The group savings resource book

A practical guide to help groups mobilize and manage their savings

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Food and Agriculture Organization of the United Nations

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CONTENTS

ACKNOWLEDGEMENTS

The origins of this book go back to 1991, in our Ghana PPP project, when we discovered that too much emphasis on credit was creating dependent groups rather than self-reliant ones. After several unsuccessful efforts to increase group savings, we found that socio-cultural factors rather than economic ones appeared to be the main causes.

Fortunately we met up with Otto Hospes, a socio-economist at Wageningen University who had done extensive work in this field, and in 1996, with FAO Partnership Programme funding, we launched a study to explore the socio-cultural factors influencing rural saving behaviour in Zambia. This was later expanded, with generous funding from the Netherlands in 1998 to Tanzania and Zimbabwe, and served as a major source of information for this book. Additional valuable insights were collected at an international workshop on this topic in Wageningen in May 2001.

Creating a simple field manual on resource mobilization for the poor has involved collaboration with a host of individuals who deserve much credit.

We therefore wish to thank the members of PPP and other self-help groups around the world whose struggles to mobilize capital motivated the idea for this manual.

A special note of gratitude is also owed to Otto Hospes, whose academic rigour and socio-cultural insights on rural financial behavior during the research phase were invaluable, to Bernard Van Heck, Karel Callens, Jennifer Heney and Michael Marx for their detailed review of and comments on the draft text, to Brian Branch for his inputs on the credit union section, to Gabrielle Athmer and Jochem Zoetelief for their field perspectives.

Finally we would like to thank Christine Kahanda of the People's Participation Service (PPS) and PPS groups in Zambia. Their active participation in the field testing of the resource book provided useful feedback on how to help the poor better mobilize and manage their own resources to invest in their own future. We sincerely hope this book will contribute to this end.

FOREWORD

In recent years, the potential of microfinance as a tool for poverty alleviation has been increasingly recognized. Hundreds of millions of the world's poorest need access to financial services whether to access loans or to safely save small amounts of money. However, mounting evidence from the field has shown that too much focus on the provision of credit has led to excessive debt burdens and repressed growth. As a result, many governments, donors and NGOs are now advocating a more balanced approach to financing poverty alleviation efforts that places savings and other financial services in the forefront of credit.

Critics often say that the poor are too poor to save; yet empirical data contradicts this point-of-view showing that everyone saves, including the poor. Though not always apparent, the poor save in many different forms, in kind and in cash, to meet their daily food consumption, education, and health care needs or to invest in small businesses. However, the poor frequently have more difficulties in accumulating capital than the better-off since they are more vulnerable to risks from bad weather or poor health, and have limited access to markets and safe saving facilities.

Group saving approaches have had notable successes when they are responsibly managed, and when the savings are felt as an asset by their members. Many of these successes have occurred when women have been significantly involved in their constitution and management, as has been seen in the case of the Grameen Bank experience in Bangladesh. By providing a means to safely pool their savings, these approaches can help the poor and disadvantaged accumulate productive resources more efficiently. Group savings also help build solidarity among members and provide a safety net against exploitative moneylending. Ample evidence of this exists in the widespread use of informal and formal group saving approaches around the world: rotating savings and credit groups, savings clubs, village banks, credit unions, and so on. The fact that they must be essentially self managed, gives the opportunity to generate group self-confidence, the first step towards sustainable poverty elimination.

We hope that this resource book on group savings will prove useful to those engaged in strengthening the self-help capacities of the poor, and by doing so, help the poor build a better future for themselves, their families and their communities.

Maximiliano Cox

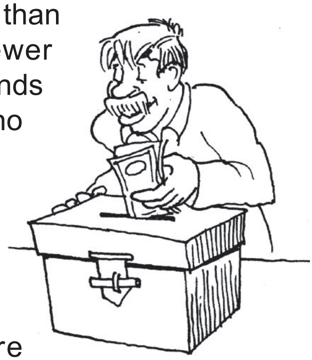
Director
FAO Rural Development Division

INTRODUCTION

"A penny saved is a penny earned" (England)
"Many pebbles make a mountain" (Korea)
"Save now, or never" (Mexico)
"Save today for a better tomorrow" (Zambia)

Both the rich and the poor understand the importance of saving. Just as the rich know that the more of their own savings they use to finance their businesses, the more independently and safely their investment will grow, the poor also know that they must save enough of this year's harvest for next year's seed and to meet their families' food needs.

The poor face more difficulties in saving than the well-to-do because they have fewer productive resources, competing demands for these limited resources, and little or no access to safe saving facilities. Nevertheless, for the poor, saving is a necessary precondition for improving their lives.



People who save behave differently than people who don't. If one has secure resources to fall back on in time of need, one is better able to cope with unforeseen events and emergencies, and plan for a better future. Thus, if the poor can improve their capacities to save more effectively, they will be better able to plan, invest in and manage their own development.

Experience has shown that group approaches to saving can help the poor save more efficiently, especially when access to saving facilities such as banks or other financial services is difficult.

By saving in a group, members can get quicker access to a larger amount of pooled resources than they would if they saved on their own.

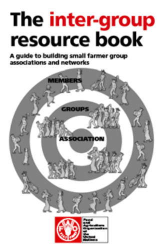
Secondly, by saving as a group, members can protect themselves from unwanted financial demands from friends and family. This is important in many rural areas where there are intense family and social pressures to share all resources.

A group can also provide a more secure environment for people to keep their money. In many rural areas, people do not have access to banks or other safekeeping facilities. This leaves them with little choice but to hide the money at home or with a friend, hire a local money-keeper at high cost and risk, save in kind or not save at all.

While saving in a group can help individual members meet their personal financial needs, it can also assist self-help groups become stronger and more financially sustainable as organizations. Evidence shows that self-help groups with active saving programmes are more likely to achieve their goals independently without relying on external support. This is because they are able to mobilize their own resources and thereby invest in activities which they can handle by themselves.

Why this book?

This book is the fourth in a series of FAO field manuals on small farmer group development. The first three:



The Group Promoter's Resource Book (1994),

The Group Enterprise Resource Book (1995), and

The Inter-Group Resource Book (2001)

cover the topics of group formation, group enterprise management and inter-group association development. All three of these manuals dedicate some attention to the topic of group-based savings, but none in sufficient detail and scope. This manual seeks to fill that gap.

The aim of this publication is to help the poor strengthen their capacities to accumulate productive capital through savings groups, especially in areas where no formal financial services are available, and to assist existing self-help groups establish their own saving activities. The information is presented in an easy-to-read form, with illustrations and group exercises.

The book's emphasis on group saving approaches should not, however, be interpreted to mean that other saving approaches are unimportant. A group approach to mobilize savings may make sense at a certain time in one's life, depending on his/her needs and capacity to access other services, but not in another.

For example, saving in-kind may be a preferred method in some villages, while saving at a bank may be a better option for others who have access to such a facility. Nevertheless, we are confident that group approaches to saving can make a significant difference in helping the poor accumulate resources where access to formal financial services is difficult.

Intended readers

The resource book is expected to be useful for:

- ***Self-help groups and group promoters*:** Members and leaders of small farmers, women's and other social and economic groups and their group promoters (local animators, extension workers, etc.).
- ***Agencies promoting self-help group development*:** Staff in government agencies and NGOs using small group approaches to deliver agricultural extension, financial, health and/or educational services to the poor.
- ***International development agency staff*:** Staff in international agencies promoting micro-finance initiatives may also gain new insights on how to incorporate group savings components into their development strategies.

Structure of the resource book

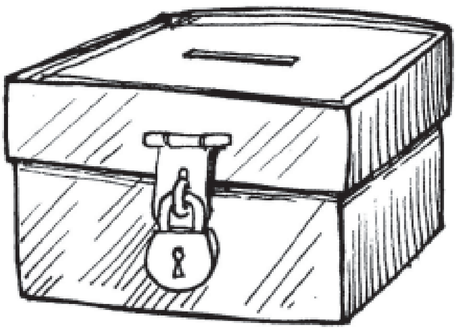
The resource book is divided into two parts:

Part A: SAVING discusses the advantages and disadvantages of saving in a group, the constraining and enabling factors to consider when starting a group saving activity, and describes some commonly used group saving methods.

Part B: TOOLS is a description of various tools that can be used to collect information on the village when starting a saving activity, improve personal financial management skills, plan for investment and growth, and monitor and evaluate the saving activity.

NOTE: *The tools included in Part B are not the only ones that could be used and should not be seen as compulsory for starting a saving activity. They may or may not be used depending on the local situation. We encourage users to adapt the methods in the manual to fit their own situations and saving needs. Simplification or translation of the text into the local language and use of more appropriate illustrations and exercises may be helpful.*

Part A: Saving



CHAPTER 1: SAVING FIRST

What is saving?

Saving means withholding something valuable for future use. This simple phrase describes two key elements of any saving activity:

- ***Discipline and sacrifice**:* Withholding something valuable for future use instead of consuming it immediately.

- ***Planning for the future:*** Saving is all about the future, about anticipating and preparing for possible risks and emergencies (a bad harvest, sickness or death), preparing for upcoming events and expenditures (payment of school fees, a marriage, old age, or funeral) or starting a new business or expanding an existing one.

Why people save

Everybody saves, even the poor. It's just that the poor have fewer resources to start with, and so can only save in small amounts.

People save for a variety of reasons:

- To prepare for future emergencies or risks (natural disasters, injuries, death).
- To smooth out variations in income and consumption: Saving during surplus periods to use during difficult periods.

- To educate their children.
- To be prepared for old age and disability.
- To invest in opportunities potentially profitable (purchasing a cow, starting a small enterprise, storing grain to resell during high price season, etc.).
- To fulfil social and religious obligations (marriage, funeral).

How people save

People save in many ways, as *individuals* or in a *group*. They may save *in kind*, *in cash* (at home or in a bank), or by *giving*.

- ***In kind:*** When prices are continually rising (high inflation), when there is little cash in circulation (barter economy), or when there is no bank around, saving in kind may make sense. In kind savers normally save in food-grains, like maize or rice, or in livestock, such as cattle, goats, or chickens, and sometimes in items like jewellery or gold or other valuable goods which increase in value as prices rise and can be easily resold for cash at a later date.

The disadvantages of in kind savings are that they tend to be less portable, more difficult to store and maintain (cattle are vulnerable to diseases, grains can be attacked by insects or rodents), less easily converted into cash, and more visible (sometimes people don't want others to see that they now have more chickens or cows than they used to have).

- ***In cash:*** Almost everyone, including the very poor, has some need for cash: to buy medicine or pay for school fees or buy new clothes, etc. The main advantages of saving in cash are that cash is very portable, storable, not very visible and can be exchanged for almost anything. In view of these features, saving in cash is generally preferred. The main weakness of keeping cash is that it can lose its value during high inflation. That's why many choose a mixed strategy of saving in kind and in cash.

- ***At home or in a bank:*** Saving at *home* has its benefits. The savings are nearby and easily accessed, but this means that it is also more easily accessed by other family members or can be easily stolen.

  Saving at a *bank* may be a safer option. The problem is that banks only accept cash savings, the cost of opening and maintaining a savings account can be quite high and there are few banks, if any, located in rural areas.

- ***By giving:*** People give gifts or offer services not just out of generosity, but also sometimes with the hope of receiving the favour back when needed.

A typical example would be volunteering to help a neighbour harvest his crop. By doing this, you expect him to help you when it comes time to harvest your crop.

What about borrowing?

On the surface, using someone else's money and then paying it back, later, seems easier than saving. Borrowing doesn't require any immediate sacrifice. You get the money quickly and don't have to worry about paying it back until later. *But is it really easier than saving?*

- ***Borrowing can be expensive:*** The borrower will have to pay back the loan itself, plus pay additional interest on the amount received. This can get expensive! There can also be "hidden" interests. For example, a shopkeeper may lend a person money without charging interest directly on the loan, but instead increase the price of the items the borrower must buy from him (medicines, food, other household items).

- ***Borrowing can be risky:*** Since the poor are more exposed to risks caused by weather, income fluctuations, diseases, theft and death, they may have repayment problems. Suppose that after borrowing some money a family member becomes ill. The money may then have to be spent on medicine rather than on the planned investment. This will make repayment difficult and worsen their situation.

- ***Borrowing can be difficult:*** For the above reasons, the poor may also have more difficulties in obtaining loans than would the rich. Lenders, whether a friend, a local moneylender or a bank, are unlikely to lend to people they think will have problems in repaying.
- ***Borrowing can be stressful:*** A loan involves a promise to repay the lender. Normally the full amount must be repaid within a fixed period of time, often with interest. Failure to repay may mean losing valuable possessions (jewellery, a cow, a plot of land, etc.) or one's good reputation, being threatened and/or becoming more indebted by building up fines and interest payments.

How can the poor save more?

The poor do save. It may be just a few bags of rice, sorghum or maize, money to pay for school fees, but they usually save something. However, they have difficulties in becoming better off since they face a lot of problems. By adopting group saving approaches they can overcome some of these problems.

Let's see how.

- The poor can save only ***small amounts individually,*** which are usually not enough to invest in productive resources.

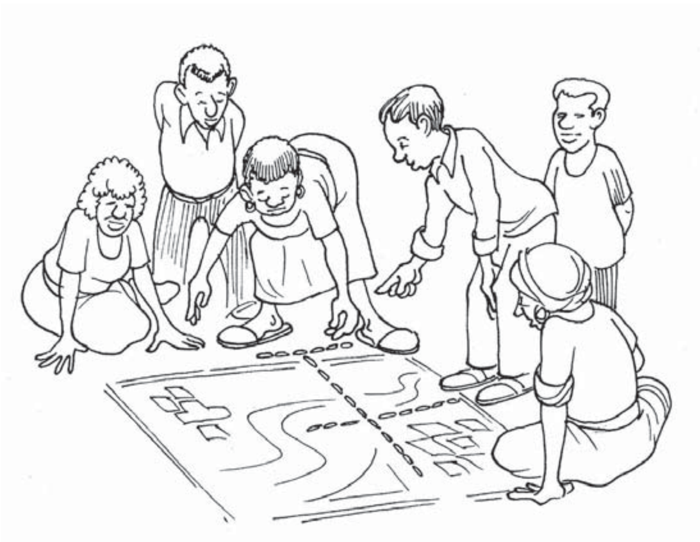
» By saving as a group, the poor can accumulate a larger amount of money more quickly by pooling their savings in a common fund which can then be used by the group or a member of the group for productive investment.

- ***Low level of literacy*** and numeracy skills make it difficult for the poor to keep track of their savings and to manage their money.
    - » *By saving as a group, the poor can help each other learn these skills. As a group, they can more easily receive literacy and money management training from group promoters or trainers from NGOs, and also learn from other more literate members.*
- ***More vulnerability to risks*** like bad harvest, food shortage, sickness, flood, income shortage, etc.
    - » *By saving as a group, these risks can be shared between the members. Individual members can rely on other members for help in time of need. Group savings can be used like an insurance scheme to help members deal with these emergencies when they arise.*
- ***No access to safe saving facilities*, ** such as banks.
    - » *By saving as a group, the poor can create a safe place to put their money. Some group saving methods do not require storing at all, since the money is immediately redistributed after collection. The group can also buy or make a cash box that will be safeguarded by several members.*
- ***Social values*** which expect individual savings to be redistributed to the extended family and regard individual accumulation of resources as selfish behaviour.
    - » *By saving as a group, the poor can protect themselves from accusations of being selfish, since the savings belong to many individuals, not just one. The threat against a single member of the group is a threat against all members.*

CHAPTER 2: GETTING STARTED

When looking into starting a saving activity with a group, first find out how people in the village manage their money and other productive and social resources. If you are an external facilitator, one of your most important tasks will be to gain acceptance by the village.

This can take a long time, but it is important that you obtain the support of the village leader(s) and villagers themselves. Work to gain their trust by talking with them regularly. Listen and show respect. You can prepare yourself by gathering information about the village from the local district office, non-governmental organizations (NGOs) and local leaders.



Examples of information to be gathered

- The living conditions of different socio-economic groups in the community – where is the nearest local bank, what are some traditional saving methods, where and when do households get their income from and how do they spend it?
- The needs of the community and, especially of the poor.
- The way the community solves its problems.
- Social patterns in the community - who talks to whom and why?
- The community power structure – who are the leaders and opinion makers?
- Informal and formal organizations of men and women (both mixed and separate).
- Links between the community and supply of services and who controls them.

Make sure to always crosscheck the information collected from different sources, until you have a good idea of how accurate the information is.

☞ *See Chapter 4 for some participatory tools on getting to know the village.*

*Group formation**

- ***Identify the poor:*** Use your own knowledge together with suggestions from villagers to identify the poorer men and women. In a rural community, often, you will find three broad wealth categories: the big farmers, with land and access to development services, the middle farmers,

*FAO. 1994. *The Group Promoter's Resource Book.* Rome.

with sufficient resources to meet their basic needs, and the poor, who live at subsistence level. Remember that identifying and assisting the poor is a sensitive issue. People may not like to be identified as poor, just like the better-off may not want to be identified as rich for fear of being left out of possible assistance. You can get information on socio-economic differences through informal interviews or by doing a wealth ranking if necessary.

☞ *See the section on Wealth Ranking in Chapter 4.*

- ***Discuss group formation:*** Identify poor members of the village who are interested in working in a group. Organize one or more meetings with them to discuss their situation and financial needs and explain what you can do to assist them. It is best to keep the meeting small. A group of 8 to 15 people is ideal, since it allows for more open face-to-face discussions. If the group is too big, form sub-groups with people who have common interests. Large meetings tend to be less effective, since opinions and interests are more diverse which makes reaching agreement more difficult.
- ***Identify a clear development goal:*** Help the group express their goals and expectations clearly. People usually express their goals in general terms, such as “to generate income for the family”. It is important to establish realistic goals with specific actions. Let the group express their goals and discuss whether they are clear or vague. For example, “I want to improve my children’s education” is vague. “I want to buy school books and uniforms for my children for the next school year” is clearer.

☞ *See below for keys to success.*

- ***Discuss saving:*** Discuss how they intend to achieve their goals through saving. What are the advantages and disadvantages of saving? Illustrate your discussion with real stories of successful or failed savings groups. Do they know of any similar stories? How do people save? What are some traditional saving methods? How do people deal with emergencies? Discuss the different factors enabling and constraining saving in the community.

NOTE: *It may be easier to start a saving activity with an existing group. Saving activities tend to be more successful when group members know and trust each other. However, if there is enough interest and enthusiasm you can always start a new group. For more information on your role as a group facilitator, and for forming new groups, consult the FAO* 'Group Promoter's Resource Book'*(see Reference).*

Factors enabling or constraining saving

The success of any group saving activity will depend on a number of conditions that may either promote or discourage these approaches. Therefore it is important to know what they are and design a saving activity adapted to the local environment. Careful assessment of the local conditions as well as the skills and resources of group members (existing or potential) should be made. Some of these factors include:

- ***Use of cash:*** The more cash that is in circulation in the community, the more likely saving in cash will be useful. Although this manual focuses on saving in cash, saving in kind (livestock, grain, jewellery) can also be important. Many find, for example, saving in livestock (cattle, goats, sheep, poultry) a better store of value since the livestock produce offspring and/or by-products (meat, hides, wool, eggs) which add value and can be converted back into cash when needed.

The main problems with in-kind savings are that they are not as portable as cash; they are more visible and more difficult to hide from needy friends and relatives; and they may be more subject to diseases as well as to theft. This type of saving requires good knowledge of taking care of livestock and/or storing grains, etc. How useful would saving in cash be for the group members?

☞ *See Chapter 3 for different group saving methods.*

Cereal Banks in Zambia*

In the Western Province of Zambia, the prices of major food crops or grain change throughout the year with varying availability. Prices are low right after harvest and high towards the end of the year. The Cereal Bank takes advantage of these price changes to sell food crops during the high price season. A Cereal Bank is a group of people who sell grain or food crops in order to make a profit. The group members each contribute some of their harvest, or collectively purchase the grain, store it, and sell it later when the price is good. Profits are shared according to the contribution made by each member.

- ***Access to banking services:*** Banks are usually safe places to store money but few are located in rural areas, they often have expensive service fees and very few are interested in providing services to small savers. This may make saving in a group the next best option for safekeeping one's money.

As the group and its savings fund grow, it may need to purchase a cash box or a safe to safely store its cash. The group or

*People's Participation Service. 2001. *The Cereal Bank Training Guide.* Mongu, Zambia.

individual members may eventually also consider linking-up with a nearby credit union or a bank.

☞ *See section on linking-up with banks in Chapter 3.*

- ***Inflation:*** Rapidly rising prices decrease the value of the money you save. In other words, as prices continue to rise you find that your cash savings can buy less and less goods. Inflation may discourage people from saving in cash. If prices are rising, saving in kind may be a better option.

- ***Social and economic differences:*** Friends and neighbours, people of the same ethnic background, gender, age group, religious or social group, or those with similar incomes and expenses may be more inclined to form a savings group than those who have little in common. That's because they trust each other or have similar potential to save. Forming a savings group with persons of very different backgrounds may be much more difficult and is not encouraged.

☞ *See Chapter 4 for tools on getting to know the village.*

- ***Traditional saving practices and social values:*** In some societies, failure to share one's own resources with friends and family can result in being called selfish or even a witch, and these attitudes may discourage saving. What are the different ways people save in the village and which ways are preferred and why? What are the traditional values associated with saving? Do they encourage or discourage saving? If you are able to accumulate money or resources, are you considered as being selfish, and as taking money from someone else? Do people become jealous? Would saving in a group help one avoid these accusations?

- ***Gender:*** In most cultures, forming mixed savings groups with male and female members is accepted. However, in some mixed groups, men can dominate decision-making and leadership positions, leaving women members few opportunities to develop and acquire leadership skills or benefit from common resources. Women savings groups can create a legitimate opportunity for women to meet and work together, and gain leadership skills. Separate groups of men and women can be practical as long as both sides are aware of each other's opinions and activities and do not enter into conflict with each other. Raising awareness about gender issues with men is as equally important as empowering women.

- ***Investment opportunities:*** Raising funds to start a small enterprise, to purchase land, livestock or farming equipment, or simply to meet family food needs, are important saving objectives for many. Using one's own savings for productive investments, as opposed to getting a loan from someone else, may take more time, but it is a safer way for the poor to

escape the poverty trap. To succeed, their investments must be well-planned and profitable.

☞ *See Chapter 6 for tips on business planning.*

- ***Existing groups:*** It is easier to organize group saving activities with an active self-help group rather than to start a new one. Promoting saving within a small group is also easier because members know and trust each other and learn more quickly. Record keeping is also less of a problem in smaller groups.
- ***Living nearby:*** People who live near each other are more likely to have similar problems and needs. They also tend to know more about each other and who is trustworthy and who is not. Also, the closer people live to each other, the easier it will be for them to meet on a regular basis.
- ***Education:*** Groups with higher literacy rates are better able to keep track of their savings, maintain good records of meetings, etc. Although some group saving methods require little record keeping, the group should continuously encourage members to improve their literacy and numeracy skills and their knowledge of the world around them.

☞ *See Chapter 5 for some tips on money management.*

- ***Health***: Diseases, such as HIV/AIDS, TB, malaria, and disabilities reduce a household's capacity to save. These will affect a group's saving capacity, when some members are no longer able to contribute their savings or when loans are not paid back. Groups should take careful measures to safeguard the savings of all members by helping members in those situations better manage their resources. For example, the group can start a savings fund that will help finance the healthcare or funeral costs associated with the illness. Funeral societies (savings groups providing funeral services to their members) are commonly found throughout the world.

Popular insurance: funeral funds (iddir) in Ethiopia*

Groups of people come together on the basis of location, occupation, friendship or family ties. Each *iddir* sets its own rules and regulations but usually pays out for funeral expenses or financial assistance to families of the deceased, and sometimes to cover other costs, such as medical expenses and losses due to fire or theft. Originally burial societies, *iddir* have extended to provide a wide range of insurance services in urban Ethiopia.

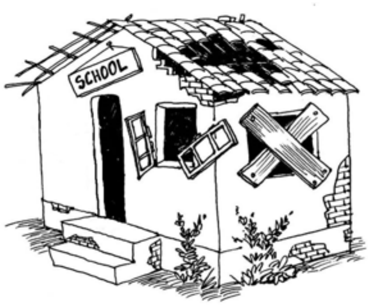
- ***Institutions and policies:*** As long as saving groups operate informally and on a small scale, they can set their own rules and regulations. But as the group's savings grow, it may want to open a bank account and this may require that the group be legally registered. Legal status may bring more opportunities, but may also come with more rules and regulations, hence less flexibility. Find out what process is involved to be registered, and what benefits or constraints are linked with this legal status.

Keys to success

What then, are the basic factors that can contribute to group saving success? There are some key elements which the group should have and these include:

*Johnson, S. & Rogaly, B. 1997. *Microfinance and Poverty Reduction.* London, Oxfam.

- ***A common bond***: The more similar each member's interests, goals, backgrounds and incomes are, the less likely members are to get into conflicts and arguments and the more likely they are to make quicker decisions that satisfy most members' concerns.



"Our Well-Being Depends on Others"*

Founding members of this rotating *susu* club, or savings club, in Ghana had a common interest. These small businesswomen each suffered from frequent shortages of cash in running their businesses. By forming a *susu* club, each member received a lump sum of money in turn that enabled them to overcome these shortages. In addition, the club started to provide social services to its members, such as donations for funerals, marriage celebrations, and health care.

- ***A clear saving objective:*** Savings should be mobilized for productive uses (that will directly or indirectly increase members incomes and their ability to save). The group can choose a common goal, such as saving to buy fertilizer for all members, or each member of the group can choose his/her own savings objective, depending on his/her priority and capacity.

*Bortei-Doku, E. & Aryeetey, E. 1995. Mobilizing Cash for Business: Women in Rotating *Susu* Clubs in Ghana. *In* S. Ardener & S. Burman, eds. *Money-Go-Rounds,* pp. 77-94. Oxford, UK, Berg.

Miembeni Group: a savings club for wholesale purchase*

Members of this farmers' group in Tanzania cultivate their own plot of land but buy collectively their agricultural inputs. Every member contributes a standard amount per year into a group account and the group uses that money to buy their fertilizer at the wholesale price.

- ***Small groups:*** Successful saving groups tend to be small rather than large. The average size of successful self-help groups is between 8-15 members, but this number can vary. In smaller groups, there is more face-to-face contact, making trust-building among members easier, and decision-making and collective learning more efficient. Small size also means small mistakes. So start small and let the group grow as it gains more experience and when it is ready to do so.

- ***Discipline:*** Saving requires discipline since it means withholding something for future use instead of consuming it right away. All group members must have discipline and agree on a common set of rules to follow. If the rules are not enforced, then all members suffer. Groups solve this problem by using peer pressure or punishing those members who do not follow the agreed rules. This may include a fine for late payment or for missing a meeting, and even expulsion from the group.

Hospes, O. 1997. Is there a case for group-based savings in Kilimanjaro region?* FAO/Wageningen University. (Occasional Paper no. 11)

Kiambu savings group in Kenya*

"It is good to have the group to answer to if you do not set that money aside each week. Otherwise, if you were on your own, when business is bad you might decide not to save that week. (Our) group teaches us the profit of learning how to save money regularly." –Mama Alice, member.

- ***Team spirit:*** Sometimes having a common interest and being disciplined are not enough. "Team spirit" is also needed. Good group leaders can develop this spirit, but it can also be strengthened by other means: by giving a special name to the group which all members can identify with or coming up with a group song. The group can also develop a simple list of principles all members agree are important and worth preserving.

- ***Trust:*** Group saving not only requires that all members adhere to and respect a set of rules but that they trust each other. If they don't, benefits will quickly disappear. Trust is built by showing commitment and discipline. If a member fails to honour his/her commitment, then it should not be left unpunished. Rules that aren't enforced are seldom obeyed.

*Nelson, N. 1995. The Kiambu Group: A Successful Women's ROSCA in Mathare Valley, Nairobi. *In* S. Ardener & S. Burman, eds. *Money-Go-Rounds,* pp. 49-69. Oxford, UK, Berg.

Features of a successful group

- Members have a common bond.
- Members have clear objectives.
- Members have agreed upon rules to follow.
- Members are honest and work hard to achieve their objectives.
- Members hold regular meetings and participate in discussions and decision-making.
- Members demonstrate leadership.
- Members keep accurate records of their activities and meetings.

Tips for group facilitators

As a group facilitator, your task is to help poor people mobilize more resources for productive use by promoting savings groups or helping existing groups set up saving activities. The ultimate goal is to help people better manage their own resources themselves to improve their lives.

Your assistance to groups may include:

- Visiting and talking to individual members and other people from the community;
- Attending group meetings;
- Visiting groups when they carry out their activities;
- Organizing workshops, training sessions and evaluations for group members;
- Following-up on items discussed in the meetings, workshops, training sessions and evaluations.

Hints for facilitation*

- **Encourage participation**. Meet in open areas, where all can observe and comment on charts or maps. Keep the circle open to encourage participation.
- **Minimise your role.** Allow the participants the space to take the lead in activities. You should resist the temptation to move to a higher position (standing over participants, moving into the circle to get more attention or speaking louder, etc.). The more you keep a low profile, the more the participants are likely to take the lead.
- **Keep language simple.** Use simple terms like savings, credit, insurance or emergency funds, instead of “financial services”. Use words that the community people use in their daily lives.
- **Think about your facial expressions.** An encouraging smiling face can be an asset, just as frowning can create insecurity among participants.
- **Take care of your appearance.** Do not wear sunglasses or clothes that set you apart, distract or intimidate others.

*MacIsaac, N. 2000. Participatory Institutional Assessment and Visioning Exercise. In IDS *Participatory Approaches in Micro-finance and Micro-enterprise Development*. Brighton, UK.

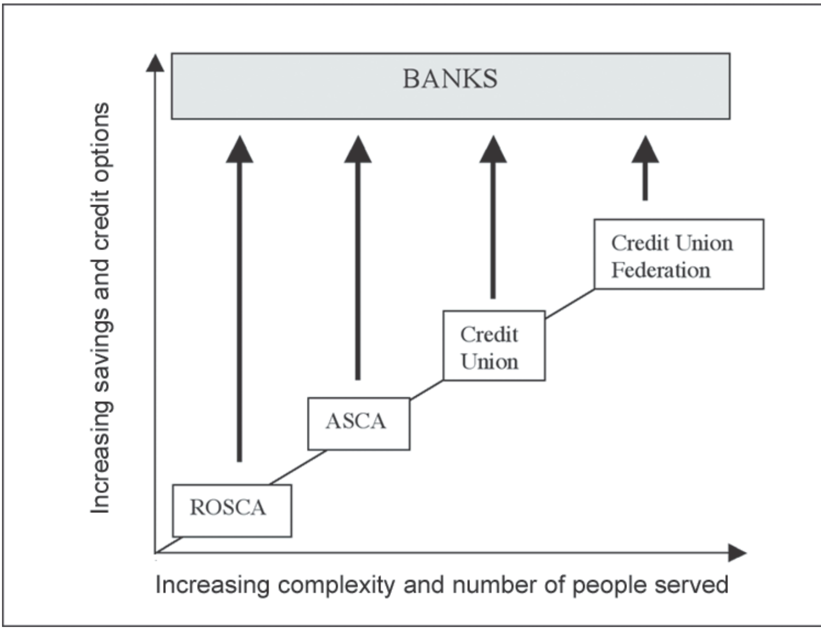
- **Spend time in the village.** This eliminates delays due to travel, but is also an opportunity to create a relationship with the community and learn about the place. This also ensures that you are ready for the participants, and not the other way around.
- **Observe.** You will easily learn who are the leaders in the group and in the community. Listen to reactions.
- **Be a student.** You are here to guide the process, but you are not the expert on the participants' situation. They are. Listen and learn. Ask questions respectfully and resist the temptation to impose your own ideas.

CHAPTER 3: SAVING AS A GROUP

There are many ways to save in a group, but they tend to be variations of three basic forms. The simplest and most common form of savings group is called the Rotating Savings and Credit Association (ROSCA). A more flexible variation of this is called the Accumulating Savings and Credit Association (ASCA) and a more complex form, is the Credit Union or Savings and Credit Cooperative. This chapter describes each of these three main methods, what they are used for, what their advantages and disadvantages are, and how they operate. It concludes with a section on linking-up with banks.

The best advice in starting a group savings activity is to start on a small scale and keep it simple. If group members make mistakes, they will be little ones. As the group gains experience in money management, members may want to try out new, more flexible ways to meet their growing financial needs. The ROSCA method is the simplest form; it does not require much record keeping. It also usually serves a smaller group (8 to 15 members), although larger ROSCAs do exist. It is less flexible than an ASCA since individual members cannot withdraw their savings or take loans whenever they like. ASCAs offer more flexible savings and credit options to its members, but require more record keeping than ROSCAs. Credit Unions offer the widest range of services to their members and therefore require an even more complex record system. All these informal and semi-formal group saving methods have the potential of linking up with either other groups or to the formal financial system, such as banks, in order to have access to more flexible services.

At the start, keep things simple!



NOTE: *Names of savings methods may be changed to make it easier for members to understand.*

Rotating Savings and Credit Association (ROSCA)

The ROSCA is the most widely used methods of informal group savings around. Various types of ROSCAs exist in almost every developing country and go by different names: *njangi* (Cameroon), *susu* (Ghana), *arisan* (Indonesia), *ekub* (Ethiopia), *upatu* (Tanzania), *tontines* (West Africa), etc.

A ROSCA is commonly described simply as an informal association of participants who make regular contributions to a common fund which is given in whole or in part to each contributor in turn.

How a ROSCA works

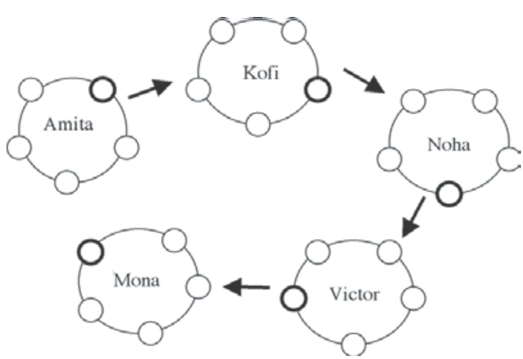
Members of a ROSCA may meet every day, week or month and contribute a pre-determined sum at every meeting. At each meeting (or *round*), the money is collected and given to one member. Once a member has received the collected money (or *lump sum*), s/he must continue to contribute but will not receive the lump sum until all the members have had a chance to receive it once. When the last member has received the lump sum, the group may decide to start a new *cycle*. This way, ROSCAs serve both loan and savings needs.

The illustration below shows how a 5-person ROSCA would function. At each meeting, all members contribute an equal amount to make a "lump-sum" that is distributed at the end of the meeting. At the first meeting, Amita gets the lump sum. At the next meeting, Kofi receives it, and so on, until all members have received the lump sum once. This completes one cycle.

One cycle of a 5 member ROSCA

START

END



'Rickshaw ROSCAs' in Bangladesh*

Men driven from their villages by poverty came to Dhaka (the capital city) where the only work they could get was to hire a rickshaw (a bicycle-taxi), for 25 taka a day, in the hope to earn a net daily profit of about 80 taka (or US$2). These men, illiterate and new to the city, got together and devised a group saving system which has worked for many thousands of them.

Their saving method was to contribute 25 taka a day to a group fund which was kept by a trusted outsider (the shopkeeper where they took their tea everyday). Every ten days or so there was enough money in the pot to buy one new rickshaw, and that rickshaw was distributed by lottery to one of the members. The process continued until everyone had his own rickshaw. They learned how to arrange the number of members, each member's daily contribution, and when to distribute the collection to best suit their cash flow and the price of a rickshaw.

What it's used for

- Meeting individual needs of members
- Access to lump sum cash for working capital
- Small investments

Advantages

- Simple rules and procedure
- No record keeping skills needed
- No external mediator (money lender) involved
- No storage facility needed as money is redistributed at the same time it is collected

*Rutherford, S. 2000. *The Poor and Their Money.* Oxford, UK, Oxford University Press.

Disadvantages

- Not much flexibility to meet immediate cash needs, since members receive the money in turns
- Risk of default by a member who receives the lump-sum early in the cycle
- Periodic and equal contributions require a regular income
- Members who receive their lump-sum towards the end of the cycle may benefit less than those who receive it earlier

Steps

1. Decide on *what amount members can afford* to contribute on a regular basis.

2. *How often will the group meet?* Usually it is daily or weekly. If the meetings are infrequent, it will take too long for the last persons to receive their collection. This would discourage members.

3. *How will the collected funds be distributed?* It can be done either by taking turns in a set order, by chance draws, or by bidding for it.

☞ *See section below on Lump sum distribution methods.*

4. Decide on *who will organize the meetings* and where they will take place (member's house, local community centre).

5. *Who will keep the records?* ROSCAs don't normally require much record keeping since the money is redistributed as soon as it is collected, but some distribution methods may need record keeping.

☞ *See section below on Record keeping.*

Lump sum distribution methods

The group can choose any distribution method it likes. Here are some suggestions:

1. Each member takes the lump sum in strict turn (by age, alphabetical order of name, etc.), which the group decides. One way is to give the money to the person who hosts the meeting. The next meeting, can be at another member's house, etc.;
2. In order to compensate those members who received the lump sum at the end of the cycle, the group may decide to change the order of distribution, so that the last person in the first cycle will be the first to receive the lump sum in the second cycle, and that the first in the first round will be the last in this cycle. In the third cycle, members may decide to change the order again and so on;
3. The group picks a person randomly like in a lottery draw. The person who wins cannot participate in the next draw, but must continue to contribute until everyone has 'won' once;
4. Members decide to give it to the person they think needs the money most at the time of the meeting; or
5. The lump sum is sold to the member who is willing to pay the most for it. This is called an *auction*. The money gained from the auction is collected and redistributed equally to all the members at the end of the cycle.

☞ *See how an Auction ROSCA works below.*

Innovation of the 'Rickshaw ROSCAs' in Bangladesh*

The rickshaw group described earlier added a rule to their ROSCA, that once a member has 'won' his rickshaw in a draw, he must from then on contribute *double* each day. There is a 'natural justice' in this, since now that he has his own rickshaw, he does not have to pay to hire one, and is therefore no worse off by paying double contributions until everyone has their own rickshaw. It is seen as a fair way of compensating late winners for their long wait. This device also shortens the length of the ROSCA cycle. This is because by the time half the members have won their rickshaws, enough extra money is coming in each day to reduce by a third the amount of time needed between rounds. And it gives winners an incentive to pay up and finish the cycle quickly, so as to hasten the day when they can enjoy the full income from each day's work.

Record keeping

ROSCAs require very little, if any, record keeping. But it is always safe and useful to keep a record of the amounts collected, attendance at each meeting, and who received the lump sum on which date. In case there is a conflict between members regarding the procedure, or if the group decides to continue its activities, and begin another cycle, such records help everyone remember what was decided and agreed on at each meeting.

*Ibid.

Here's an example of a ROSCA record book (For simplification, this group has only 3 members and meets once per week):

Date	Member	Paid	Received
June 1	Amita	10	0
	Kofi	10	30
	Noha	10	0
	Total	**30**	
June 8	Amita	10	30
	Kofi	10	0
	Noha	10	0
	Total	**30**	
June 15	Amita	10	0
	Kofi	10	0
	Noha	10	30
	Total	**30**	

NOTE: *Currency symbols were left out. Adapt the example using local currency.*

Auction ROSCA

In a typical ROSCA, the amount of the lump sum remains the same each round and no additional income is earned. Some members may not want to receive the lump sum last (as they have to wait a longer time). To compensate for this and also to help the group fund grow more quickly, some ROSCAs require that members who want to use the fund before others, pay extra for this privilege. This is usually done by auctioning. Let's see how that works in practice:

Here's an example of a savings group with 3 members using the auction method: They meet once a week and their weekly contribution is 10 each. The pooled amount totals 30 and whoever wants to take the lump sum must offer a bid (a price). The one who offers the most, will take the lump sum minus the amount offered. In the following example, the lump sum was taken by Kofi, who offered the most (5) for it. This means that he is willing to take a lump-sum amount of 25 (30 -5 = 25). The price 5 is kept as an income earned for the group, and is only shared at the end of the cycle, when all members have received the lump sum once. At the end of the second meeting, Amita pays 4 to get the lump sum. She takes 26 (30 -4 = 26) as her lump sum. Since Noha is last, at the last meeting she receives the full 30. At the end of the cycle, members equally share the money collected from the lump sum sale. Since the group has accumulated a total of 9 from the lump sum sales, each member receives 3 at the end of the cycle. The group can then start a new cycle.

Date	Member	Paid	Lump sum price / Accumulating group interest	Received
June 1	Amita	10	0	0
	Kofi	10	5	25
	Noha	10	0	0
	Total	30	5	
June 8	Amita	10	4	26
	Kofi	10	0	0
	Noha	10	0	0
	Total	30	9	
June 15	Amita	10	0	0
	Kofi	10	0	0
	Noha	10	0	30
	Total	30	9	

Key Questions

- How much will each member contribute?
- How often will the group meet?
- Who will receive the lump sum first?
- Who will receive the lump sum next?
- Where will the meeting take place?

Accumulative Savings and Credit Association (ASCA)

The ASCA method is a more flexible form of savings group, but it's also a bit more complicated. In an ASCA, the contributions collected at each meeting are accumulated, rather than redistributed at the end of each meeting like in a ROSCA. With this accumulating fund, the group can do many things. It can lend to its members free of interest or with interest. Interest earned on loans can become income earned for savers, adding incentive for members to keep their savings with the group. This method can serve both savings and credit needs in a flexible way.

How an ASCA works

In an ASCA, members contribute a fixed sum at regular intervals (weekly or monthly) for a period of one year or more. After the group has saved enough money, say after 2 months, it can start giving out loans to members. The loans can be paid back in instalments, or in whole, free-of-charge, or with an additional interest charge.

Charging interest on loans generates additional income which can be used to help the group savings fund grow, to cover any costs in running the group, and/or to pay members an income on their savings.

The group can also decide to accept regular or irregular contributions of equal or unequal amounts from members, to keep the fund with the group or in a bank account, to lend the money to more than one member and charge interest on it, and a combination of these.

The group will have to decide on which way it will run its ASCA to satisfy the needs and capacities of its members.

What it's used for

- Expected expenses (marriage, education, health care)
- Unexpected emergencies (death, accident, fire)
- Investments (buying a cow, starting a small enterprise)

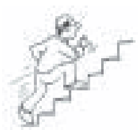
Advantages

- Interest earned on savings can be used to fulfil individual and/or group interests
- Larger amount of savings can be accumulated overtime
- More flexible individual savings and loans options than ROSCAs

Disadvantages

- Management and record keeping skills needed
- Risk of default by a borrower
- Safekeeping of funds required (in a cash box or a bank account)

Steps



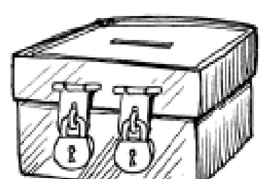
1. *Decide on how often the group will meet*.

2. *How much can each member contribute at every meeting?* Will every member contribute the same amount or different amounts?

3. *Agree on a set of rules and regulations* to ensure discipline and trust. For example, fines for missing a meeting or late payment of contribution or loan, and expulsion from the group for more serious misbehaviour.

4. *Decide on who will be the leaders and for how long*. Leaders can consist of a chairperson to facilitate the meetings, a secretary to keep minutes of the meetings and records on the transactions, and a treasurer to keep the money. It is highly advisable to divide these duties to increase transparency and avoid mismanagement of the funds.

5. *Find a safe place to keep the money*, either in a bank or in a cash box. One way to safeguard the savings is for one trusted member to keep the box, while another trusted member keeps the key. Another way is to put two locks on the cash box and have each key kept by a different member. This provides some protection against temptation overcoming one person.



6. ***Decide on how long the group will save before starting to give out loans.*** Never lend out all the accumulated savings to one person only. Remember, the money belongs to all members of the group. Minimize the risk of loss, and always keep some money in reserve.

> ☞ *See below for some rules-of-thumb on lending.*

7. ***Decide on the conditions members must meet to receive loans*** and the terms of repayment. The size of the loan should be limited to a proportion of the total amount saved by the borrower. Each borrower should present one or two members with savings to stand as guarantors in case the borrower cannot pay back. If loans are not repaid on time, a fine should be charged.

8. ***Close accounts periodically,*** say at the end of each year, and return the savings to the members. This step helps ensure transparency and members trust that their money has been properly handled.

Some rules-of-thumb on lending*

Rule 1: **Offer a loan that the borrower is able to repay**

Set loan terms that match the cash patterns of borrowers. Loan repayments can be made on an *instalment* basis (weekly, biweekly, monthly) or in a *lump sum* at the end of the loan period. For example, for seasonal activities, it may be more appropriate to design the loan such that a lump sum payment is made once the activity is completed (for example, after harvesting). However, care needs to be taken with lump sum payments, particularly if there is risk that the harvest (or other seasonal activity) may fail. One way to protect against this type of risk is to combine instalment with lump sum payments, by collecting a minimum amount of the loan through instalments, with the remainder paid at the end of the harvest.

Rule 2: **Motivate borrowers to repay loans**

Create incentives. Groups should have a maximum loan size for first-time borrowers (you can test-start with a loan equal to the size of the borrower's savings), which can increase with each subsequent loan. This creates an incentive (the promise of a future larger loan) to repay the loans. You can also have the borrower pledge a valuable object or property as a guarantee (*collateral*) in case s/he cannot repay the loan.

Rule 3: **Charge loan fees and interest**

Set an interest rate that covers risks. Lending can be risky and may involve costs. Sometimes loans may be repaid late (*delinquency*) or simply left unpaid (*default*), the accumulating fund is subject to inflation, and the management of loans and savings may involve administrative costs (paying a secretary and/or treasurer, bank transaction fees, transportation costs, etc.). If the interest rate is set right, it can cover these costs and provide in addition an income on members' savings. Interest rates are expressed as a percentage of the loan over

**Adapted from* Ledgerwood, J. 1999. *Microfinance Handbook.* Washington, DC, The World Bank.

a period of time (usually annually). Find out what interest rates have been set by the nearest commercial bank or other organizations providing loans in order to get an idea.

Three main ways to cover these risks can be used:

1. ***Charge an initial loan service fee*****:** The simplest way is to charge a service fee at the time of disbursing the loan. The fee is usually a percentage of the initial loan amount and is collected up front.
2. ***Set a flat interest rate*****:** The interest rate is set as a percentage of the loan amount at the time of disbursement and stays the same from the time the money is lent until it is fully paid back. This is easier to calculate as the interest payment amount remains the same throughout the repayment plan.
3. ***Set a declining interest rate*****:** The interest rate is set as a percentage of the loan amount at the time of disbursement, but the rate decreases in proportion to the amount the borrower has left to pay. This method is used most often, as it is also an incentive for borrowers to pay back quickly. However, this requires more advanced record keeping skills.

Minimize your risks!
Always remember, loans are the savings of all members!

Savings Clubs in Zimbabwe*

Savings Clubs (SCs) were introduced in Zimbabwe in 1964, and the SC movement is today the biggest non-governmental organization in the country. The organization of a SC is simple: the members (usually 10-25; 94% women) meet once per week. All SCs are autonomous in their own affairs; they elect committees, comprising at least a chairperson, vice-chairperson, treasurer and secretary. Each member agrees to save any amount on a regular basis with the SC. In return for each cash deposit, the member receives coloured savings stamps, of the equivalent value, with each stamp colour representing a different value. The SC deposits the group savings in a financial institution of its choice. When a member withdraws some money from her savings, she returns savings stamps worth the same amount to the treasurer at that time. The coloured savings stamps help even illiterate women to know the exact amount of their savings and participate actively.

Members are free to use their savings as they like; in most cases, savings are used for school fees, fertilizer, seeds, income-generating activities, and food. The savings made during the better season of the year help to overcome food shortages in difficult times, preventing households to sell off valuable assets or become indebted.

*M. Marx, FAO Rural Finance Officer, personal contribution, 2002.

Record keeping

An ASCA requires very careful record keeping. Here's an example of record keeping for a group (for simplicity, this group has only 3 members) that meets once a week and each member contributes 10 weekly. The group has a *savings book* indicating the date of the meeting, names of the members (1st column), individual member's deposit for that meeting (2nd column) and each member's total savings (3rd column).

The *Starting Balance* shows the group's total savings at the start of the meeting. The *Ending Balance* shows the group's total savings at the end of the meeting, after deposits have been collected.

Example of records for two meetings on a savings book

DATE: 1 March (1st meeting)		
	STARTING BALANCE	**0**
Member	**Deposit**	**Member Savings**
Amita	10	10
Kofi	10	10
Noha	10	10
	ENDING BALANCE	**30**

DATE: 8 March (2nd meeting)		
	STARTING BALANCE	**30**
Member	**Deposit**	**Member Savings**
Amita	10	20
Kofi	10	20
Noha	10	20
	ENDING BALANCE	**60**

At the 10th meeting, the group has accumulated 300. Kofi asks the group for a loan of 120 to start a small fish trading business, which he is given. But he must still continue to meet his weekly contribution and pay back the loan with the interest set by the group. A separate record book should be kept for loans. In this example, the *loan book* has separate records for each borrower, indicating the amount borrowed and the terms of payment on a *loan contract* and a record tracking the repayment on a *payment plan*.

Here's an example of a simple loan contract and payment plan:

Example of a Loan contract

Group:	Together
Borrower:	Kofi
Address:	Village Kiyi, Lot no. 5
Purpose of loan:	School fees
Date Issued:	10 May
Loan amount:	120
Flat interest rate:	4% per month
Monthly interest amount:	4.8
Additional fees:	None
Period of loan:	4 months
Number of payments:	4
Total interest:	19.2
Late payment fee:	2
Total due:	139.2
Due date:	10 September
Signature of borrower: *Kofi*	**Signature of treasurer:** *Amita*

Example of a payment plan and tracking record

Date	Loan payment	Interest charge	Payment to be made	Payment made	Late fee	Remaining loan amount
10 May	Loan issued	-	-			139.2
7 June	30	4.8	34.8			
5 July	30	4.8	34.8			
2 August	30	4.8	34.8			
30 August	30	4.8	34.8			

At the end of each meeting, the group should count how much cash they have in-hand and make sure that the amount matches the records. Everyone should participate, not just the treasurer, so that transparency is ensured.

Starting balance[1] + Savings deposited[2] + Cash in[3] – Cash out[4] = Ending balance[5]

[1] Ending balance from the previous meeting
[2] Savings deposited by members on that meeting
[3] Loan repaid + interest + any late fees
[4] Loan given out
[5] Real cash amount left in the group's savings

Example of a savings and loans balance record

Date	1 March	8 March	10 May	17 May	7 June	5 July
Starting Balance	0	30	300	210	300	454.8
Savings deposits (+)	30	30	30	30	30	30
Cash in (+)	-	-	-	-	34.8	34.8
Cash out/Loans (-)	-	-	120	-	-	-
Ending Balance	30	60	210	240	364.8	519.6

----- records not shown for meetings held between these dates.

Key Questions

- How much will each member contribute?
- How often will the group meet?
- Will members contribute the same amount or different
- What will happen to a member if s/he does not pay his/her contribution?
- Who will keep the money?
- Where will the money be kept?
- When can a member take a loan out?
- How much interest will be charged?

Credit Union (Savings and Credit Cooperative)

A credit union operates like an ASCA but serves a much larger membership (from a low of 100 to several thousands) and offers a wider range of savings and credit services to its members. Credit unions are usually chartered under a cooperative or credit union law of the respective country. Their status must be approved by the agency that regulates credit unions in order to be operational. Credit union funds are also normally kept in a bank for safekeeping.

Members are free to come to the credit union office anytime during office hours, and no regular attendance of meeting is required. They can operate individual accounts, make saving deposits and withdrawals, earn an interest (called 'a dividend') on their savings and pay interest on loans they take from the credit union.

How a credit union works

A credit union uses member savings deposits to fund loans to members and pays savers a dividend for the use of their money. This payment provides an incentive to save more. Members who take a loan from the funds pay interest for the use of the money. This interest is the credit union's main source of income.

The total income must be enough to cover the dividends paid to savers, the credit union's operating expenses, and still have something left for additional services to members.

- ***Member shares:*** To become a member of the credit union, each person is required to purchase at least one member share. A member share is like a certificate of ownership in the credit union and can be resold when leaving the credit union. The purchase value of the member share is set by the credit union and is the same for all members. The money raised in this way becomes the initial pool of savings the credit union uses to provide loans to members.

- ***Individual savings accounts:*** Most credit unions offer individual savings accounts. This allows each member to deposit any amount of savings into his/her account and withdraw it when s/he wishes. Members find this saving service much more attractive than purchasing more shares since it gives them a safe place to save their surplus cash and withdraw it when they need to.

- ***Certificates of deposit:*** Some credit unions offer a special savings contract where the member agrees to keep his/her savings in the credit union for a fixed period of time, say one year, without touching any of the savings until after that time. The credit union normally pays the member a higher dividend than on his/her member shares or individual savings account balance.

What it's used for

- Serving a larger membership
- Providing more individualized savings and credit services
- Serving clients normally not reached by local commercial banks

Advantages

- Larger membership means a bigger pool of funds for lending to members
- Savings are voluntary, not compulsory
- More individualized savings and credit options for members
- Interest earned on savings. Members may also receive an extra dividend at the end of the year if the credit union makes a surplus that year.
- Safe deposit facilities

Disadvantages

- Larger pool of funds requires more secure storage
- Individualized accounts and larger membership require more complex accounting system
- No close collective monitoring of transactions can create opportunities for favouritism

Steps

1. *Identify a group with some common bond*. Members of a credit union usually have the same employer or employment, belong to the same church, or live in the same village, etc.

2. *Form an organizing committee.* The committee's first job is to find out what is required to obtain legal approval and to prepare a business plan. The business plan should include an analysis of the environment in which the credit union will operate, short and long-term goals and planned activities to achieve them.

3. *The group members vote on a set of rules to adopt*. Application form and fee, bylaws, elected members' statement of worthiness to serve, deposit pledges, and business plan. The credit union cannot begin official operations until it is given legal status by the agency that regulates credit unions.

4. *Members elect a board and other required committees.* The Board of Directors is composed of a President, Secretary and Treasurer and several member representatives. The Board supervises the management of the credit union, approves member loan applications and may select and hire a full-time manager, if necessary.

5. *Each member must purchase a member share at a fixed price.* The money collected from these share purchases is then used to provide loans to members.

6. *Member loan requests are first reviewed by a credit union committee* composed of other members to ensure the loan will be paid back. The borrower is also required to pay interest to the credit union which is based on a percentage of the amount of the loan.

7. *When the loan is repaid, an additional interest charge is paid* by the borrower to the credit union. This interest is then used to cover any operating expenses of the credit union. If anything is left over a dividend is paid to members in proportion to the shares they have in the credit union.

Record keeping

Since credit unions serve a large number of members and provide more individualized services to them, their record systems are more complicated than for a small savings group. Every credit union must have a system for accurately recording all money transactions, including each member's deposits, withdrawals, loan advances and payments. It must also record other receipts and payments that the credit union makes in the course of doing business. The basic record books for all credit unions are similar and usually include:

- ***A cash book:*** This is the main transaction book of the credit union which keeps track of all cash transactions of all members as well as other credit union business transactions.

- ***A member passbook:*** This book serves a dual purpose: (1) as the member's personal identification card, since it contains basic information on each member (an identification number, the member's full name and address, etc.) and (2) as a personal receipt or voucher book. When members come to the credit union, they bring their passbook, the treasurer of the credit union then records the date and amount of the transaction made and signs the member passbook to verify that the money has been paid or received by the member.

- ***The member card:*** Once the member transaction is recorded in the cash book and member passbook, the Treasurer makes a similar entry on a card containing all savings and loans transactions related to that particular member. When a member applies for a loan, the loan committee reviews the information on the loan applicant's member card to determine his/her credit worthiness.

- ***The general ledger:*** This record contains information on all the more detailed accounts of the credit union and is used in preparing the Balance Sheet and Income Statement of the credit union.

Key Questions

- Do you have enough members with a common bond?
- How important is security of savings?
- How easily do you want to make deposits and withdrawals of your savings?
- How much dividend do you want to earn on your savings?
- How will you safely store the money?

NOTE: *For more information on starting a credit union, consult the* Credit Union Handbook, *visit an active credit union or a credit union federation in your country, or contact the World Council of Credit Unions*. You may like to consider joining an existing credit union before starting one.*

Linking-up with banks and other financial institutions

Many individual small savers like group saving approaches because they are a more secure way to save. As the group savings grow, the group or its individual members may find advantages in linking-up with other financial institutions or with a bank. For example, a savings group which has mobilized a large savings fund might find it beneficial to open a group account in a local bank to safely store its surplus funds, or to access loans.

Away from the pressure of demanding friends and relatives, they can better manage their resources, plan for their expenditures, and access a larger pool of saved funds to help finance various social and economic needs. By working together as a group, they can also learn and obtain information and advice from each other.

*The World Council of Credit Unions, P.O. Box 2982, 5810 Mineral Point Road, Madison, Wisconsin, 53701, USA. Website Http://www.woccu.org

Linking-up or not linking up?

Some of the benefits savings groups seek in linking-up with banks include:

- ***Safety:*** The first priority of most groups is having a secure place to store their savings. As amounts saved get larger, the security of member savings becomes even more important. Holding surplus funds in a bank guarantees greater security against theft.
- ***Convenience:*** The bank should be close by and the bank's office hours convenient.
- ***Easy deposits and withdrawals:*** Savings groups also want to be able to make frequent deposits and withdrawals, and to have access to loans which can supplement group funds during periods of high loan demands, for example at harvest time.
- ***Interest income:*** Banks normally pay savers interest on their savings to reward them for entrusting their money with the bank. While evidence shows that earning interest income is not the number one concern of savings groups—the safety of their savings being more important—the additional income helps their savings grow and provides an incentive to save more.

But linking-up with banks is not always that easy:

- ***No banks nearby:*** Most people living in rural areas do not have easy access to banking facilities. Linking-up can become costly (transportation fees, transaction fees, etc.) for the group. In many cases, it is simply impossible for certain economic groups to open a bank account, as they do not meet the minimum requirements.

- ***Bank regulations:*** Large deposits to open a savings account or a high minimum balance may be required to hold an account with a bank. They may also charge a monthly fee for maintaining the account, or may require advanced notice for withdrawal of savings. Groups may also be required to be legally registered in order to open a group account.
- ***Difficult access to bank loans:*** The bank may require that the borrower maintains a minimum balance of savings over a longer period of time as a prerequisite, and pledge additional collateral. The process of applying for a loan may be time consuming and complicated.
- ***Banks not interested:*** Since the administrative costs of maintaining small savings accounts is the same as for maintaining larger savings accounts, banks are not very interested in serving small savers.

NOTE: *Some banks reduce these costs by allowing small savers to open group accounts. This allows individual small savers to pool their savings in a single larger account and leaves much of the account handling costs up to the group rather than the bank. Since small savers are much more interested in the safekeeping of their funds and easy access to them, they are also often willing to pay more for that service.*

Linking-up with credit unions

Linking-up with a credit union may be easier than linking-up with a bank. The rules and regulations of credit unions are usually much more flexible and their staff more accustomed to working with small savers.

Credit union members generally share some common bond. For example, they work for the same organization, go to the same church, or live in the same village. Many of them work in the same company, but others are village-based and allow for more diverse memberships, including groups.

Some credit unions are also linked to larger national credit union federations which can provide additional technical assistance and financial support. Other micro-finance organizations or savings clubs may also operate in the area. If so, they should also be explored.

Some rules-of-thumb on linking-up

Rule 1: Discuss the idea first with all members of the group. Examine the advantages and disadvantages. Find out what the minimum requirements for opening a bank account are. Do members agree with these conditions?

Rule 2: Save up enough money to make the initial savings deposit.

Rule 3: Choose at least two trusted members (usually the group Chairperson and Treasurer) to visit the bank/credit union to inquire about opening a group banking account.

Rule 4: Ask the person in charge of handling new accounts to explain in details the terms and conditions for opening a group account.

Rule 5: Make sure the name of the group is made the title of the account rather than the name of an individual member of the group. You will need to provide one address to the bank when opening the account.

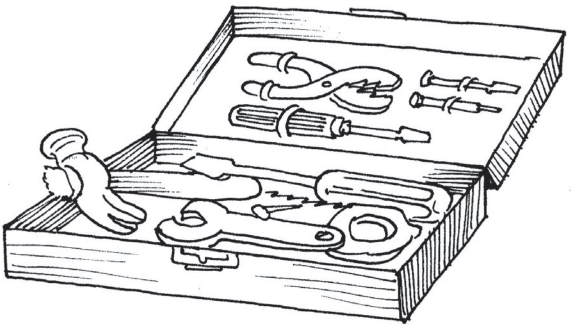
Rule 6: Ensure the joint signatures (for example, of the Treasurer and the Chairperson) are required on all deposits and withdrawals to the account. Two or three persons should be the co-signatories to the account in such a way that at least two or all three together can withdraw from the account.

Rule 7: Upon depositing the funds, demand a signed receipt indicating the title of the group account, the account number, the amount deposited and the balance, like *a savings passbook* from the bank.

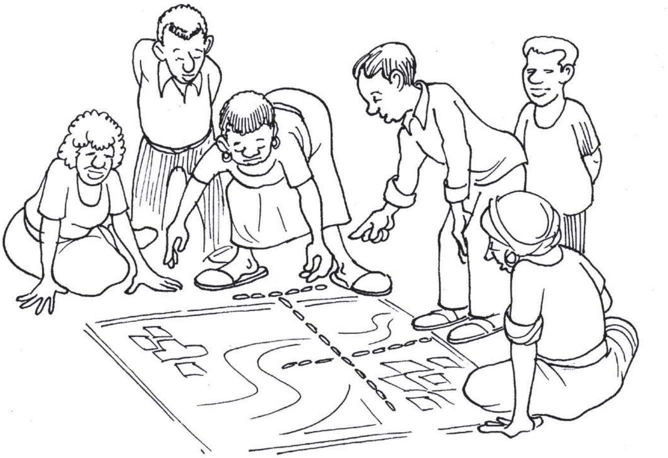
Key Questions

- Will the bank/credit union allow group accounts or just individual accounts?
- What does the bank charge to open and maintain such an account?
- Is there a minimum balance that needs to be kept?
- How easy is it to deposit and withdraw money from the account?
- What type of additional saving services does the bank offer? Interest-bearing savings accounts, fixed-term deposit accounts?
- What interest rates are paid on savings under each scheme?
- How long do you have to keep the money in the bank before you can make a withdrawal?
- What conditions must the group meet to receive a loan?
- What collateral would be required? What interest rate would the borrower have to pay on the loan?

Part B: Tools



CHAPTER 4: KNOWING THE VILLAGE*



The objective of this book is to help the poor strengthen their capacity to accumulate resources that can improve their lives, by building on their existing skills and resources. Therefore, when starting a saving activity, knowing the capacity and constraints of the people and the environment in which they live is crucial. This part of the book includes some exercises that the group facilitator can do together with the people in the village to learn more about them, their village, and their resources.

Successful saving groups require that members have a common interest to save together. For this, you will need to know who's who and who's doing what in the village. This will help you determine which groups of people are most likely to come together, but also to ensure that you do not overlook those at the lowest income level who are often left out of this type of activity.

**Tools adapted from* Callens, K. 2002. *Methodological Guide: Participatory Appraisal and Analysis of Nutrition and Household Food Security Situations and Interventions from a Livelihoods Perspective.* Rome, FAO. (Draft)

NOTE: *Much of the information you are looking for may already be available from the local district office, non-governmental organizations (NGOs) working in the area, and local leaders. The tools included in this section are only a few examples of what you can do with the people in the village, that can help you crosscheck information you may already have and fill the gaps, as necessary. Consult the references for a more exhaustive list of tools.*

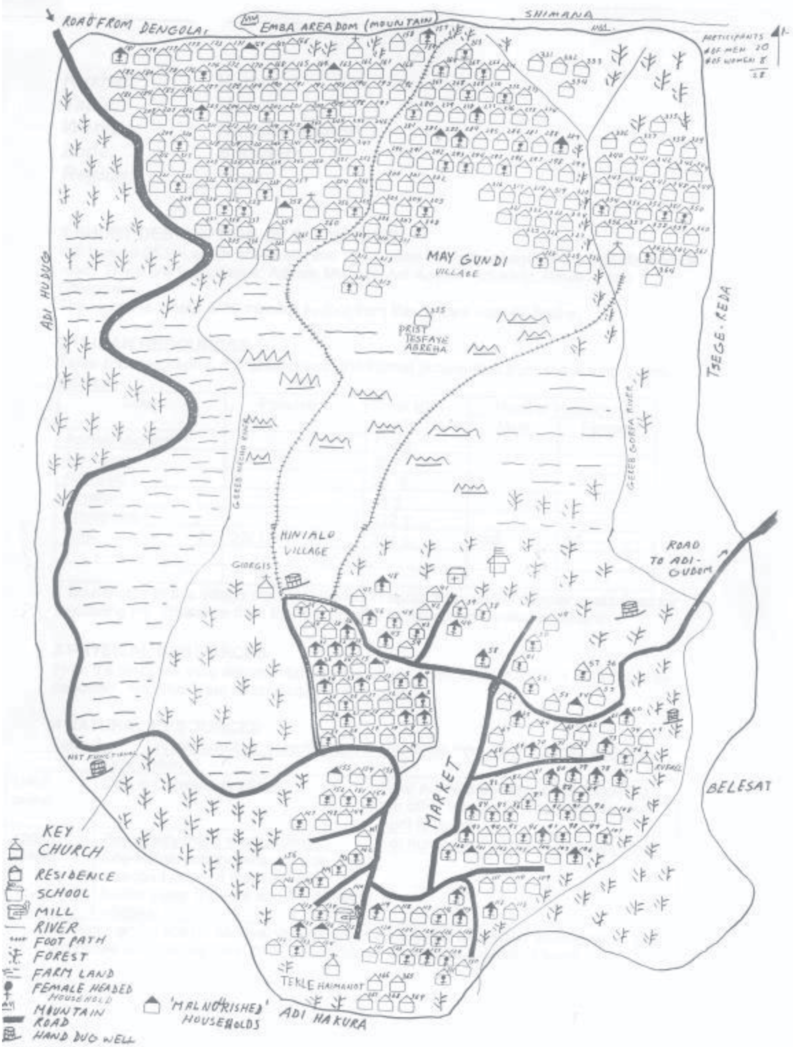
Village social map - Who is living where?

You can find out who lives where by drawing with the people in the village a *village social map.* This map shows the different social structures such as households, health centres, schools, churches, and other major institutions found in the area. The map indicates the social and economic characteristics of the households (e.g. better-off/poor, male/female-headed, etc.). Social mapping is best carried out at the beginning of the appraisal, and can provide you with the information you may need for other appraisals, such as *wealth ranking,* or *Venn diagram* (explained further below).

Objectives

- To visualize who is living where.
- To learn about the households by ethnicity, religion, wealth, etc. and understand the reasons behind certain characteristics (e.g. better-off, poor, poorest).
- To learn about the different social groups and/or organizations and how people view them.

Example of a village social map*



Social map of Hintalo Kushet, Hintalo Tabia (including nutrition mapping)

*FAO project: "Improving Household Food Security and Nutrition in Northern Shewa (Amhara region) and Southern zone (Tigray region), Ethiopia"

Who is this exercise for?

Depending on the local situation, you may want to do this exercise in separate groups of men and women to increase participation or with other groupings of people.

NOTE: *Classifying households in different categories can be a sensitive issue. Social stigma may result from being classified as* poor*. In such a case, you may wish to restrict the participants to key informants from the village. However, one should always be cautious not to rely only on a few informants. For example, it is often that key informants belong to the better-off groups. They may be reluctant to classify themselves as such fearing that they will be left out of possible assistance. Therefore, it is necessary to crosscheck the information with other sources and compare the results.*

Steps

1. *Ask the participants to draw a map of the village*, showing all households. For orientation it will be helpful first to draw roads and significant landmarks of the village.

2. *Discuss whether the total number of households has increased* or shrunk during recent years. If there were any changes ask why and whether this has caused any problem for certain families or for the village.

3. *Ask the participants to also show institutions and places* that offer some kind of social service or which are popular places to meet (e.g. schools, churches, health service, traditional healers, local administration office, village leaders, shops, places where people frequently meet to socialize, etc.).

4. *Ask to show on the map which different ethnic or religious groups* live in the area.

5. *Ask the group to indicate where female-headed households are*. Make sure that everybody has the same understanding of what the characteristics of a female-headed household are.

6. *When someone has given an answer, ask the others whether they agree*, disagree or want to add something. Encourage discussion throughout the exercise.

7. If time allows you should *integrate the wealth ranking* at this point which is described below.

Materials needed

Large sheet of paper, pencils and colour markers. If drawing on the ground, find a soft ground and use sticks, leaves, bottle caps, beans, or any other local materials for symbols. Make sure to copy the map on paper afterwards.

Wealth ranking - Who is who?

You can find out what the different wealth categories are in a village by doing a *wealth ranking.* This exercise can help you characterize the different wealth groups and start a discussion on what factors are important determinants of poverty as well as well-being. Wealth ranking is best carried out immediately following social mapping in order to be able to physically locate specific households and link socio-economic criteria to the wealth categories.

Objectives

- To investigate perceptions of wealth differences and inequalities in a village.
- To identify and understand local indicators and criteria of wealth and well-being.
- To map the relative position of households in a village.

Who is this exercise for?

Given that poverty and disease may go hand in hand with social stigma, the poor may resist being classified as poor. Therefore, this exercise is best done with a few key informants who know the village well. However, as mentioned earlier, one should not rely completely on information collected from a few informants. The key informants most likely belong to the better-off group and may be reluctant to classify themselves as such fearing that they may be left out of possible assistance. Therefore, it is important to also talk to other people in the village and crosscheck the results.

Steps

1. *A numbered list is made of all the households in the village* (see *village social map*) and the name of each household head and the household number is written on a separate card.

2. *The key informants are asked to sort the cards* in as many piles as there are wealth categories in the village, using their own criteria.

3. *After sorting the cards, ask the informants what criteria were used for each pile* and what the differences between the piles are.

4. *Assure the informants of confidentiality* and do not discuss the ranks of individual families, to avoid causing bad feelings within the village.

5. *List the local criteria and indicators derived from the ranking discussion*. What are local perceptions of wealth, well-being and inequality?

Materials needed

The *village social map*, pencils and coloured cards or papers.

Venn diagram - Who is doing what?

You can find out about the different roles played by institutions, organizations, groups and important individuals found in a village, and their influence on the village (or target group) by using a *Venn diagram*. This is a tool that is used to visualize the interactions among these different actors and allows villagers to put a value to each institution in relation to its importance for the village. The diagram may also show who participates in each institution in terms of gender, socio-economic class, ethnicity, religion, etc.

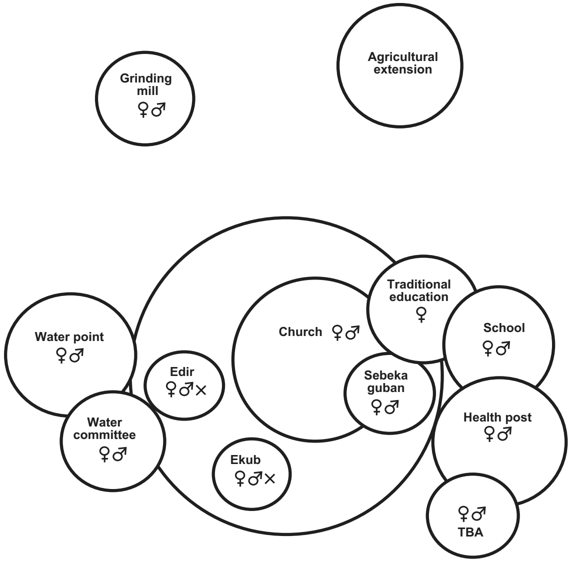
Objectives

- To identify and characterize external and internal organizations, groups, important persons that have a relationship, whether direct or indirect, with the village.
- To identify who participates in local organizations, institutions and groups, by gender, wealth and other criteria.
- To understand how the different organizations, groups and people relate to one another in terms of contact, cooperation, flow of information, provision of services, etc.

Who is this exercise for?

The Venn diagram should be developed with a cross-section of the village. If time allows it is a good idea to do the exercise with separate groups of men and women, poor and better-off, etc. in order to better catch their different point of views. If this is done, the results should always be shared among the different groups at the end of the exercises to stimulate discussion and clarify eventual discrepancies.

Example of a Venn diagram*



Steps

1. *Identify those organizations, institutions, groups and people*, both inside and outside the village, that are important to and/or working with the village. Make sure not to forget small informal groups (village health committee, water user group, etc.). What local groups are working on environmental issues (water, grazing, land), economic issues (savings, credit, agriculture, livestock), social issues (health, literacy, religion, traditional education, sport), and political issues (farmers' associations, women's group).

2. *Write down all the institutions that are mentioned* and assign each organization, group and individual with a unique symbol. Use symbols that everyone can easily understand.

*Ibid

3. *Draw a big circle, representing the people themselves,* in the centre of the paper or on the ground.
4. *Discuss how important each organization is for the people* and why. The most important ones are then drawn as a big circle and the less important ones as smaller circles. Compare the sizes of the circles and adjust them so that the size of a circle corresponds to the relative importance of the institution, organization, group or individual.
5. *Discuss how the village and different groups of people benefit from each organization.* Show the degree of contact and cooperation among the village, the organizations, institutions, groups and important individuals. Which organizations work together? The distance between the circles shows the level of contact and interaction:
   - » Large distance between circles shows no or little contact or cooperation.
   - » Circles that are close to each other show loose contacts.
   - » Touching circles indicate some cooperation.
   - » Overlapping circles indicate close cooperation.
6. *Identify those institutions that only accept women or men* as members and mark those with a common symbol for men or women.
7. *Identify those organizations in which poor people do not participate.* What are the services provided by certain organizations from which the poorer people are usually excluded? Mark these institutions on the diagram with a symbol for poor. You might also ask if there are other groups of people that are excluded from some of these services.
8. *Identify those institutions and groups that address savings and credit issues.* In what ways are they addressing these issues? Mark the mentioned institutions with a common symbol.
9. Only *if time and the motivation of the participants allow,* the group may *discuss the strengths and weaknesses* of those institutions that were reported as most important.

Materials needed

Large sheet of paper, pencils and colour markers. (It may be easier to cut coloured papers into circles and stick them on the large sheet to allow easy changes as discussions arise). If drawing on the ground, find a soft ground and use sticks, leaves, bottle caps, beans, or any other local materials for symbols. Make sure to copy the diagram on paper afterwards.

CHAPTER 5: MONEY MANAGEMENT*

Successful saving groups show a high level of group spirit, good communications and good record keeping skills. Decision-making in the group should be participatory and each member should feel ownership to the group and its activities. This requires that all members understand their role and rights as a member.

Particularly for saving activities, each member should be able to manage their own money and understand how their contribution to the group will be beneficial to them. That's why each group should emphasize member education. The more educated members become, the more they will be in control of their own development as a group and as individuals.

The following are exercises that can be done with the group to raise awareness about money management. An in-depth analysis of where money comes from and goes to can help people prioritize better their spending, plan for future expenditures, and by consequence save more efficiently.

Household economy map

A household economy map shows an overview of where money comes from and where it goes for one household. It describes the different economic activities undertaken by the different members of the households.

**Tools adapted from* Heney, J. 2000. *Talking About Money.* Zambia, FAO.

Objective

To get people talking about all the ways they generate income and satisfy their basic needs.

Steps

1. *Start by drawing a house* in the middle of the map.

2. *Ask the household members to list the different economic activities* they are responsible for and draw them around the house. Include both earning and spending activities.

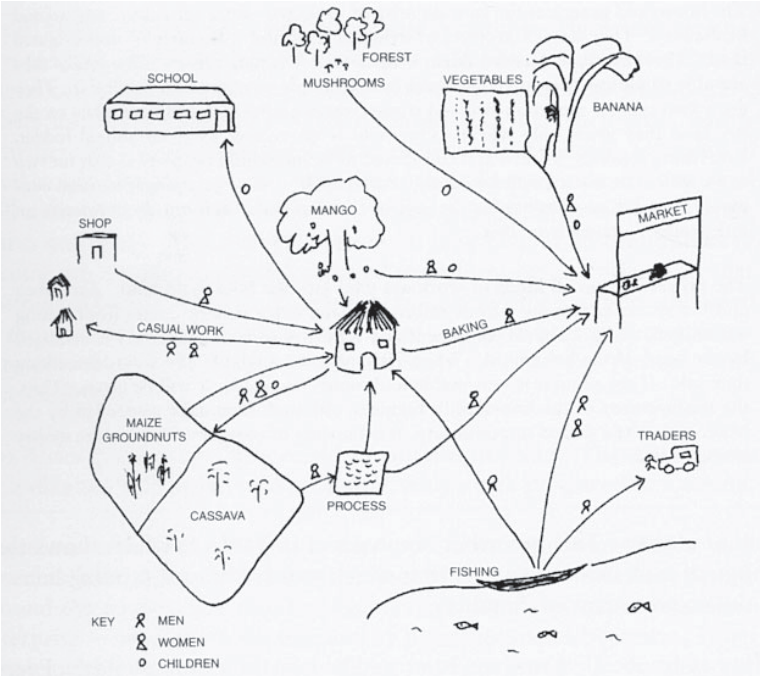
3. *Discuss the role and interdependence* of different household members.

4. *Discuss the existence of conflicting demands* which necessitates choices being made.

5. *Discuss the relative importance of different activities*. People may have different opinions about this. It may be useful and interesting to draw different maps for different household members and compare the results.

6. *Discuss what they like and dislike* about different activities and what they would like to change if they could.

Example of a household economy map



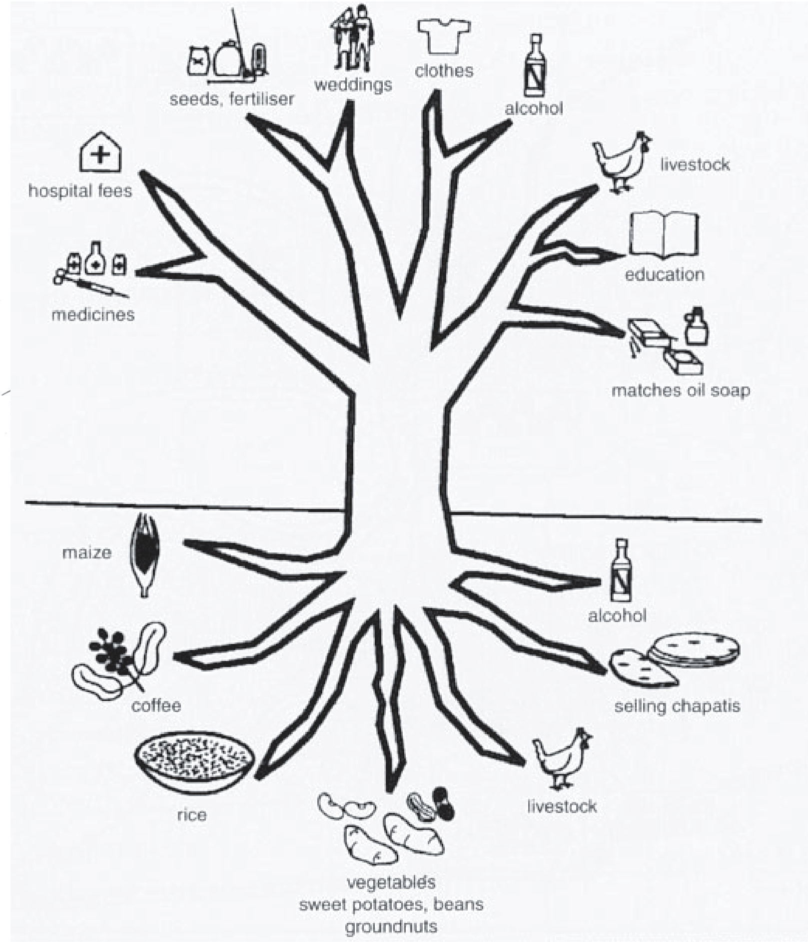
Cash flow tree

A cash flow tree shows the different sources and uses of cash in a household. It is another way of visualizing income and expenditures to get people thinking about their spending and saving patterns.

Objective

To get people to identify all their sources of cash income and think about the ways in which they need to spend money.

Example of a cash flow tree



Other possible **sources of cash** might include: wages or a pension, rent income, receiving gifts, selling assets, loans or remittances from relatives.

Other possible **uses for cash** might include: paying rent or tax, saving, replaying loans or lending money, giving gifts.

Steps

1. Draw a tree like the one shown above.

2 Explain that just as water is drawn into the roots, up the tree and along the different branches, so money comes into a household and has to be channelled towards a variety of expenditures.

3. *Ask participants to label the roots* with their different sources of cash income and label the branches with different types of expenditures.

4. *Ask them to put the most important items on the lower branches* and those of less importance on the higher branches. This generally leads to much debate and differences of opinion. Women will have different views from men and older people may differ from younger ones. It may be useful and interesting to get different members of the household to make separate versions and compare the results.

5. *Discuss the competing demands for money* and how choices are made. Who decides what money should be used for? This is important when people have different opinions about what is important to spend money on. You need good gender awareness to handle this topic.

6. *Can one type of cash income be singled out* for one type of cash spending? The answer should generally be “no”, as income flows are diverted to whatever need is most pressing on any particular day. This is why it is silly to imagine that loan repayments will be made from one particular income source and this partly explains why people fail to make loan repayments.

7. *Discuss the relative importance of each source of cash income.* Ask participants to allocate different numbers of beans or seeds to the different sources. You could then count the beans and ask the people involved in the discussion to allocate this number of beans to the different expenditures.

8. *Where is the money kept when it is not required immediately?* This information is useful for initiating discussions about where and how people save money and the problems that they see in this (safety and accessibility).

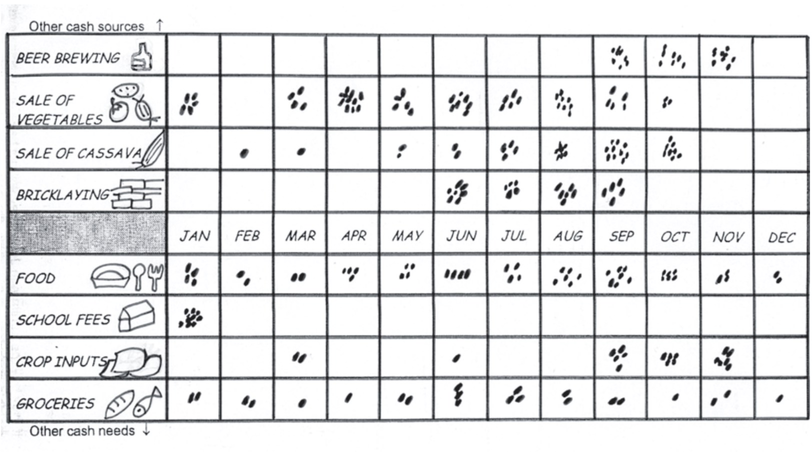
Seasonal calendar

Money needs vary from month-to-month, depending on family obligations, harvest and planting season requirements, etc. Knowing more about these seasonal changes will help people allocate and save their resources more efficiently to smooth out yearly consumption needs.

Objective

To get people talking about the changes in cash income and spending needs throughout the year.

Example of a seasonal calendar



Steps

1. *Draw a calendar as shown above.*

2. Ask participants to *list the different sources of income* on one side *and the expenditures* on the other.

3. Ask them to *place small stones or beans across the months to represent when money is received* from the different sources when it is spent on the various items. The number of stones or beans placed should reflect the relative quantity of cash involved in comparison to other months.

4. *Discuss how well the cash income matches the cash needs.*

5. *When is cash needed most* and how do people cope with this?

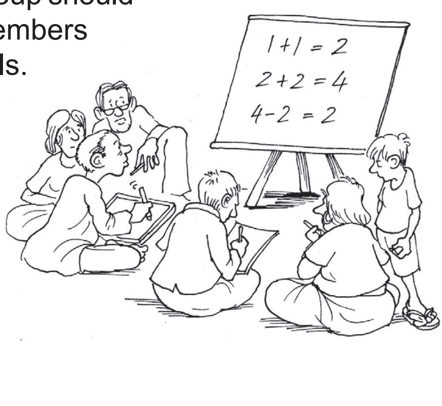
6. *When is cash most abundant* and what is done with the money that is not needed right away?

7. *What kind of unexpected cash needs might arise* (medical fees, funerals) and how do people cope with these?

Counting and basic calculations

Having members who can read, write, and count makes group saving easier. Unfortunately, in many countries, poor people often have only limited skills in this area. Use a group saving approach that all group members can understand and follow, but do not leave things as they are. The group should continuously encourage its members to learn and improve those skills.

Start simple. Focus first on improving functional counting skills, giving all members enough training to satisfactorily conduct their group saving activity.



It’s usually easier to motivate people to learn how to count since this is a problem most encounter on a daily basis, at the market, when paying taxes, etc. After learning how to count, newly trained people will feel more confident to learn how to do simple calculations.

NOTE: *Teaching numeracy and literacy can be very time consuming and may not be practical for many group facilitators. It is often better to get good counting and literacy training from a local teacher, an experienced trainer or others who have experience in this field. If you would like to take on this role, a good resource book with excercises for teaching basic numeracy is the FAO* ‘Figures for Bookkeeping’.

CHAPTER 6: PLANNING FOR GROWTH

Saving is all about preparing for a better future, but it is also about growth. The more savings we can set aside for the future, the more equipped we will be to cope with emergencies, social and economic responsibilities and take advantage of investment opportunities that can generate more resources.

Savings can be used for consumption purposes, emergencies, or productive investment to improve the family's income. Productive investments can range from starting a small enterprise, purchasing land, livestock or farming equipment, to other small income generating activities, such as growing vegetables, weaving baskets, etc.

But before starting any such activity, the most fundamental question one must ask is whether this activity will be *profitable*. Careful analysis should be made about one's skills and resources and the environment in which s/he plans to do this activity.

The following are some tools that can be used in identifying and planning for an income-generating activity.

Strengths, weaknesses, opportunities and threats

When planning an investment (such as starting a small business), it is extremely useful to know what the village/group can do on its own and where outside support is needed. Often, the simple realization of one's own strengths and shortcomings is enough to get development moving again without creating dependence on external assistance.

Analysing an individual/group/village's internal **S**trengths and **W**eaknesses and the **O**pportunities and **T**hreats, which may come from outside, can help in deciding what needs to be done. This is often called **SWOT** analysis from the first letter of each word. Strengths and weaknesses include such things as what the group or individuals in it are good at (strengths), or not good at (weaknesses). They are the things that are within the control of the individual or group.

Opportunities and threats are those issues which are outside the control of the group or individual but will still have an effect either positively or negatively. For example, a new road being built may give better market access (an opportunity) or new laws may make it more difficult to start a business (a threat). In some cases a change may be both a threat for some reasons and an opportunity for others.

> **NOTE:** *The steps below refer to a group but can also be used for individuals or a whole village community.*

Objectives

To develop strategies that can be used to plan concrete objectives and activities.

Steps

1. *Set the objective.* What does the group want to do?

2. Ask the group members to *list the strengths of the group.* Strengths are internal characteristics that contribute significantly to achieving the group's objective. They may include group savings, different skills of individual members, knowledge, social networks, maturity of the group, past experiences, etc.

3. *List the group's weaknesses.* These are points that can make the group less effective or prevent opportunities from being taken up. They can include low levels of literacy, lack of a strong reason to work together, immaturity, tensions and conflicts, etc.

4. *List opportunities in the area*. An opportunity is something external that, if taken advantage of, can help achieve the group's objective. Examples are market opportunities such as tourists, new businesses, working mothers - or services/goods wanted or needed by the village.

5. *List the threats.* A threat can be something external to the group that has or can have a negative impact on the group. These can include existing businesses which would be competitors, changes in the number of members due to illness or death, other organizations providing similar services, changes in members needs or market trends, etc.

6. For each opportunity and each threat, *come up with a suggestion that would take advantage of the opportunity or reduce the threat*.

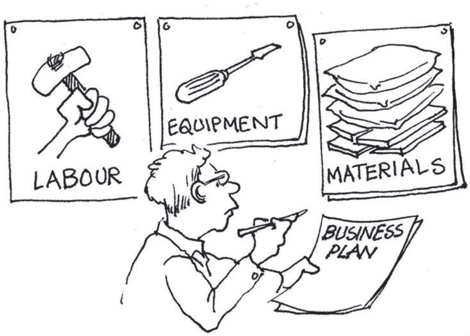
7. *Select the 4 or 5 best options* as agreed by all the members.

8. For each of the options, *discuss which strengths could be used* and *which weaknesses need to be reduced* to realize this option.

9. *Select 2 or 3 options* which have the most strengths and relatively few weaknesses.

*Business Plan**

Once the activity has been selected the group should make a careful plan of what it will need to do. The group should have an idea of the feasibility of the activity and can decide whether to go ahead.



Feasibility checklist

- √ What is needed to run the business? The list could include: materials, labour, skills, equipment, time, buildings, land, transport, licenses, legal requirements, etc.
- √ Where will it all come from? Local supplier? Outside supplier? What would be the transport cost?
- √ What will it cost to produce what the business wants to sell?
- √ What price will the group charge for the product/service? Will this cover the cost? Will this be too high for people to buy it?
- √ How will the group finance the business?
- √ Who will buy the product/service?
- √ Who else is selling similar product/services?

Objective

To prepare and organize an income-generating activity (business) so that time and resources are allocated to give the maximum profit for the minimum cost and risk.

**Adapted from* FAO. 1995. *The Group Enterprise Resource Book.* Rome.

Steps

1. *Separate start-up and running costs.* Start-up costs are things which must be done before making anything (land or shop rental cost, equipment purchase, initial input, etc.) and running costs are things which must be done continuously while the business is operating (buying input, processing, packaging, selling, storing, record-keeping, etc.).

2. *Decide on who will do what.* Everyone in the group should be involved in some ways, while a few members should coordinate specific aspects of the business (supply coordinator, production coordinator, marketing coordinator, accountant, manager, etc.)

3. *Agree on rules for the group business.* How profits will be shared according to contributions of members (in money, time, resources), what happens if the business makes a loss, what happens if a member decides to leave, how arguments will be settled, etc.

4. *Decide how big the business will be.* The size of the business should depend on how many customers there are and how much the group can afford to invest in the business. It is best to start small and grow as the group makes profit and gains experience.

*Participatory monitoring and evaluation**

Planning is about knowing what is likely to happen in the future and preparing for it. If the group has a good idea of what is going to happen in the future, it can better prepare to defend itself against new threats or to take advantage of new opportunities that arise. This is why regular monitoring and evaluation of the group is essential for the development and growth of the group.

* *Adapted from* FAO. 1994. *The Group Promoter's Resource Book*. Rome.

Group monitoring

Monitoring means keeping track of what the situation is, what is being done or what is being accomplished on a frequent basis. This may include maintaining and periodically reviewing regular records of group decisions, actions and finances, and checking that actions are taken according to plan. The facilitator can use a simple monitoring chart to help group members monitor progress and problems in their activity.

Steps

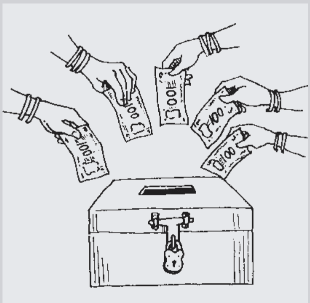
1. *Prepare a sheet of paper with four columns*.
2. *Discuss with the group which activities* they feel are important for their group. List the activities in one column.
3. *Write in the second column the result* or current performance of each activity.
4. *Ask the members whether they are happy or unhappy* about the results of each activity. Discuss problems and opportunities they encountered.
5. *Once the members have reached agreement* on the results, ask them to represent their judgement in the third column using numbers or happy/sad faces. Use a four-point scale, such as:

excellent (☺☺☺ = 3 points)	good (☺☺= 2 points)
poor (😐 = 1 point)	bad (☹ = 0 points)

6. *Discuss what will be done next for each activity* and write them down in the fourth column.
7. *Repeat this exercise regularly* (at least once a month).
8. *If the scores for some activities are consistently low*, then the group should find a different way of dealing with those weak areas.
9. *Many other aspects of the group and its activities should be monitored*, such as regularity of holding meetings, attendance of members in meetings, and participation at meetings, sharing of responsibilities and decision-making, etc. The process of selecting the indicators should be done in a participatory way with the group members. The aim is to collect the most essential information to assess the group's performance.

Example of indicators for a monthly monitoring of a self help group in India*

1. Preparation for meetings: activities include cleanliness and arrangement of lamps, drinking water, sitting, monitoring chart and a clock.

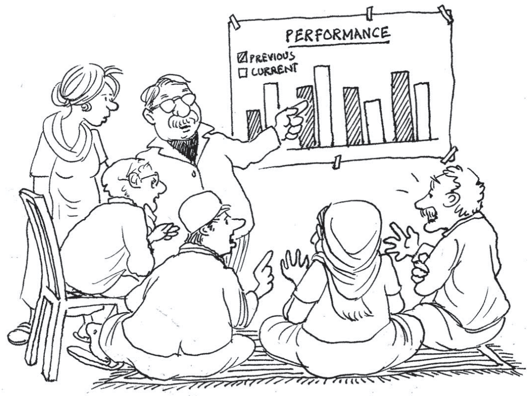


2. Regularity of meeting.
3. Timeliness.
4. Attendance in the meeting.
5. Recording the minutes of the meetings.
6. Savings: deposited on the fixed date.
7. Account keeping for transparency.
8. Collective decision-making: members participate actively in the meeting.

*Khadka, S. 2001. Participatory self-monitoring system: The Maharshtra Rural Credit Project. *In* IFAD et al. *Resource Book on Participation,* pp. 191-198. Manila, IIRR.

9. Repayment of loans: for the credibility and sustainability of the groups.
10. Lending: to meet the credit requirement of the members.
11. Petty cash: for refreshments, notebooks, pens and emergency needs.
12. Insurance: against damage to the life of member or the assets.
13. Community activity: discussion and action on social issues such as public health and sanitation, adult and functional literacy, tree planting, drinking water, voluntary labour contribution, or gender issues, mainly to create social awareness among group members.

Group evaluation



Evaluation on the other hand is done less frequently, usually only at the end of a fixed time period, to assess whether the group and its activities achieved their objectives and to identify possible improvements. This should be done at least every six months, but can be done more often. It is essential that the group is able to evaluate itself using its own criteria for strengthening its ability to meet members' needs.

Steps

1. *Develop with the group a series of questions* to evaluate the group's performance. For example, to measure the extent of work sharing within the group, ask: "How is group work shared among members?"

2. *Formulate each question with four possible replies:* (a) is the most satisfactory situation with little room for improvement (3 points) and (d) is a very unsatisfactory situation with much room for improvement (0 point).

3. The group members then have to agree amongst themselves *which of the following four answers best describes their group*.

4. Once agreement is reached, *check the appropriate box* on the right and then proceed with the next question. Evaluations should be done regularly (at least once every six months) and the results compared with the results from the previous period to see if real progress is being made.

5. The group should then *select a number of priority areas* and *draw a plan of action* to improve the group's performance, taking into consideration appropriate allocation of available resources.

6. *Possible areas of evaluation* could include how well meetings are attended, how productive the meetings are, how much cooperation there is among members, how much savings are being accumulated, are loans being repaid on time, are members acquiring new skills, etc.

Example of evaluation format

(a) Group work is clearly and fairly shared among all members	√	**3**
(b) Group work is carried out by most members		**2**
(c) Group work is done by some members		**1**
(d) Group work is not clearly or fairly shared		**0**

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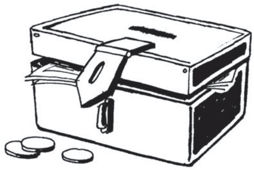

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Experience has shown that group saving approaches can help the poor save more efficiently, especially when access to saving facilities, such as banks or other financial services, is difficult. By saving in a group, the poor can gain access to a larger amount of pooled resources than they could if they saved on their own. Group savings also help groups become financially stronger and more sustainable.

This book provides useful guidance on how to strengthen capacities to accumulate productive capital through savings activities with new or existing self-help groups.

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