	0	420,500
Ralang B	2	20	22	20	0%	19.0	75%	338,500	77,100	23%	3,855	9,112	4	250,000	169,200	22,000	1,000	440,200
Moyie	3	20	17	22	10%	17.0	100%	333,800	57,800	17%	2,627	8,174	4	341,600	114,000	0	0	455,600
Nyuku	4	12	21	16	33%	10.0	63%	452,000	60,500	13%	3,781	9,176	7	410,500	154,400	20,000	10,000	574,900
Kinda	5	10	21	11	10%	10.0	64%	289,200	36,400	13%	3,309	8,307	11	293,000	87,800	0	0	380,800
Oloma	6	23	18	20	-13%	16.0	70%	396,267	68,760	17%	3,438	10,012	11	358,527	119,900	50,000	0	528,427
Keyo	7	14	18	18	29%	14.0	67%	288,000	64,500	22%	3,583	10,352	6	327,500	102,600	0	20,000	410,100
Ralang A	8	11	17	14	27%	12.0	57%	260,800	63,629	24%	4,545	13,672	7	279,429	95,000	0	0	374,429
Kaliku	9	10	17	11	10%	9.0	64%	246,667	83,333	34%	7,576	23,772	5	260,000	37,000	45,000	0	342,000

Note that the information is divided into five categories:

- *Initial Association data*: information on the Associations
- *Membership*: numbers, change in the number of members and gender
- *Savings*: amounts, rates of increase, returns and profits
- *Portfolio*: Loan information
- *Worth*: The net worth of the Associations (Cash + Loans + Goods – Debts)

Sorting outputs: FO portfolio

When portfolio information is listed only in the order in which the Associations were recruited into the project it is obvious that the performance of each will vary as a result of many other factors (level of local economic activity, infrastructure, market opportunities etc.) If the analysis is to be useful to the supervisor of the FO it is necessary that (s)he has the means to rank the Associations by other criteria.

To do this, the analyst enters the letter designation of the columns (s)he wishes to sort, in cell AB4 (in this case Column AP, Return on savings to date) and, using a pop-down menu on the direction of the sort chooses either 'Ascend' or 'Descend'. The next step is to press the 'Sort Info' button and the entire table will sort as needed. This provides FO Supervisors with a powerful tool. In this case, for example, the Supervisor might ask what distinguishes Kaliku so dramatically from all other Associations, or why Nguku and Kinda produce such a low rate of return, when it is known that a typical rate for a portfolio of this age is usually in excess of 20%. More disturbing, perhaps, is the very wide spread of returns, from 13% to 34%. It is reasonable to ask why this should be and what can be done to close the gap.

Figure 9: FO table sorted for 'Return on Savings to Date'

Field Officer Performance Analysis - Outputs				Field Officer: Nelly Otieno				FO No. 1				As of 1-Jul-05							
Sort info.	Column	ap	Direction	Descend															
Initial Association data				Membership				Savings				Portfolio		Worth					
Name of Group	Association	N° of Assn.	Members at savings shop	Age of Association (weeks)	Age of members at time visit	Change in no. of members	Members attending meeting	% Women	Cumulative value of savings	Increase in value of savings	Return on savings to date	Net profit per member to date	Annualised net profit per member	Number of active loans	Value of loans outstanding	Cash, bank and Social Fund	Cash cost of goods in stock	Debts	Net worth to date
Totals		9	15	19.2	16.0	5%	116	67%	2,894,433	559,822	19%	3,888	10,783	61	2,785,056	1,010,900	162,000	31,000	3,926,956
Averages							81%	67%	321,604	62,202				6.8	309,451	112,322	18,000	3,444	436,328
Kaliku		9	10	17	11	5%	9	64%	246,667	83,333	34%			5	260,000	37,000	45,000	0	342,000
Ralang A		8	11	17	14	2%	7	12%	360,800	63,629	24%			7	279,429	95,000	0	0	374,429
Ralang B		2	20	20	20	0%	5	0%	77,100	23%				4	250,000	169,200	22,000	1,000	440,200
Keyo		7	14	18	18	29%	6	22%	64,500	22%				6	327,500	102,600	0	20,000	410,100
Oloma		6	7	20	20	-13%	7	0%	68,760	17%				11	358,527	119,900	50,000	0	528,427
Moyie		3	7	20	20	0%	8	10%	57,800	17%				4	341,600	114,000	0	0	455,600
Joy		8	11	17	17	50%	6	17%	47,800	17%				6	264,500	131,000	25,000	0	420,500
Nguku		7	14	18	18	33%	6	13%	60,500	13%				7	410,500	154,400	20,000	10,000	574,900
Kinda		7	14	18	18	10%	6	13%	36,400	13%				11	293,000	87,800	0	0	380,800

Press to activate sort function. Cursor must be removed from 'Column' and 'Descend/ Ascend' buttons

Reference to column to be sorted

Sort direction from top to bottom: high numbers to lower numbers is 'Descend' and from low numbers to higher numbers is 'Ascend.'

Sorted Column

FO comparison

At the end of each reporting period it is useful to compare the performance of all FOs. This can be done by analysing each of the FO worksheets, but is greatly simplified when only the key results pertaining to efficiency and portfolio quality are summarised. When the Analyst clicks on the FO Comparison sheet, all of the FOs' performance summaries are compared. In the case study illustrated here it looks as follows:

Figure 10: FO comparison

FO Information		Membership					Savings		Lending and portfolio		Worth
Name of FO	N° of FO	Members at savings startup	Change in no. of members	Dropout rate	Members attending meeting	% Women	Return on savings to date	Annualised net profit per member (average)	Number of active loans	Value of loans outstanding (average Association)	Net worth to date (average Association)
Results											
Nelly Otieno	1	128	12.5%	3.1%	80.6%	67.4%	19.3%	10,782.6	61	309,451	436,328
Rispah Omolo	2	80	12.5%	7.5%	78.9%	64.4%	17.0%	11,063.4	45	358,258	445,793
Peter Kimani	3	87	-1.1%	13.8%	66.3%	62.8%	3.7%	2,944.8	38	356,825	515,558
John O. Rotich	4	80	12.5%	6.3%	88.9%	64.4%	15.3%	10,521.7	32	370,500	510,250

Name of external currency	TShs
Rate of exchange	

Note: All monetary figures are in TShs

It can clearly be seen that in terms of scale, and return on savings to date, Nelly Otieno is out-performing all of the other FOs. She has the biggest number of clients, a solid increase in the number of members, the lowest dropout rate and the highest return on savings. But she is doing this with Associations that have a smaller savings capacity and the smallest loan sizes, which makes it the more impressive.

Note that all of the monetary figures have been converted into US Dollars. This is done simply by entering the type of currency against which the local currency is being measured in the upper grey cell E15 (Name of external currency) and, in cell E16 below, entering the Rate of exchange. This is useful, because it allows for cross-programme comparisons and is particularly useful in places where inflation is high because, month by month, it indicates if the purchasing power parity of profits, Loans outstanding and Worth is being maintained – all of which are critical factors in maintaining member motivation and participation. In this case it is clear that somehow, Nelly Otieno is working with a high degree of effectiveness, while it is clear that all of the other FOs (especially Peter Kimani) are doing less well. These results should immediately provoke a review of the reasons for the difference in performance.

Programme performance

Programme Performance takes the information from each FO's individual portfolio and does two things with it:

- Amalgamates all the FO Output information into programme totals, percentages and averages
- Presents this information in a form that describes the overall programme in more general terms, divided into categories that have meaning for country offices, overseas head offices, Board members, donors and external observers.

Thus far we have described what happens at the level of the individual FO. Most programmes have more than one FO and it becomes necessary to do two things with this information:

- Compare the performance of each FO
- Merge all portfolio information so that the scale, financial performance, efficiency and the staff profile can be described, to give an overall snapshot of the programme at least on a monthly basis.

The first of these uses has been described in the previous sheet. Merging this information is done on the Programme Performance sheet and looks as follows for a typical VSLA project with four FOs.

Most of the information here is automatically generated, except for the data entered in blue font in the grey cells.

Note: *It is not important to collect data from every group on a monthly basis. This is not practical because many groups will be visited less frequently, especially as they enter the Maturity stage of the Supervision phase. Data can be collected less frequently because the operating principle of this tool is to compare group performance by annualising key data, especially with respect to individual earnings and percentage yields on savings. Wherever possible, however, it is a good idea to collect data that was generated at a certain date and to do so quarterly. Thus, a programme may decide to collect data valid as of March 31st, and even though the actual visit to an Association is made maybe a month or two later, data can be collected as of March 31st. This is particularly useful in the case of programmes operating in hyper-inflationary environments.*

Figure 11: Overall project performance

Overall VS&L Project Performance			
Institution:		Uchumi Savings and Credit Project	
Scale			
Association Membership	Aggregate	%	Average
Total Number of Current Members	410		
Total Number of Men	143	34.9%	
Total Number of Women	267	65.1%	
Total Number of Associations	27		
Average Association Membership			15.2
Membership Growth Rate		9.3%	
Attendance Rate		79.0%	
Dropout Rate	27	7.2%	1.0
Number of Members Belonging to Graduated Associations	500		
Total Number of People Assisted by the Programme	910		
Composition of Current Assets & Liabilities			
Cash on Hand and at Bank	1,521,305	11.9%	56,345
Loans Outstanding	9,298,556	72.9%	344,391
Goods	775,700	6.1%	28,730
Social Fund	1,302,000	10.2%	48,222
Debts	141,000	1.1%	5,222
Net Worth	12,756,561	100.0%	472,465
Financial Performance			
Savings			
Cumulative Value of Savings	10,069,183		
Average Member Savings/Contribution to Date			24,559
Increase in Value of Association Savings	1,385,377	13.8%	51,310
Loans			
Value of Loans Outstanding	9,298,556		344,391
Number of Active Loans	176		6.5
Average Outstanding Loan Size			52,833
Average Loans Outstanding per Association			344,391
Current Yield			
Average Net Profit per Member to Date		13.8%	3,379
Annualised Average Net Profit per Member			9,091
Personnel Profile			
Programme Staff			
Project Manager (PM)	6.0	85.7%	
Field Officers	1	14.3%	
Other	4	57.1%	
Other	1	14.3%	
Other		0.0%	
Other		0.0%	
Other		0.0%	
Other		0.0%	
Support Staff			
Data Capture Clerk(s)	1.0	14.3%	
Driver(s)	1	14.3%	
Other		0.0%	
Other		0.0%	
Other		0.0%	
Other		0.0%	
Efficiency			
Ratio of Field Staff to Total Staff		57.1%	
Caseload: Associations per FO	6.8		
Caseload: Individuals per FO	102.5		
Active Clients per Staff Member	58.6		
Portfolio Utilisation		72.1%	
Number of months completed this fiscal year	8		
Total Recurrent Expenditure this Fiscal Year	8,470,000		
Total Expenditure to Date	38,425,000		
Cost per Client	42,225		
Annualised Cost per Active Client	30,988		
Cost per Unit of Financial Assets		99.6%	

Performance ratios

The Small Enterprise Education and Promotion (SEEP) Network has been instrumental in creating performance ratios for MFIs, now codified in the Format for Reporting, Analysis, Monitoring and Evaluation (FRAME) tool. Similarly, Community-based microfinance programmes are in the process of developing performance indicators that allow for cross-programme comparison and measurement of Effectiveness, Financial Performance and Efficiency. These are a work in progress, but, when fully developed, will be incorporated into the MIS as far as this is feasible.

To date the MIS ratios do not measure sustainability, because Savings-led Community-based Organisations are inherently sustainable. This results from the management Committee and its officers providing voluntary service; there are no rental and other overhead costs to pay and gross profit is usually equivalent to net profit.

The following Performance Ratio table is automatically generated by the MIS.

Figure 12: Performance ratios

Selected Performance Ratios		
Institution:	Uchumi Savings and Credit Project	
<i>Effectiveness</i>		
R1	Percentage of women members	65.1%
R2	Membership Growth Rate	9.3%
R3	Attendance Rate	79.0%
R4	Dropout Rate	7.2%
<i>Financial Performance</i>		
R5	Increase in Value of Association Savings	13.8%
R6	Portfolio at Risk	N/A
R7	Risk Coverage Ratio	N/A
R8	Average Net Profit per Member to Date	3.1
R9	Annualised Average Net Profit per Member	8.3
<i>Efficiency</i>		
R10	Ratio of Field Staff to Total Staff	57.1%
R11	Caseload: Associations per FO	6.8
R12	Caseload: Individuals per FO	102.5
R13	Active Clients per Staff Member	58.6
R14	Portfolio Utilisation	72.1%
R15	Cost per Client	38.4
R16	Average Loans Outstanding per Association	313.1
R17	Average Member Savings/Contribution to Date	22.3
Name of External Currency		\$US
Rate of Exchange		1,100.00
Note: All monetary figures are in \$US		

These ratios may change over time as an industry consensus emerges that supports the interests of many organisations to compare performance.

Note that again a US Dollar exchange rate has been used to reduce all financial figures to a widely accepted international currency. The Euro or the Dollar is suggested.

It is the intention of the informal consortium of VSL practitioners (CARE, CRS, Oxfam and Plan International) to develop this tool in 2007 for common adoption in each organisation. As these upgrades become

available they will be posted to the SEEP Network website and the VSL Associates website.

Archiving

The MIS is intended solely to capture the performance of Associations that are not yet independent and autonomous. Once Associations graduate (or drop out), they should be eliminated from the MIS. This is done simply by placing the cursor on the row occupied by the Association to be eliminated and clicking on the red 'Delete Row' button at the head of the FO sheet. Once this is done the row is deleted and all data is lost. Once this action is done, it cannot be reversed, except by exiting the programme without saving and re-starting.

If the Analyst determines that an Association will be followed up for the long-term, (s)he places the cursor on the Association row, in any cell, and presses the red 'Archive Association' button. Once this is done, the Association and all the data pertaining to it is transferred automatically to the 'Graduated Association Archive' sheet. New data can be entered for Associations that are transferred to the 'Graduated Association Archive' sheet, but the results of any changes in the data are not any longer integrated into the performance figures for the programme. If the Analyst wishes to consolidate data for graduated Associations for long-term follow up, (s)he may consider copying the input data to a new version of the MIS. In such a case there is no need to enter multiple sheets for FOs, but simply to create a 'Long-term Follow-up' sheet in lieu of a FO and to ignore programme cost data on the Programme Performance sheet. It is the intention of the authors to create a customised 'Graduated Association MIS' in 2007 that focuses solely on long-term Association-level performance.

Figures 13 and 14 show the Archive sheet with three Associations' data transferred here (one for each FO).

Note that output sorting is possible, to facilitate analysis.

Note: *This version of the MIS is based solely on the use of passbooks and assumes that no central written ledger is maintained.*

As such, the FO does not try to collect historical loan information about the Cumulative number of loans; The Cumulative value of loans and the Value of loans past due. While this is possible, using the passbooks, it is likely that the FO will find this complex and time consuming. For the purpose of keeping the FO's job simple we have omitted the requirement to collect this information, even at the expense of portfolio quality information and cumulative portfolio information. For programmes that wish to take up this challenge, it is possible to use another version of the MIS, entitled 'VSL MIS Ledger-based Records'. It works in exactly the same way as the system shown here, but instead of 18 data input columns has 21. The additional 3 are, as noted above:

- Cumulative number of loans
- Cumulative value of loans
- Value of loans past due

There is no reason why a programme that uses only passbook-based records cannot use the Ledger-based MIS, but it must expect to use more highly qualified FOs than those that use the Passbook-based Record version. They will need to spend more time per Association meeting carefully constructing current records from the passbooks.

Figure 13: Archive sheet: Data input side

Archive file - Input																		
FO No.	1. Name of Group/Association	2. N° of Assn.	3. Date of savings startup	4. Association formed by	5. Members at savings startup	6. Date of visit	7. Active members at time of visit	8. Active men at time of visit	9. Active women at time of visit	10. Members attending meeting	11. Dropouts since start of cycle	12. Cumulative value of savings	13. Number of active loans	14. Value of loans outstanding	15. Cash on hand and at bank	16. Cash in Social Fund	17. Cash cost of goods in stock	18. Debts
	Totals	4			58		63	25	38	48	7	1,726,550	28	1,426,300	293,750	258,200	144,500	10,000
	Averages				15		15.8	6.3	9.5	76%	12%	431,638	7.0	356,575	73,438	64,550	36,125	2,500
2	Consolata A	3	2-Feb-05	Field Officer	23	6-Jun-05	20	6	14	14	2	456,000	5	463,500	60,250	20,000	22,500	10,000
3	Okayo COSAMO	1	7-Jan-05	Field Officer	12	4-Jun-05	16	6	10	14	1	422,400	9	294,300	53,500	45,000	122,000	0
3	Ojawa	2	13-Jan-05	Field Officer	11	4-Jun-05	11	7	4	9	4	436,150	8	319,500	55,000	123,200	0	0
4	Upper Women Group	1	7-Jan-05	Field Officer	12	4-Jun-05	16		10	11	0	412,000	6	349,000	125,000	70,000	0	0

Data may continue to be entered in grey cells to update archived Associations.
Does not connect any longer to any other worksheet and does not form part of the Programme Performance information.

Figure 14: Archive sheet: Data output side

Archive file - Output																	As of	1-Jul-05
Sort info.		Column	d	Direction	Ascend													
Initial Association data				Membership				Savings				Portfolio		Worth				
Name of Group/Association	N° of Assn.	Members at savings startup	Age of Association (weeks)	Active members at time of visit	Change in no. of members	Members attending meeting	% Women	Cumulative value of savings	Increase in value of savings	Return on savings to date	Net profit per member to date	Annualised net profit per member	Number of active loans	Value of loans outstanding	Cash, bank and Social Fund	Cash cost of goods in stock	Debts	Net worth to date
Totals	4	58		63	9%	48	60%	1,726,550	128,000				28	1,426,300	551,950	144,500	10,000	2,112,750
Averages		14.5	20.1	15.8		76%		431,638	32,000	7%	2,032	5,502	7.0	356,575	137,988	36,125	2,500	528,188
Consolata A	3	23	18	20	-13%	14.0	70%	456,000	80,250	18%	4,013	11,779	5	463,500	80,250	22,500	10,000	566,250
Okayo COSAMO	1	12	21	16	33%	14.0	63%	422,400	47,400	11%	2,963	7,286	9	294,300	98,500	122,000	0	514,800
Ojawa	2	11	20	11	0%	9.0	36%	436,150	-61,650	-14%	-5,605	-14,367	8	319,500	178,200	0	0	497,700
Upper Women Group	1	12	21	16	33%	11.0	63%	412,000	62,000	15%	3,875	9,530	6	349,000	195,000	0	0	544,000

Annex 6: Payout for members leaving the Association in mid-cycle

Members may leave the Association in mid-cycle. This may be because the member no longer wishes to participate or, for reasons beyond their control, such as sickness or migration. A member who leaves because they no longer wish to participate will, normally, be entitled only to the face value of their shares (although the Constitution may spell out other restrictions, as the Association decides).

For a person who is forced to leave the Association for reasons beyond their control, it is usual to pay out the value of their shares, including earnings. The way this is done is as follows:

Step 1: Assemble the data

An Association has a member who is leaving to get married and will move to another village. She wants to take her money and join another VSLA. The following are the data.

- Total shares bought by the members..... 120
- Number of shares owned by the member who is leaving 11
- Cash in the cashbox at the beginning of the meeting..... TShs. 5,500
- Total value of loans outstanding TShs. 150,000
- Debts owed by the Association..... TShs. 2,500
- Debts owed by the member (unpaid balance of loan) TShs. 2,400

Step 2: Calculate the value of a single share

$(\text{Cash} + \text{Loans outstanding} - \text{debts}) / \text{Total shares} = (150,000 + 5,500 - 2,500) / 120 = \text{TShs } 1,275.00$

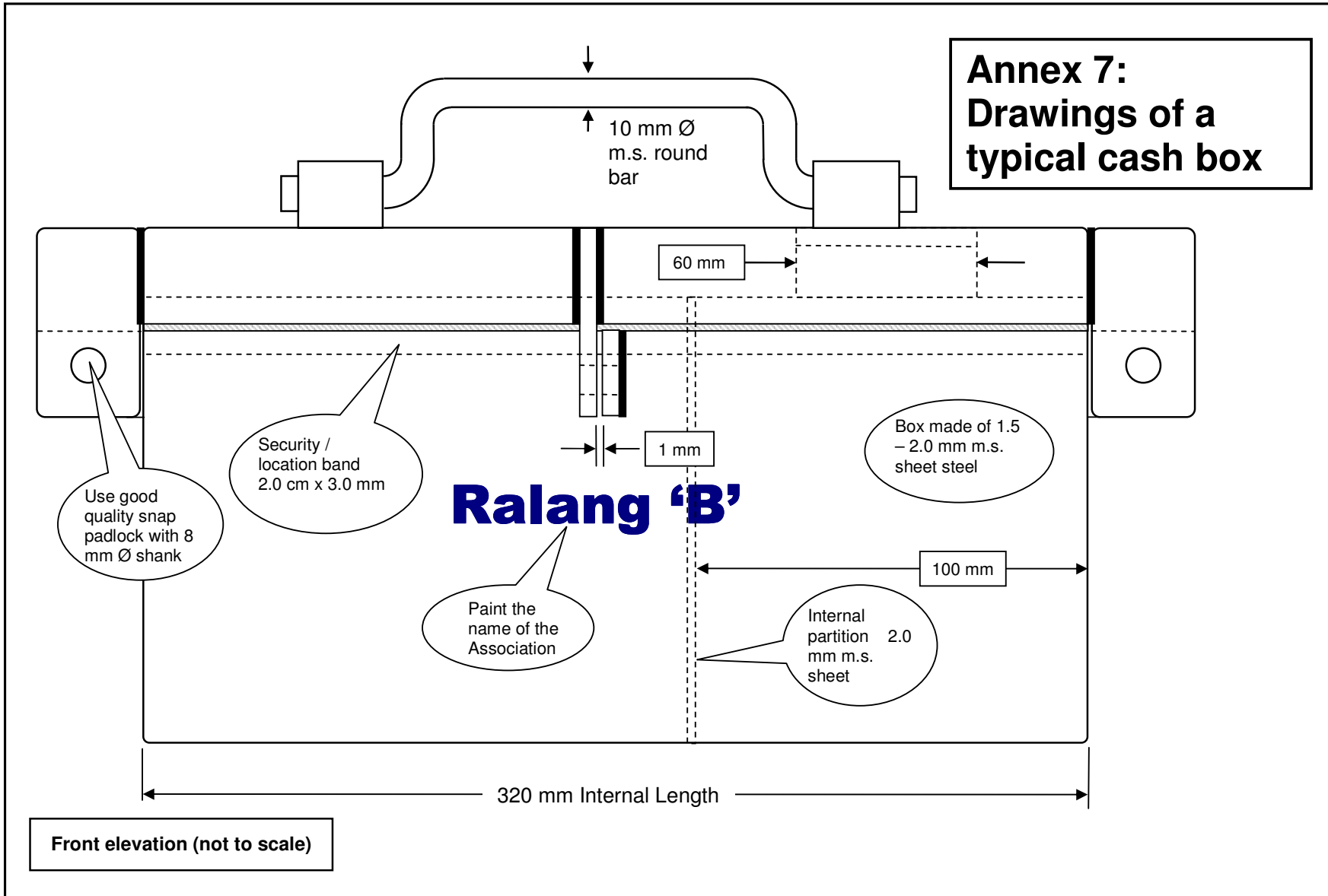
Step 3: Calculate the value of the departing member's payout

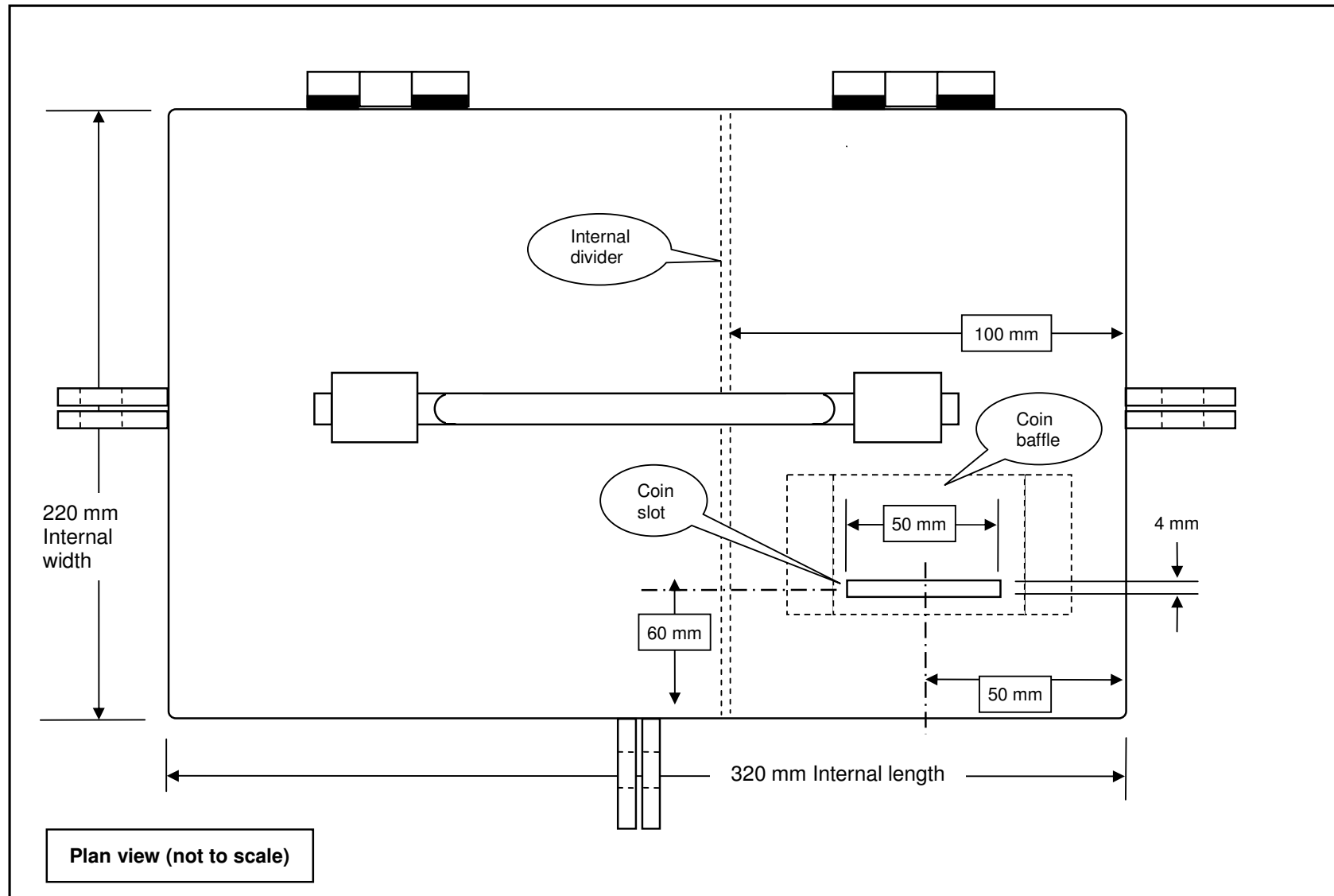
Value of a single share x number of shares =

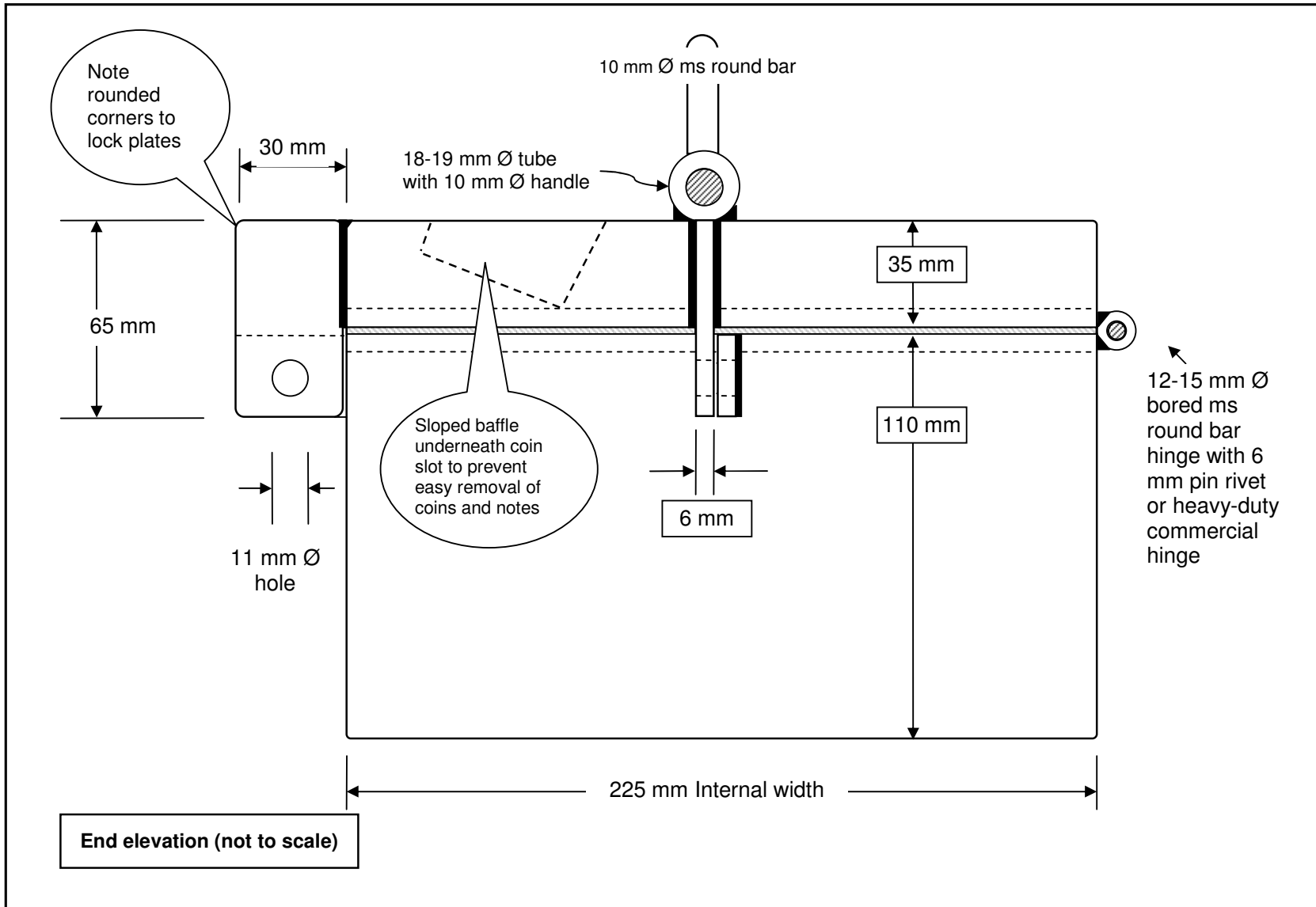
$11 \times 1,275 = \text{TShs } 14,025$

The member owed the Association TShs 2,400, which was the remaining principal and accrued service charges on her loan. She therefore received:

$\text{TShs } 14,025 - 2,400 = \text{TShs } 11,625$







Annex 8: The kit

The picture below shows the equipment that is handed out with the cash box. It does not show the numbered cards that are also provided, or can be made on site at the time of the first meeting. It also shows only a small number of passbooks, sufficient for an Association with only 7 members. Other items can be included in the kit, at the discretion of the members, such as a school exercise book for taking notes.



Annex 9: Key personnel job descriptions, qualifications and experience

Position	Job description	Qualifications	Experience
Programme Manager	<ul style="list-style-type: none"> • External representation (fund raising, marketing, reports to country office and donors) • Preparation of proposals for funding • Preparation of strategic and operational plans • Supervision of operations director and/or field supervisors (depending on programme scale) • Supervision of M&E and Admin 	<ul style="list-style-type: none"> • Degree or diploma in management • Excellent track-record in project management or high-level supervision • Proven leadership skills • Proven capacity organise complex operations • Proven strategic planning skills • Proven operational planning skills • Proven staff supervision skills • Excellent diplomatic skills 	<ul style="list-style-type: none"> • Previous senior programme management experience • Familiarity with principles and practice of savings-led microfinance and with a strong awareness of the challenges faced by traditional methodologies • Community development background • Experienced trainer • Strong data analysis background • Strong experience of supervising senior and junior staff • Strong planning skills
Field Supervisor	<ul style="list-style-type: none"> • Monitoring and supervision of FOs • Reporting to Programme Manager • Assistance in the preparation of annual plans • MIS FO Performance analysis • Management/supervision of MIS information flows to FOs 	<ul style="list-style-type: none"> • High-school or diploma, or promoted FO • Living in local community • Preferably speaking local language • Well-known and respected • Good organisational skills • Team-building and motivational skills • Analytical and presentational skills 	<ul style="list-style-type: none"> • At least 2 years in community development • Experienced facilitator/trainer • Experienced and detail oriented planner • Experience in data analysis
Field Officer	<ul style="list-style-type: none"> • Mobilisation and awareness raising with local leadership • Mobilisation of community groups • Training Associations in the implementation of VSL • VSLA data gathering and Association monitoring • Preparation of periodic operational plans • Preparation of progress reports 	<ul style="list-style-type: none"> • Maximum of high-school (secondary) education • Living in community and speaking local language • Respected by local people and leaders and known to be conscientious • Reputation for integrity • Organisational skills with an eye for detail • Good diplomatic skills 	<ul style="list-style-type: none"> • Community development • Experienced facilitator

Position	Job description	Qualifications	Experience
Village Agent	<ul style="list-style-type: none"> • Training Associations in the implementation of VSL • Association monitoring and data gathering as requested by the FO 	<ul style="list-style-type: none"> • Living in community and speaking local language • Respected by local people and leaders with a reputation for integrity • Well-known throughout the proposed working zone • Dynamic and with good motivational skills 	<ul style="list-style-type: none"> • None
Data Capture Clerk	<ul style="list-style-type: none"> • Data audit and entry • Report preparation for FOs, supervisors and senior management as required 	<ul style="list-style-type: none"> • Well-known throughout the proposed working zone • Dynamic and with good motivational skills 	<ul style="list-style-type: none"> • At least 2 years experience in data entry and management