

Village Savings and Loan Associations (VSLAs)



Field Officer's Training Guide

Version 2.1.1 for Ethiopia
January 2022

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Photo from CARE Ethiopia

Table of contents

Preface	3
List of acronyms.....	4
Introduction for the Field Officer	5
Part 1 What are VSLAs?	6
Part 2 Schedule of operations	7
Part 3 Preparatory meetings.....	8
Meeting A: Introduction of the VSL methodology to key members of the community.....	9
Meeting B: First meeting with potential VSLAs	10
Part 4 Training modules 1 - 6	12
Module 1: Groups, leadership and elections.....	13
Module 2: Development of a VSLA Constitution	15
Module 3: First savings meeting	18
Module 4: First loan meeting	20
Module 5: First loan repayment meeting.....	23
Module 6: Share out/action-audit.....	26
Annexes	28
1 Election procedures	28
2 Constitution framework.....	29
3 The kit.....	33
4 Use of passbooks.....	34
5 Calculating a service charge (if applicable)	39
6 What to do if the loan is paid back early or late	42
7 Share out chart example	43

Preface

Why we have written this manual

This revised and updated version of the Field Officer's Training Guide resulted from a pilot project implemented in the West Bank of Palestine over an 18-month period by the Economic and Social Development Center of Palestine (ESDC) and from work done on FSD Zambia's Master Trainer Programme, also over an 18-month period.

We have written this manual to respond to the need for a record-keeping system that is as simple as possible and suited, in particular, to populations that have a low level of numeracy. In Zambia and Palestine we eliminated monthly service charges in favour of charges levied for the entire period of the loan and added to the principal sum. The borrower then pays down against the total at any meeting. This leads to some complexities when loans are repaid early or late, but these are minor inconveniences when compared to the advantages.

We knew we were on the right track when, working with WeEffect in Palestine and with FSDZ in Zambia, we found that instead of loan calculations being the hardest part of record-keeping, they turned out to be the easiest.

In Palestine we also discovered that instead of loans being disbursed and repaid at a special loan meeting every four weeks, they could easily be disbursed, tracked and repaid at every meeting, because there was no need for service-charge re-calculations every 4 weeks. This responds to one of the main objections that users have expressed over many years: the rule that loans could not be taken when there was 'money in the box' if it was not a loan meeting.

These two reforms to loan record-keeping have reduced the cost of training and supervision for Savings Groups (SGs) and we plan to widely promulgate this new approach across the sector as a whole. We discover that we are returning, in a way, to the origins of SG work, and using a traditional way of managing loan repayment. The more we have struggled with the 'correct' ways of calculating loan transactions, the more we are drawn to where we started and to a respect for pragmatic methods that work. All we have added is structure and standardisation.

What's new in Version 2.1?

This English manual incorporates the following changes:

- It is Sharia compliant and can be used by Islamic participants. All that is required is that service charges are not levied by groups that want to be fully Sharia compliant.
- Changes to the frequency of loan taking and repayment. In previous versions of the guide we have stuck to monthly loan disbursements and monthly repayments. This was to avoid complications arising from interest calculations and the difficulties of identifying loans that were due for reimbursement. We have changed the repayment section of the passbook to allow disbursement and repayment at any meeting after the first 3 meetings in a cycle. This offers real convenience and usefulness and reduces the risk of having too much money in the box.
- In January 2022 we have included an annex 7 chart on how to calculate the end of cycle share out

What we got rid of

- We have eliminated data collection for the SAVIX MIS, since we think it should be the subject of separate training; treated as a part of the entire MIS system.

Hugh Allen
April 15th 2020
Solingen, Germany and Ramallah, Palestine

List of acronyms

Br.....	Ethiopian Birr
ESDC.....	Economic and Social Development Center of Palestine
FA.....	Facilitating Agency Trains and finances Implementing Organisations
FO.....	Field Officer
MIS.....	Management Information System
SAVIX.....	The Savings Group Information Exchange
SG.....	Savings Group
VA.....	Village Agent
VSL.....	Village Savings and Loan
VSLA or 'Association'.....	Village Savings and Loan Association

Introduction for the Field Officer



Congratulations on being selected as a Field Officer (FO) to train and support Village Savings and Loan Associations (VSLAs). VSLAs are the oldest form of what are now being referred to in the microfinance industry as Savings Groups (SGs). There are now over 20 million people in SGs worldwide, of which nearly 15 million are in Africa. Savings Groups are changing the face of microfinance and, for the first time, bringing sustainable financial services to the rural poor. VSLAs are the most numerous of the various SG models.

VSLAs will succeed only through your efforts: *you are at the heart of the programme.*

The FO is a paid employee who starts by working directly to create VSLAs and, managed by a full-time Supervisor, takes on a training caseload of between 10 and 15 VSLAs. The FO is given this responsibility because the first VSLAs created in a community will set an example and it is important that they should be successful and operate in the correct way. Where good VSLAs have been created we have seen large numbers of new VSLAs springing up and copying what the foundation VSLAs are doing. Thus, ensuring that the VSLAs you create are of very high quality is vital if spontaneous replication is to continue. *That is why it is more important to focus on the quality of these first VSLAs than it is to create a large number.*

The results of your efforts will be permanent and you will find the work satisfying. Good luck.

1 What are VSLAs?

A Village Savings and Loan Association (VSLA) is a group of 10 - 25 people who save together and take small loans from those savings. The activities of the VSLA run in 'cycles' of about one year, after which their money is shared out in proportion to what they have saved.

VSLAs are trained by Field Officers (salaried programme staff) or Village Agents (who receive fees from the VSLAs for the training). Village Agents are members of VSLAs who are identified as having the skills to train other VSLAs.

VSLAs are member-managed. Programme staff (Field Officers and Village Agents) will train members, but never manage the VSLA, write in the passbooks, remove the groups' records or touch money belonging to the members.

The first cycle of a VSLA is a training and supervision cycle lasting at least 9 months, but ideally 12 months. During the first cycle, the VSLAs will meet weekly or every two weeks.

Members can choose to contribute to a Social Fund, to use for small grants when members are in distress.

Members save through the purchase of between 1 – 5 shares every meeting, which is invested in a Loan Fund. The share-value is decided by the VSLA at the start of each cycle. At each meeting all members have the right to buy between 1-5 shares. The share value cannot change during the cycle.

VSLAs may decide to charge interest or not, according to their wishes and beliefs.

All members have the right to borrow up to a maximum of 3 times the value of their shares.

Loans are taken whenever there is sufficient money in the Loan Fund, at any meeting.

Loans are repaid in total over a period of 12 weeks. The borrower is free to pay in whatever amounts (s)he wishes at each loan meeting, but must repay the total sum owing within 12 weeks.

All VSLA transactions are performed at meetings in front of all the members. To ensure that transactions do not take place outside VSLA meetings, cash and passbooks are locked in a cash box secured with three padlocks. The three keys are held by three members, none of whom is a member of the Management Committee.

Theft of boxes by outsiders is very rare, but members must take responsibility for security.

All members have an individual passbook. Share-purchases are recorded in the first half of the passbook using a rubber stamp. Loans are recorded in the back of the passbook. Loan Fund and Social Fund balances are noted by the Record-keeper in a notebook and memorised by all members at each meeting.

Passbooks remain locked in the box between meetings. This is very important, to prevent unauthorised alterations.

The VSLA has a five-person Management Committee, elected for one cycle. VSLAs develop a Constitution. Each member has one vote in electing the Management Committee and developing the Constitution.

Every member has an equal voice in the election of a Management Committee and the development of a constitution.

At the end of every annual cycle, all loans are repaid and the Loan Fund is shared out. Each member then receives his or her pay-out according to the number of shares purchased.

2 Schedule of operations

VSLAs are trained by FOs over a period of at least 36 weeks (but more normally a full year) according to the schedule below.

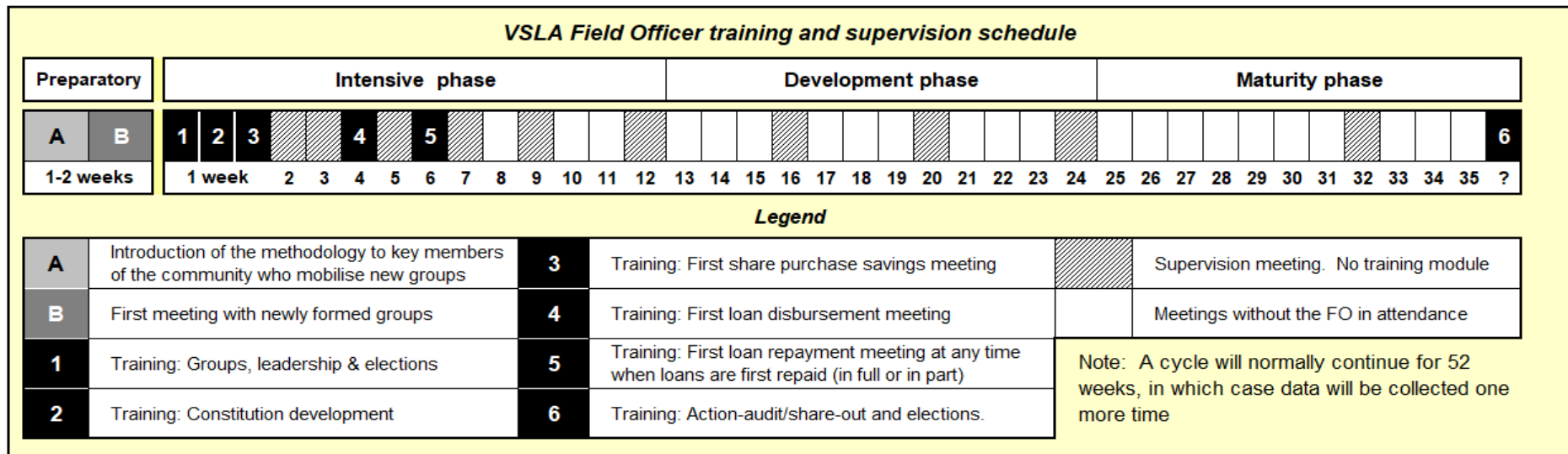
Preparatory phase: This provides general information to prospective VSLA members. They will decide if they want to be trained.

Intensive phase: 12 weeks. It starts off with 3 visits in the first week, and then continues with 7 visits over the next 8 weeks.

Development phase: 12 weeks. 3 visits. One every month.

Maturity phase: 12 – 26 weeks. One visit every two months and one final share-out meeting visit.

Figure 1: VSLA training and supervision schedule



Note: The FO may adjust the frequency of visits, usually in cases where (s)he thinks the VSLA needs extra assistance.

Note: A cycle is normally 52 weeks (12 months), but should never be less than 36 weeks (9 months)

During the intensive phase visits are very frequent and the FO takes on an active teaching role in all meetings, in order to guide the meeting procedures. After the VSLA is confident and doesn't make many mistakes, the FO adopts a passive role in which (s)he observes but does not teach, getting involved only when procedures or record-keeping need correction. In the maturity phase the FO visits only once every two months. This is to confirm that, as the VSLA approaches the end of the annual cycle, it is working effectively and efficiently.

3 Preparatory meetings

The Preparatory Phase has two purposes:

- To mobilise influential people in a community who facilitate the formation of groups that want to learn about VSL.
- To talk to potential VSLAs and encourage them to undertake formal training.

Table 1 below lays out the order in which these meetings take place and the content.

Table 1: Preparatory Meetings

<i>Type of meeting</i>	<u>Meeting A</u> <i>FO introduces VSL to key members of the community</i>	<u>Meeting B</u> <i>First meeting of FO with newly formed groups</i>
<i>Content</i>	<ul style="list-style-type: none"> • How the methodology works • How interested individuals can form new VSLAs 	<ul style="list-style-type: none"> • Step-by-step description of how VSL works • Qualities of good members • VSLA and FO obligations • Training schedule • Date and place for first Training
<i>Comments</i>	This may involve boards of local social institutions, Council members, Women's groups or even by knocking on doors.	Attended only by people who are committed to joining a VSLA and who show this by having formed themselves into a group.

Meeting A: Introduction of VSL methodology to key members of the community

To create an interest within the community, the FO will contact influential people. Examples are:

- Board members of social organisations
- Council members
- Leaders of women's groups
- Respected individuals, sometimes located just by 'knocking on doors'

What to explain:

First, keep it simple. You are only trying to explain the basic features so that you can get the support of these people. The details will become clearer in the next meeting with potential groups. Make sure you cover the following points:

- The purpose is to create community-managed savings and loan groups, called Village Savings and Loan Associations (VSLAs) that belong to their members.
- VSLA members will be taught to save regularly, to take loans from these savings, and to share-out the savings and profits (if any) each year according to each person's contributions.
- All of the funds used to provide loans to the members come from the members' own efforts. The programme does not provide any money to VSLAs for lending to its members.
- The group manages itself and makes its own rules.
- The size of the VSLA must not be less than 10 members and not more than 25.
- Training and supervision takes approximately 12 months. After this, the VSLA is independent and continues to operate without any more help, although the FO will continue to be available for advice and support.
- VSLAs will be provided with a metal box that has three locks on it and which contains all of the materials needed. This box cannot be opened between meetings.
- Groups are free to decide if they wish to charge interest (called a service charge) or not, as they decide.
- The FO is only there to teach them the system. Members will manage their activities themselves, and the FO will never:
 - handle the VSLA's money
 - write in the VSLA's records
 - take the cash box away
 - ask for a loan
 - ask for a gift
- The members of the proposed VSLA choose where and when the meetings are to be held.

The FO then says that (s)he will return to the community at an agreed time to see if people are interested and will then make training arrangements. Those who are interested must form groups of between 10 - 25 members before Meeting B. The FO stresses the following before closing the meeting:

- Members must know and trust each other.
- Leaders of a Savings Group are not elected until after training begins, even if the people who want to be trained are already in a group for other activities. This is because the qualifications needed in leaders of a savings group may be different to those needed for other activities.

Meeting B: First meeting with potential VSLAs

This meeting is only attended by people who are interested to be in a VSLA and who have already gathered in groups of 10 - 25 people, who know and trust each other.

What to explain:

The FO describes the basic features of a VSLA:

- A VSLA is created so that people can save, borrow and start a Social Fund to help members who experience an emergency.
- A VSLA operates in one-year cycles, at the end of which all of the loans are paid back and everyone receives back everything they have saved, plus any profits the group may have made.
- A VSLA allows all members to buy between 1-5 shares each week. The price of a share is decided by the members.
- The money collected from the purchase of shares is used to provide loans to members, which are repaid over a period of not more than 3 months.
- Members are self-selected and the VSLA is managed by its members, who elect a Management Committee.
- There are annual elections to the Management Committee.
- Every VSLA has a written Constitution and clear rules, which are agreed to by all of the members.
- Members must attend all meetings, and buy at least 1 share each meeting.
- VSLAs can impose fines for such things as lateness or forgetting the rules of the VSLA.
- Groups are free to decide if they wish to charge interest (called a service charge) on loans, or not, as they wish. Groups that want to follow Sharia principles do not have service charges.
- A service charge is not like interest, because the money raised from service charges is given back to the members at the end of the one-year cycle.
- All of the VSLA's cash is kept in a box with three locks, and the keys are kept by three different members of the VSLA, who are not part of the management committee.
- The box can only be opened in meetings, so all transactions are done in front of all of the members.
- Record-keeping is based on simple passbooks provided to each member, in which their savings and loans are recorded.
- The passbooks are locked in the box between meetings to prevent anyone changing the entries.
- The box and its contents will be supplied by the programme
- After the first cycle of one year the VSLA continues to operate independently without any external support.
- During the training period the VSLA will meet weekly or fortnightly, and the FO will visit 17-20 times.
- Once the VSLA becomes independent, the FO will only attend meetings if asked by the members.

The FO explains that there are 6 training modules:

- Members, leadership and elections
- Development of group Constitution
- First savings meeting
- First loan meeting
- First loan repayment
- Action-audit/share-out and graduation

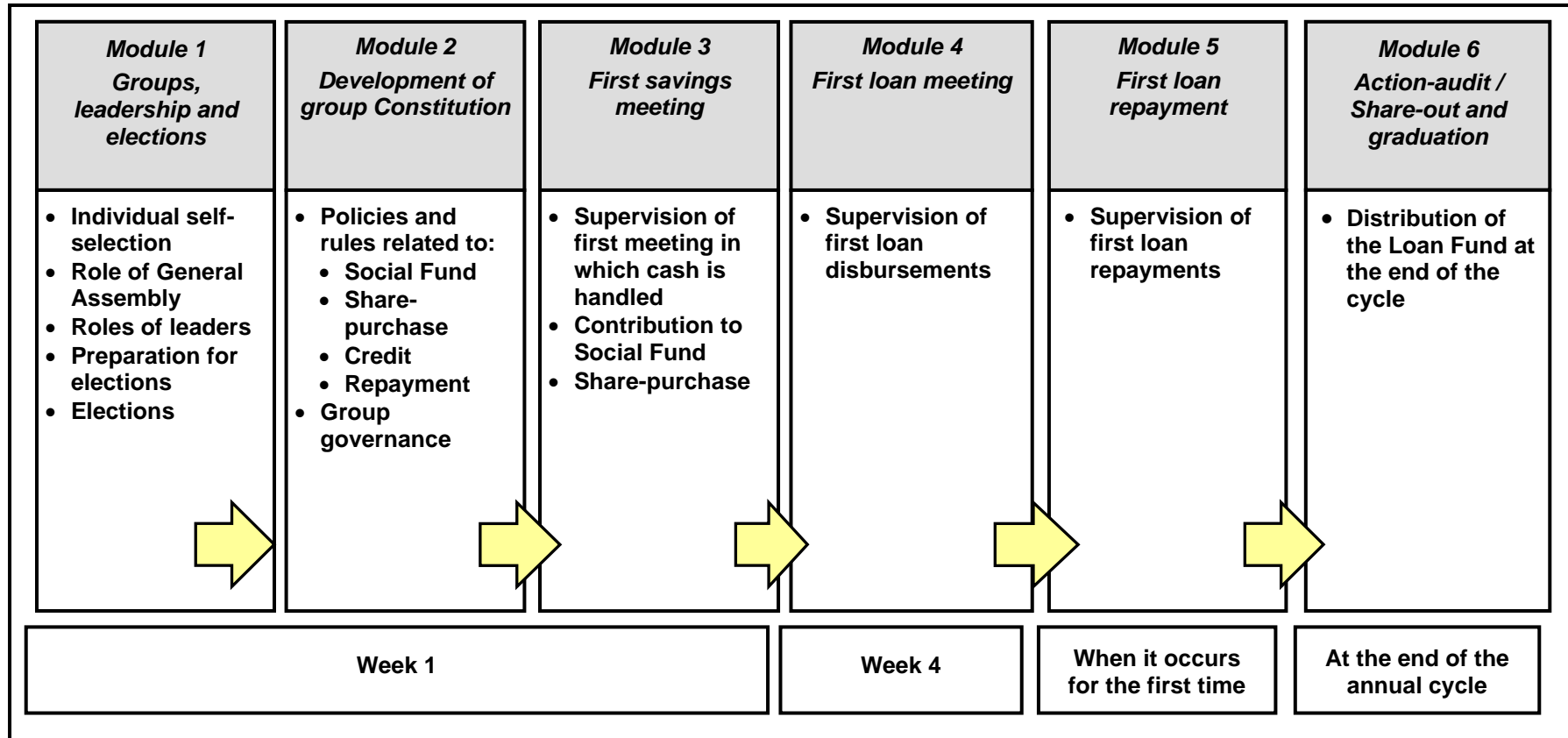
Members must be aware of the qualities that are needed in a member. So, the FO reviews these and suggests that anyone who is not able to meet these standards should probably not join. Good members will:

- know each other and be from a similar economic background
- not live too far from where the meetings will be held
- have a reputation for honesty and reliability
- be able to attend all meetings
- attend all meetings on time
- follow all rules
- have a cooperative personality: someone who is known to create conflict should probably not join
- be able to buy at least one share each meeting
- be able to repay loans on time within 3 months

The FO and the new VSLAs arrange a time and a place for the first training

4 Training modules 1 - 6

Table 2: Diagram of training schedule



Module 1: Groups, leadership and elections

Purpose of the meeting

The FO explains that the purpose of the meeting is to give the VSLA a name and to elect a Management Committee who will lead the group for a period of one year. (S)he explains that elections are held every year and the next elections in one year's time will also be facilitated by the FO.

Individual self-selection

The FO again reminds the members of the qualities of a good member.

Elections

- The group chooses a name for the VSLA
- The FO explains:
 - The Management Committee consists of five people: Chairperson, Record-keeper, Box-keeper and two Money-counters
 - The Management Committee serves for one year, after which elections are held. Even if the VSLA is happy with its committee it must hold elections
 - The Management Committee is elected by the members, who can also dismiss it (or any individual officer) for poor performance
- (S)he then reviews the qualities needed for each position and the work that each person chosen needs to do, using the tables below:

Table 3: Qualities and responsibilities of the VSLA Chairperson

Qualities	Responsibilities
<ul style="list-style-type: none"> • Respected • Confident and calm when speaking in front of others • Treats everyone equally • Listens to others and asks for opinions • Organised • Always on time 	<ul style="list-style-type: none"> • To call the meetings to order, announce the agenda and lead discussions • To ensure that the meetings follow proper procedure and that the Constitution is followed and respected • To maintain discipline and charge fines as needed • To facilitate discussions and to ensure that everyone's views are listened to • To resolve conflicts • To act as contact person for outsiders who may want to be informed about the group

Table 4: Qualities and responsibilities of the VSLA Record-keeper

Qualities	Responsibilities
<ul style="list-style-type: none"> • Good arithmetic skills • Literate • Writes neatly • Has a reputation for trustworthiness • Always on time • Willing to work extra hours to train with the FO if needed 	<ul style="list-style-type: none"> • Ensures that all transactions for the Social Fund, Share-purchase and lending take place according to procedure, and that all rules are followed • Makes all passbook and notebook entries for shares and loans • Reads the Social Fund and Loan Fund cash balances out loud at every meeting

Table 5: Qualities and responsibilities of the VSLA Box-keeper

Qualities	Responsibilities
<ul style="list-style-type: none"> • Trustworthy • From a household that has a good reputation (no one in that household should be considered unreliable) • Lives in a house with good security • Always on time • Good arithmetic skills • Literate 	<ul style="list-style-type: none"> • Keeps the VSLA box safe in between meetings • Ensures that (s)he is accompanied to/from meetings as necessary • Brings the box to the meetings on time • Stands in for the Record-keeper when the Record-keeper is absent • Assists the Record-keeper as needed to record savings and loan repayment cash movement

Table 6: Qualities and responsibilities of the two VSLA Money-counters

Qualities	Responsibilities
<ul style="list-style-type: none"> • Able to count quickly and accurately • Trustworthy • Calm and organised • Always on time 	<ul style="list-style-type: none"> • Receives and pays out all money to members • Counts and announces all amounts paid to and received from members • Informs the Record-keeper of the correct amount to be recorded in the passbooks

The FO then organises the election of the officials, starting with the Chairperson. (S)he uses the standard procedures shown in Annex 1.

The FO tells the members that although they have elected their Management Committee, they need to appoint three people, to be called Key-holders, who will keep the keys, so that the box can only be opened in meetings. They can be identified by discussion using the following criteria:

- They must not be members of the Management Committee
- They should not be members of the same family
- They should be members who can be relied upon to attend and will always be on time

Module 2: Development of a VSLA Constitution

Field Officer preparation for the meeting

Before going to this meeting, the FO goes to Annex 2 and makes a copy of the blank Constitution form. The FO takes this with him/her to the meeting.

The blank Constitution form in Annex 2 allows the FO to write down VSLA decisions. Part of it is already fixed, because experience has shown that some things should be common to all VSLAs. Decisions that the VSLA needs to make for itself are shown as underlined spaces.

Purpose of the meeting

The FO says that the purpose of the meeting is:

- to develop a set of rules concerning how the members of the VSLA will save by buying shares, how they will take out loans and pay them back, and how they will operate their Social Fund.
- to decide how the VSLA will govern itself.

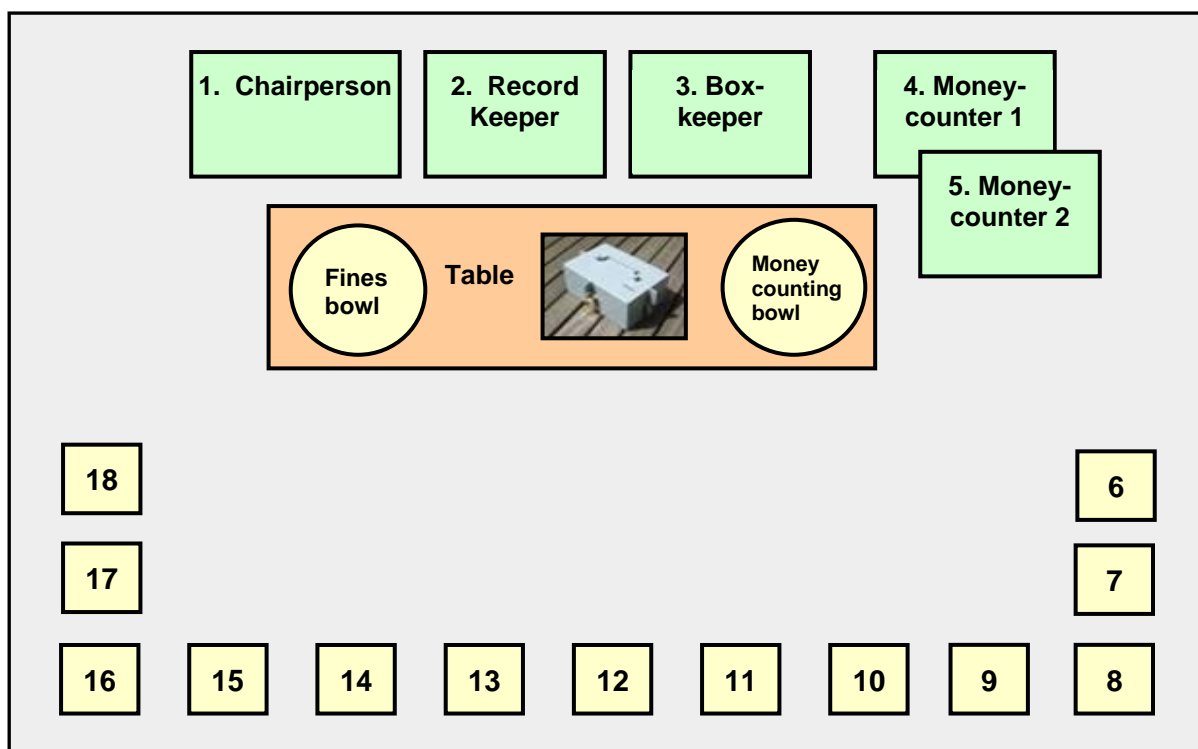
Seating arrangements

The diagram below shows how members are seated in a meeting. This arrangement is used because:

- it allows all members to see clearly what is happening.
- it ensures that transactions are carried out in the same order, which keeps things easy to manage.

The diagram shows a VSLA with 18 members. The number can be bigger or smaller.

Figure 2: Layout of meeting place: VSLA with 18 members



Safety of VSLA funds

The FO hands over the VSLA kit (Annex 3) and gives the keys to the Key-holders. The Key-holders are given all of the keys for their lock. No keys are held by anyone else. The safety of the kit will be the responsibility of the Box-keeper. (S)he must carry it to every meeting of the VSLA.



VSL programmes must use lockable boxes. The reason for using three locks is to keep member money and records safe and, just as important, to make sure that transactions cannot take place privately outside meetings. If a group is unwilling to use a box, the FO should refuse to train them.

Preparing the Constitution: Services offered by the VSLA

Using the blank Constitution form from Annex 2, the FO starts off by discussing the services that will be offered by the VSLA to its members. These are:

- Social Fund (insurance)
- Share-purchase (savings)
- Lending

Social Fund

The FO says that the VSLA will create a Social Fund to provide grants to members who encounter serious problems. Grants are often made to help with:

- funeral expenses
- illness
- fire damage to a house

The VSLA then decides what the Social Fund will cover and what the benefits will be.

The VSLA then decides the amount of regular contributions to the Social Fund should be. The FO says that:

- the Social Fund is kept separately from the Loan Fund, in its own bag, so that it doesn't get mixed up with the Loan Fund
- the Social Fund gives grants to members and the community, not loans
- the Constitution lists how the Social Fund will be managed

Once the VSLA has decided on these things their decisions are filled in by the Record-keeper on Part 2 of the blank Constitution form.

Share-purchase rules

The FO says that members save in a VSLA by buying shares. At each meeting, each member has the opportunity to buy between 1 to 5 shares. (S)he asks what the value of a share should be. (S)he then explains that:

- if the amount is too big if the poorest member will have trouble regularly saving at least one share.
- If the amount is too small it may frustrate the better-off members who want to save more.

The amount that is finally decided should be something that everyone can afford to pay at every meeting throughout the cycle and that satisfies their needs for savings. The amount cannot be changed during the cycle but can be changed in the next cycle.

Lending rules

The FO says that members can save, borrow and repay their loans every week.

The VSLA is then asked what their priorities for loans will be. The FO explains that this is to help avoid disputes when there is not enough money in the Loan Fund to satisfy people's needs. The members must decide which loans will receive the highest priority, the next highest priority and the lowest.

The FO says that members should not take out loans that they cannot repay easily.

The FO says that *the amount borrowed by any member cannot be more than three times their savings.* This ensures that the loans are not too risky and encourages savings.

The members are told that *the maximum loan duration should not be more than 3 months, but can be less.*

The FO explains that in the case of groups that wish to levy a service charge they have to decide what this will be, as a percentage of the whole loan, for the whole 12 weeks. Service charge tables are shown in Annex 5, which the FO can use to facilitate a discussion as to what rate the group will use. The tables show charges for one month, two months or three months. The service charge will be added to the loan amount and the borrower will have to pay back the total within the agreed-on time period. In the case of groups that do not wish to charge interest, this is not discussed.

Preparing the Constitution: How the VSLA will govern itself

The FO goes through the blank Constitution form, item by item and helps the members to reach agreement on each clause. The FO then helps them to fill in the blank spaces.

The final step is for the Record-keeper to read the entire Constitution and the FO tells the Chairperson that she should read it out loud to all of the members at least once every 3 months, just to make sure that everyone is reminded of the rules. Some groups give each member a rule to remember and the Chairperson can ask them to repeat their rule at the beginning of each meeting and fine them if they don't remember it.

Once the Constitution form is filled and read to the members, all the members will then sign the Constitution to show that they agree.

Developing the Constitution is the most important training and it should not be rushed or treated superficially. It tells the VSLA how it will do its work and what the services offered to members will be. If this is rushed, the VSLA will not be stable and secure.

Experience has shown that sometime this session can take two meetings to finish, and that is OK. It shows that members have thought about and discussed their rules in detail. If it takes half an hour and many sections are ignored, this shows that it wasn't taken seriously.

Module 3: First savings meeting

The FO tells the members that this meeting will be the first chance they have to buy shares and that (s)he will guide them through the steps. The FO explains again that the first loan meeting will not occur for another 3 weeks, after which loans can be taken at every meeting.

The FO then explains that from now on (s)he is only there to support the Management Committee, which is now in charge of all meetings, which must be guided by the Constitution.

The FO refers to Annex 4 to be sure about how Social Fund and savings records are kept. **Do NOT fill out any records without reference to Annex 4.**

Table 7: Procedures for first savings meeting

Meeting step	First savings meeting – Procedures
1 Meeting opening	<ul style="list-style-type: none"> • The Chairperson calls the meeting to order • The Chairperson tells the Record-keeper to perform a roll call, in which each member is counted off in order of seating and assigned a number. • The Key-holders are called on to open the box, which remains in front of the Box-keeper, and the materials are taken out and placed in front of the Record-keeper • The fines bowl is placed in front of the Chairperson, so that fines can be collected during the meeting • The Record-keeper calls each member in number order to the front and gives them their number card and tells them that they must always bring it with them to all meetings • The Record-keeper writes their name and number on a passbook but does not give the passbook to the member
2. Social Fund <i>(if the VSLA does not have a Social Fund, skip to step 3)</i>	<ul style="list-style-type: none"> • The Chairperson tells the Record-keeper to conduct the Social Fund activities and reminds the members of the amount they must all contribute • The Record-keeper calls each member, by number, to give their Social Fund contribution to the Money-counters • When the member comes forward, they give their Social Fund contribution to the Money-counters and are given their passbook • Both Money-counters confirm that each member has given the right contribution and place it in the money-counting bowl. The Record-keeper enters a checkmark in a vacant square in the Social Fund Contribution section of the passbook • When all contributions are completed, the Money-counters count the total amount in the money-counting bowl and announce the amount • The Record-keeper records this amount in the 'Cash in the Social Fund' section in the notebook and announces that benefits from the Social Fund will be available only at the next meeting • The Record-keeper says that everyone should remember this amount for the next meeting • The Social Fund money is then put in the draw-string bag and put in the cash box

<p>3 Share-purchase/savings</p>	<ul style="list-style-type: none"> • The Chairperson tells the Record-keeper to conduct the Share-purchase/savings activities • The Record-keeper calls each member to the front by their number • Each member comes to the front and buys between 1 - 5 shares, giving the money to the Money-counters and their passbook to the Record-keeper • The Money-counters count the money saved by each member, place it in the money-counting bowl and <u>announce the amount and the number of shares</u> that have been purchased by the member • The Record-keeper stamps the correct number of shares into the passbook and crosses out any unused blocks • The member then checks that the number of new stamps in the passbook is correct: <u>the passbook remains with the Record-keeper for the rest of the meeting</u> • Once all the members have made their contributions, the Record-keeper then tells the Money-counters to combine the money in the fines bowl and the money-counting bowl and to count it • The Money-counters then count the money and announce the total to the group • The Record-keeper then tells the Group that this money constitutes their Loan Fund, but that no loans will be given until 4 savings meetings have been completed, after which loans will be available at every meeting • The Record keeper records this amount in the 'Cash in the Loan Fund' section in the notebook • The Money-counters place the Loan Fund in its draw-string bag and put it in the cash box
<p>4 Closing balances</p>	<ul style="list-style-type: none"> • The Chairperson takes the notebook from the Record-keeper and announces the total amount in the Social Fund, innstructing all members to memorise it for the next meeting • The Chairperson announces the total of the Loan Fund once again, and instructs all members to memorise it for the next meeting • The Chairperson then asks the Key-holders to lock the box
<p>5 Closing</p>	<ul style="list-style-type: none"> • The Chairperson invites members to discuss any other subject that may be of interest • The Chairperson announces the date and time of the next meeting • Once discussion is complete, the Chairperson closes the meeting

The Record-keeper enters Social Fund and Loan Fund data in the notebook at the end of every meeting.

Table 8: Weekly Record of Balances - Example

<i>Date</i>	<i>Cash in Social Fund bag</i>	<i>Cash in Loan Fund bag</i>
<i>04/01/2020</i>	<i>Br 11,000</i>	<i>Br 215,000</i>

Note: Please click on or enter the URL below in your browser to view a short video that shows how a well-trained VSLA conducts its normal savings activities <https://vimeocom/132692474>

This video shows savings procedures in AKF Tanzania's Boresha Maisha project

Module 4: First loan meeting

Purpose of the meeting

This takes place 3 weeks after the first savings meeting and is the first time that members can borrow. The FO refers to Annex 4 to be sure about how Social Fund, savings and loan records are kept. **Do NOT fill out any records without reference to Annex 4.**

Table 9: Procedures for first loan meeting

Meeting step	First Loan Meeting – Procedures
<p>1 Meeting opening</p>	<ul style="list-style-type: none"> • The Chairperson calls the meeting to order • The Chairperson tells the Record-keeper to perform a roll call, by member number • The Key-holders are called on to open the box, which remains in front of the Box-keeper, and the materials are taken out and placed in front of the Record-keeper • The fines bowl is placed in front of the Chairperson, so that fines can be collected during the meeting
<p>2 Social Fund <i>(if the VSLA does not have a Social Fund, skip to step 3)</i></p>	<ul style="list-style-type: none"> • The Chairperson tells the Record-keeper to conduct the Social Fund activities and reminds the members of the amount they must all contribute • The Record-keeper asks the members to recall the balance of the Social Fund from the previous meeting • The Money-counters remove the money from the Social Fund bag, place it in the money-counting bowl, count it, and announce the amount to the members. The money remains in the money-counting bowl • The Chairperson says that contributions will be made to the Social Fund • The Record-keeper calls each member, by number, to give their Social Fund contributions to the Money-counters • When the member comes forward, they give their Social Fund contribution to the Money-counters and are given their passbook • Both Money-counters confirm that each member has given the right contribution and place it in the money-counting bowl. The Record-keeper enters a checkmark in a vacant square in the Social Fund contribution section of the passbook • When all contributions are completed, the Money-counters count the total amount in the money-counting bowl and announce the amount • The Record-keeper then asks if anyone needs help from the Social Fund. Members in need make their request to the group • If a majority of the members approve, the money is handed over • Once this is done, the Money-counters count the total amount remaining • The Record keeper records this amount in the 'Cash in the Social Fund' section in the notebook • The Record keeper says that everyone should remember this amount for the next meeting • The new Social Fund money is then put in the draw-string bag and put back in the cash box

<p>3 Share-purchase/savings</p>	<ul style="list-style-type: none">• The Chairperson tells the Record-keeper to conduct the Share-purchase/savings activities• The Record-keeper asks the members to recall the balance of the Loan Fund from the previous meeting• The Money-counters then remove the Loan Fund from its bag and count it, announcing the amount to the members• Once it is agreed that the amount remembered and the amount counted are the same, the money is placed in the money-counting bowl• The Chairperson announces that members will now buy shares• The Record-keeper calls each member to the front by their number• Each member comes to the front and buys between 1 - 5 shares, giving the money to the Money-counters and their passbook to the Record-keeper• The Money-counters count the money saved by each member, place it in the money-counting bowl and <u>announce the amount and the number of shares</u> that have been purchased by the member• The Record-keeper stamps the correct number of shares into the passbook and crosses out any unused blocks• The member then checks that the number of new stamps in the passbook is correct: <u>the passbook remains with the Record-keeper for the rest of the meeting</u>• (If a member needs to make a withdrawal, they will ask for it instead of buying shares. When a withdrawal is needed, the Record-keeper will cross out the number of shares from the member's passbook that corresponds to the value of the withdrawal and the Money-counters will give the money from the money-counting bowl. The value of a share paid back to the member will be equal to its original purchase price.)• Once all the members have made their contributions, the Chairperson then tells the Money-counters to combine the money in the fines bowl and the money-counting bowl and to count it• The Money-counters then count the money and the announce the total to the Group• The Record-keeper then tells the Group that this is the money available for lending in this meeting
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<p>4 Loan taking</p>	<ul style="list-style-type: none"> • The Chairperson invites loan requests, reminding members of the maximum loan term (3 months) and maximum loan amount (3 times the value of a member's savings) • Members needing loans make their requests, stating 1. How much they need, 2. the purpose of the loan, 3. how long they need it for • The Record-keeper checks in the passbooks of the members requesting a loan, to see that the member has saved at least 1/3 of the amount they want to borrow. If they have not saved enough they must reduce the amount of their request • The Record-keeper calculates the total value of the loans requested • If the total requested is more than the money available in the Loan Fund (the money in the money-counting bowl), the VSLA must discuss adjustments to the loan amounts, guided by the rules of the Constitution until all members are in agreement • The Record-keeper calls each borrower forward in order of their number • The Record-keeper enters the 'Date of loan disbursement' and the 'Date by which the loan must be repaid' at the top of the page • Using the service charge tables (see Annex 5), the Record-keeper calculates the service charge payable for the whole loan period of 1, 2 or 3 months. In the case of groups that do not wish to charge interest, the Record-keeper enters a zero • The Record-keeper totals the loan amount and the service charge (if any) and enters this in the 'Total due' box, telling the member that they must repay this amount, at any time before the date shown in the passbook as the 'Date by which the loan must be repaid' • The Record-keeper tells the Money-counters to give the borrower the loan amount • The borrower counts the money, and signs the passbook • The Record-keeper tells the borrower to announce the total amount due and by what date it will be repaid • This process is repeated until all loans have been issued • The Record-keeper tells the Money-counters to count the money remaining in the money-counting bowl and announce it to the members • The Record-keeper records this amount in the 'Cash in the Loan Fund' page in the notebook • The Record-keeper says that this is the current value of their Loan Fund • The Money-counters then put the Loan Fund in its draw-string bag and return it to the cash box
<p>5 Closing balances</p>	<ul style="list-style-type: none"> • The Chairperson takes the notebook from the Record-keeper and announces the total amount in the Social Fund, instructing all members to memorise it for the next meeting • The Chairperson announces the total of the Loan Fund once again, and instructs all members to memorise it for the next meeting • The Chairperson then asks the Key-holders to lock the box
<p>6 Closing</p>	<ul style="list-style-type: none"> • The Chairperson invites members to discuss any other subject that may be of interest • The Chairperson announces the date and time of the next meeting • Once discussion is complete, the Chairperson closes the meeting

Note: For the visits between Training 4 and Training 5 when loans are being taken the FO should use this table.

Module 5: First loan repayment meeting

Purpose of the meeting

This meeting takes place at any time a member wants to make a loan repayment. In any meeting after the first loan disbursements have been made. The FO tells the members that this meeting will be the first time that the Association will receive loan repayments.

The FO refers to Annex 4 to be sure about how Social Fund, savings and loan records are kept. **Do NOT fill out any records without reference to Annex 4.**

Table 10: Procedures for a loan meeting with first loan repayments

Meeting step	Loan Meeting with First Loan Repayments – Procedures
<p>1 Meeting Opening</p>	<ul style="list-style-type: none"> • The Chairperson calls the meeting to order • The Chairperson tells the Record-keeper to perform a roll call, by member number • The Key-holders are called on to open the box, which remains in front of the Box-keeper, and the materials are taken out and placed in front of the Record-keeper • The fines bowl is placed in front of the Chairperson, so that fines can be collected during the meeting
<p>2 Social Fund <i>(if the VSLA does not have a Social Fund, skip to step 3)</i></p>	<ul style="list-style-type: none"> • The Chairperson tells the Record-keeper to conduct the Social Fund activities and reminds the members of the amount they must all contribute • The Record-keeper asks the members to recall the balance of the Social Fund from the previous meeting • The Money-counters remove the money from the Social Fund bag, place it in the money-counting bowl, count it, and announce the amount to the members. The money remains in the money-counting bowl. • The Chairperson says that contributions will be made to the Social Fund • The Record-keeper calls each member, by number, to give their Social Fund contributions to the Money-counters • When the member comes forward, they give their Social Fund contribution to the Money-counters and are given their passbook • Both Money-counters confirm that each member has given the right contribution and place it in the money-counting bowl and the Record-keeper enters a checkmark in a vacant square in the Social Fund contribution section of the passbook • When all contributions are completed, the Money-counters count the total amount in the money-counting bowl and announce the amount • The Record-keeper then asks if anyone needs help from the Social Fund. Members in need make their request to the group • If a majority of the members approve, the money is handed over • Once this is done, the Money-counters count the total amount remaining • The Record keeper records this amount in the 'Cash in the Social Fund' section in the notebook • The Record keeper says that everyone should remember this amount for the next meeting • The new Social Fund money is then put in the draw-string bag and put back in the cash box

<p>3 Share-purchase/savings</p>	<ul style="list-style-type: none"> • The Chairperson tells the Record-keeper to conduct the Share-purchase/savings activities • The Record-keeper asks the members to recall the balance of the Loan Fund from the previous meeting • The Money-counters then remove the Loan Fund from its bag and count it, announcing the amount to the members • Once it is agreed that the amount remembered and the amount counted are the same, the money is placed in the money-counting bowl • The Chairperson announces that members will now buy shares • The Record-keeper calls each member to the front by their number • Each member comes to the front and buys between 1 - 5 shares, giving the money to the Money-counters and their passbook to the Record-keeper • The Money-counters count the money saved by each member, place it in the money-counting bowl and <u>announce the amount and the number of shares</u> that have been purchased by the member • The Record-keeper stamps the correct number of shares into the passbook and crosses out any unused blocks • The member then checks that the number of new stamps in the passbook is correct: <u>the passbook remains with the Record-keeper for the rest of the meeting</u> • (If a member needs to make a withdrawal, they will ask for it instead of buying shares. When a withdrawal is needed, the Record-keeper will cross out the number of shares from the member's passbook that corresponds to the value of the withdrawal and the Money-counters will give the money from the money-counting bowl. The value of a share paid back to the member will be equal to its original purchase price.)
<p>4 Loan repayment</p>	<ul style="list-style-type: none"> • The Chairperson tells the Record-keeper to conduct loan repayment activities • By referring to each member's passbooks, the Record-keeper identifies the borrowers and the amounts due • Each borrower is asked if they will make a payment in the meeting and, if so, the money is given to the Money-counters <u>who announce the amount</u> and place it in the money-counting bowl • The Record-keeper enters the payment amount in the borrower's passbook in the 'Paid' box • The Record-keeper then calculates the remaining balance due and enters it in the 'Balance' box in the passbook • The borrower then signs in the space provided • If the remaining balance due is zero, the Record-keeper signs the passbook and says that the loan is repaid, cancelling the loan with a diagonal red line drawn through the entire page • The Chairperson then tells the Money-counters to combine the cash in the money-counting bowl and the fines-bowl and to count it • The Record-keeper then tells the VSLA that this is the money available for lending in this meeting

<p>6 Loan taking</p>	<ul style="list-style-type: none"> • The Chairperson invites loan requests, reminding members of the maximum loan term (3 months) and maximum loan amount (3 times the value of a member's savings) • Members needing loans make their requests, stating 1. How much they need, 2. the purpose of the loan, 3. how long they need it for • The Record-keeper checks in the passbooks of the members requesting a loan, to see that the member has saved at least 1/3 of the amount they want to borrow. If they have not saved enough they must reduce the amount of their request • The Record-keeper calculates the total value of the loans requested • If the total requested is more than the money available in the Loan Fund (the money in the money-counting bowl), the VSLA must discuss adjustments to the loan amounts, guided by the rules of the Constitution until all members are in agreement • The Record-keeper calls each borrower forward in order of their number • The Record-keeper enters the 'Date of loan disbursement' and the 'Date by which the loan must be repaid' at the top of the page • Using the service charge tables (see Annex 5), the Record-keeper calculates the service charge payable for the whole loan period of 1, 2 or 3 months. In the case of groups that do not wish to charge interest, the Record-keeper enters a zero • The Record-keeper totals the loan amount and the service charge (if any) and enters this in the 'Total due' box, telling the member that they must repay this amount, at any time before the date shown in the passbook as the 'Date by which the loan must be repaid' • The Record-keeper tells the Money-counters to give the borrower the loan amount • The borrower counts the money, and signs the passbook • The Record-keeper tells the borrower to announce the total amount due and by what date it will be repaid • This process is repeated until all loans have been issued • The Record-keeper tells the Money-counters to count the money remaining in the money-counting bowl and announce it to the members • The Record-keeper records this amount in the 'Cash in the Loan Fund' page in the notebook • The Record-keeper says that this is the current value of their Loan Fund • The Money-counters then put the Loan Fund in its draw-string bag and return it to the cash box
<p>7 Closing balances</p>	<ul style="list-style-type: none"> • The Chairperson takes the notebook from the Record-keeper and announces the total amount in the Social Fund, instructing all members to memorise it for the next meeting • The Chairperson announces the total of the Loan Fund once again, and instructs all members to memorise it for the next meeting • The Chairperson then asks the Key-holders to lock the box
<p>8 Closing</p>	<ul style="list-style-type: none"> • The Chairperson invites members to discuss any other subject that may be of interest • The Chairperson announces the date and time of the next meeting • Once discussion is complete, the Chairperson closes the meeting

In all meetings from now on, the FO uses Table 10 as a procedures guide.

Module 6: Share-out/action-audit and graduation

In the case of Sharia compliant VSLAs, it is only necessary to give back to each member the total of their savings. Where the amount available for share-out is more (owing to interest income and fines, or if the group has made a profit on buying and selling commodities), or less than what members have saved (such as if a member could not pay back his or her loan in full, or if there were other expenses) then the procedures in Table 11 must be followed.

Table 11: Procedures for share-out at the end of the cycle

Meeting step	Share-out procedures
1 Share-out	<ul style="list-style-type: none"> • The Social Fund is counted, the amount announced and put away. It does not get shared out • If any member has not completed their loan repayments, the amount owing is recovered by cancelling the number of shares in his/her passbook that equals the value of the amount owing • The Money-counters count the money in the Loan Fund • While the Money-counters are counting, the Record-keeper takes the passbooks and counts the total number of shares of the VSLA • Once the Money-counters are finished, the Record-keeper uses the calculator to divide the total cash in the Loan Fund by the total number of shares. This determines the value of a single share. It should be written down to three decimal places (for example, Br 574.256) • Next, the Record-keeper multiplies the number of shares in each passbook by the value of one share. (S)he then announces the number of shares and the amount payable to the member, <u>rounding down by the smallest cash unit of the national currency</u>. (S)he then asks the Money-counters to count out the amount and place it in each member's passbook, which is set aside • The Record-keeper then cancels all of each member's shares by drawing a large cross on each page of the passbook on which there are share stamps • <u>All passbooks are treated in the same way before anyone receives any money</u>. Once the process is complete, there will be a small amount of money remaining due to rounding down, but there should not be a shortfall. If there is a shortfall, the process is repeated until the amounts are correct. Any small amount remaining is put in the Social Fund, or used as seed capital in the Loan Fund for the next cycle • All members are given their passbooks with all the money. <u>It is very important that every member's money is placed in their hand</u>

Meeting step	Share-out procedures
<p>2 Preparation for the next cycle</p>	<ul style="list-style-type: none"> • Any member who wishes to leave the VSLA should do so • New members can now be allowed to join, if all remaining members agree • The continuing members now decide on the share price for the next cycle • If the VSLA wishes to establish seed capital to initiate the next cycle, they should now do so. <i>All members may contribute whatever amount they wish, and it can be more than 5 shares on this one occasion, <u>denominated in the new share value</u></i> • The number of shares is recorded in the passbook of each member, in the 'Starting NUMBER OF SHARES ' box • When all of the members who want to contribute seed capital have done so, the Money-counters count the seed capital and place it in the Loan Fund bag in the cash-box and the amount is recorded by the Record-keeper in the notebook • The Chairperson announces the amount and explains that this is the balance of the Loan Fund to start the next cycle • The box is now locked and the old cycle is now formally ended • The FO then explains to the VSLA that in their next meeting, they must hold elections and then revise their Constitution, which new members must sign. (S)he then offers to attend the next meeting to assist with elections and the Constitution

Annex 1: Election procedures

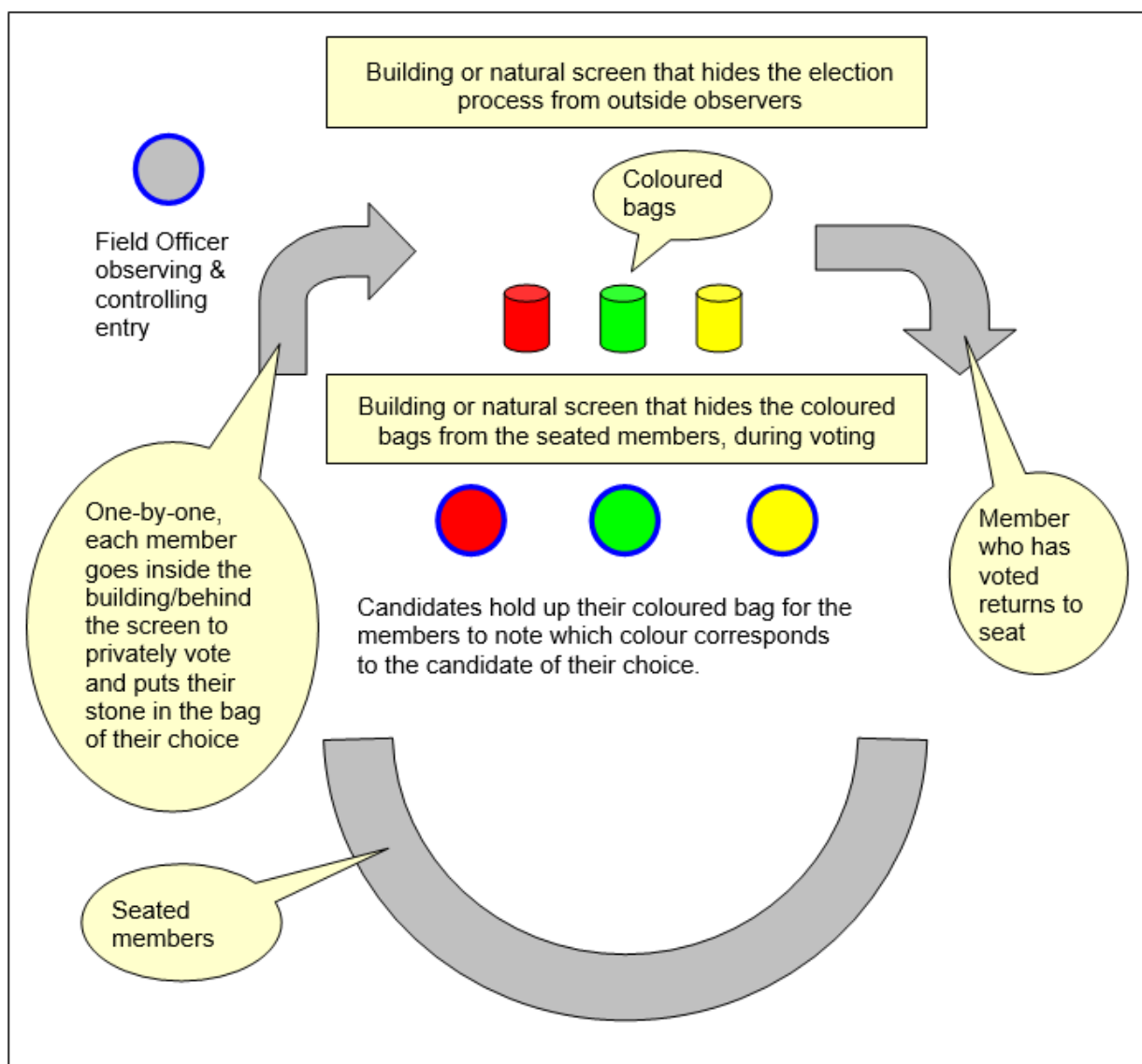
The FO prepares the members for the election and explains the process (see Figure 4, below). (S)he brings three bags to the VSLA meeting, each in a different colour, (s)he also provides one small stone for each member.

Each of up to three candidates (for each position) is given a coloured bag and everyone is asked to note the colour corresponding with the member they want to vote for. The coloured bags are placed behind a screen (or inside a building) some distance from the gathering and sheltered from view of members and passers-by. Each member in turn goes behind the screen (or into the building) and, hidden from the members but under the eye of the FO, deposits a token in the coloured bag of his/her choice.

When all of the members have voted, the FO counts out the votes in front of the members by removing the stones from each bag. (S)he ensures that no additional stones have been put in the bags – the total should equal the number of members voting.

At the end of the elections, the FO explains that in the next cycle, the FO can be called to facilitate the election, or it can be facilitated by a trusted member who does not stand for election and is trusted to be neutral.

Figure 4: Diagram of election procedures



Annex 2: Constitution framework

Part 1: VSLA governance

1 BASIC INFORMATION ON THE VSLA

- Name of the VSLA _____
- Address: _____
- The VSLA was formed on (date): _____

2 OBJECTIVE OF THE VSLA

- The purpose of the VSLA is to be an independent, sustainable provider of savings, credit and social support to its members

3 WHO MAY BE A MEMBER OF THE VSLA?

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

4 COMPOSITION OF THE MANAGEMENT COMMITTEE

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

5 ELECTION PROCEDURES

- Elections must be held at the beginning of each new cycle, or annually, whichever is sooner
- The minimum number of people that must stand for each position is 2
- The minimum number of members who must be present to hold an election is: _____
- The election procedure will use a system that allows everyone's vote to be secret
- A candidate for any position must be proposed by another member and cannot nominate themselves

6 REMOVAL OF OFFICERS FROM THEIR POSITION BETWEEN ELECTIONS

- Any member of the Association may, at any time, request a vote of no confidence against a member of the Management Committee
- The Committee member must resign if the majority of members vote to remove him/her
- An election is required to fill the vacant position

7 MEETINGS

- To buy shares the VSLA will meet every _____ (week or two weeks)
- Shares will be bought at every meeting
- Loans may also be disbursed and repaid at every meeting after the first loan disbursement in the 4th week of a cycle
- The VSLA will conduct a share-out every year in which members will receive all of their savings and any profit the group may have made

8 MEMBERS LEAVING THE VSLA

If a member leaves before the cycle is finished, the money they have used to purchase shares will be returned to them, minus any loan balance, Social Fund arrears and fines that they owe

9 EXPULSION FROM THE VSLA

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

10 FINES

The following table lists the fines that will be charged

Reason for the fine	Amount
Failure to attend a meeting without sending word	
Late to a meeting	
Not remembering VSLA rules	
Forgetting a key to the box	
Chatting through the proceedings	
Not remembering balances from the preceding meeting	
Failure of a member of the Management Committee to perform their duties	
% of the loan balance due, payable monthly in case of late payment	

11 AMENDMENTS TO THE CONSTITUTION

- 2/3 of the members must agree before the Constitution can be changed
- Any member can propose an amendment to the Constitution after _____ months

Part 2: Services offered by the VSLA

1 SAVINGS

- Members may buy 1 – 5 shares in each meeting
- The purchase price of a share will be: _____
- Members may contribute an equal agreed-upon amount *at the start of every future cycle* to speed up the growth of the loan portfolio. *Only at this moment in the cycle*, the number of start-up shares are allowed to be more than 5 shares per member

2 LENDING

- The maximum amount that anyone can borrow is three times the value of their savings
- A loan may be taken for one, two or three months only
- The service charge on a loan will be _____% per month. This is added as a total for the requested length of the loan term (1, 2 or 3 months)
- A member must repay a loan before (s)he can take another
- If a member dies and has a loan remaining unpaid, it will be treated as follows:

- The highest priority for loans will be given for: _____
- The second highest priority for loans will be given for: _____
- The third highest priority for loans will be given for: _____

3 SOCIAL FUND

- The Social Fund is for grants only. *No loans will be made from the Social Fund*
- No money in the Social Fund will be transferred to the Loan Fund
- The Social Fund contribution, per member, per meeting will be: _____
- The benefit payable for a deceased member will be: _____
- The benefit payable for a deceased spouse will be: _____
- The benefit payable for a member's deceased child will be: _____
- The benefit payable for a member's deceased parent will be: _____
- The maximum benefit payable for medical expenses will be: _____
- Other: _____
- Other: _____

Annex 3: The Kit

The kit consists of:

- Strong, well-made lockable metal cash box, able to be closed with 3 locks
- Three good quality padlocks (this is very important), each with two keys
- 25 member number-cards
- 25 passbooks
- Notebook
- Rubber stamp for marking shares
- Ink pad and spare bottle of ink
- Ruler
- Two ball point pens: one black or blue, the other red
- Good quality calculator
- 2 plastic bowls in different colours, about 25-30 cm in diameter and 12 cm deep (one for fines and one for money-counting)
- 2 fabric money-bags, with draw strings: one in one colour for the Social Fund, and one in another colour for the Loan Fund



Annex 4: Use of passbooks

Savings

VSLA members save by buying shares, stamped in the front section of the passbook.

Figure 5: Passbook with 11 shares stamped in

Price of a share		Br 10	
Starting number of shares this page			0
Shares bought at each meeting			
→	→	→	→
→	→	→	→
→	→	→	→
→	→	→	→
→	→	→	→
Ending number of shares this page			

Explanation: The illustration shows that there have been five meetings and that the member has bought eleven shares

When members make their contribution, the Record-keeper stamps in each passbook the number of shares they have bought and the member confirms that the amount is correct.

On each line, the unused spaces are marked through with crossed diagonal lines to prevent fraudulent entry of shares at a later date.

The value of shares purchased is $11 \times \text{Br } 10 = \text{Br } 110$

Figure 6: Passbook showing the sale of three shares

Price of a share		Br 10	
Starting number of shares this page			0
Shares bought at each meeting			
→	→	→	→
→	→	→	→
→	→	→	→
→	→	→	→
→	→	→	→
→	→	→	→
Ending number of shares this page			

Explanation: Two meetings later, in the seventh meeting of the cycle, this member was unable to save. To show that (s)he did not save anything at this meeting, the row for meeting 7 is cancelled by the Record-keeper, with crossed diagonal lines, in red ink. The Record-keeper would also fill in a line with crosses if a member is not present and does not send money with another member.

In addition, the member asked to sell three shares and received Br 30 ($10 \times 3 = \text{Br } 30$)

The three shares (s)he bought in meetings 5 and 6 are deleted, and the money is paid to the member.

The possibility of selling shares allows members to access their savings at any time, unless they have a loan that has not yet been repaid.

Figure 7: Situation at the end of 13 meetings

Price of a share <u>Br 10</u>	
Starting number of shares this page	0
Shares bought at each meeting	
Ending number of shares this page	25

Explanation: Figure 7 shows what the passbook looks like when a page is filled. By the 13th meeting (the book contains 13 lines, to cover a quarter of a year), the member had purchased a total of 28 shares, but, as we have seen, she sold three shares purchased in meetings 5 and 6. At the 13th meeting, the net number of shares bought during this period is therefore 25.

This figure is added to the number of shares at the beginning of the page (in this case zero) and entered into the cell "Ending number of shares." On the next page, this figure will be reported in the cell "Starting NUMBER OF SHARES."

Note: Do NOT enter the cash value of shares in the Starting NUMBER OF SHARES" and "Ending NUMBER OF SHARES" boxes, but only the number of shares bought."

Figure 7 displays the total number of shares owned by the member at the end of the period. The result is cumulative and will be

different at the end of each page.

Figure 8: Situation at the end of the cycle, after share-out

Price of a share <u>Br 10</u>	
Starting number of shares this page	92
Shares bought at each meeting	
Ending number of shares this page	120

Explanation: Figure 8 shows what the passbook looks like in the last quarter of the cycle. In this case there were 92 shares from the previous page, carried forward into the 'Starting NUMBER OF SHARES' box and the member has bought an additional 33 shares. However, 5 of these have been paid back to the member before the end of the cycle, leaving a net 120 shares bought during the cycle.

The large red 'X' indicates that the share-out is completed and the member has received back her money.

Loans

Loans are recorded in the back of the passbook. *Note: each loan occupies a full page*

Figure 9: Member loan record (1)

Loans			
Date of loan disbursement		4-1-2020	
Date by which the loan must be repaid		4-4-2020	
Date	Item	Amount	Signature
4-1-2020	Loan amount	1,000	Ayana
	Service charge	150	
	Total due	1,150	
	Paid		
	Balance		
	Paid		
	Balance		
	Paid		
	Balance		
	Paid		
	Balance		
	Paid		
	Balance		
	Paid		
	Balance		
	Paid		
	Balance		

Explanation: The example on the left is a loan given to Ayana. She borrows 1,000. At the top of the page, the date the loan is disbursed is shown and also the date by which the loan must be fully repaid. This helps the Record-keeper and the member to know if a loan is being paid back late. All the Record-keeper needs to do is to put the same date, three months later than the date of loan disbursement (i.e. they just need to change the month).

The Record-keeper then enters the amount of the service charge (150, or 5% a month) and then adds the loan amount and the Service charge together, entering 1,150 in the 'total due' box.

Note: Tables that help the Record-keeper to calculate service charges are shown in Annex 5.

Ayana signs this to show that he understands that she now owes a total of 1,150 and must pay it back by the due date.

Figure 10: Member loan record (2)

Loans			
Date of loan disbursement		4-1-2020	
Date by which the loan must be repaid		4-4-2020	
Date	Item	Amount	Signature
4-1-2020	Loan amount	1,000	Ayana
	Service charge	150	
	Total due	1,150	
18.1	Paid	200	Ayana
	Balance	950	
	Paid		
	Balance		
	Paid		
	Balance		
	Paid		
	Balance		
	Paid		
	Balance		
	Paid		
	Balance		
	Paid		
	Balance		

Explanation: Entries after this are only shown if the member pays back part or all of the loan. In this case, in a meeting on 18-1-2020 Ayana paid 200, leaving a balance of 950.

Figure 11: Member loan record (3)

Loans			
Date of loan disbursement		4-1-2020	
Date by which the loan must be repaid		4-4-2020	
Date	Item	Amount	Signature
4-1-2020	Loan amount	1,000	Ayana
	Service charge	150	
	Total due	1,150	
18-1	Paid	200	Ayana
	Balance	950	
15-2	Paid	250	Ayana
	Balance	700	
14-3	Paid	250	Ayana
	Balance	450	
	Paid		
	Balance		
	Paid		
	Balance		
	Paid		
	Balance		
	Paid		
	Balance		
	Paid		
	Balance		

Explanation: Ayana pays a further 250 on the 15th February and 250 on the 14th March, reducing the balance to 450. In meetings where she made no payment no entries are made.

Figure 12: Member loan record (4)

Loans			
Date of loan disbursement		4-1-2020	
Date by which the loan must be repaid		4-4-2020	
Date	Item	Amount	Signature
4-1-2020	Loan amount	1,000	Ayana
	Service charge	150	
	Total due	1,150	
18-1	Paid	200	Ayana
	Balance	950	
15-2	Paid	250	Ayana
	Balance	700	
14-3	Paid	250	Ayana
	Balance	450	
21-3	Paid	450	Halima
	Balance	0	
	Paid		
	Balance		
	Paid		
	Balance		
	Paid		
	Balance		
	Paid		
	Balance		

Explanation: Figure 12 on the left shows that at the next meeting, Ayana pays the full amount owing. The Record-keeper (Halima) enters 57,000 in the 'Paid' row, enters a '0' in the Loan balance row and then signs the entry.

Once the loan is fully paid, the Record-keeper draws a red line through the whole loan record. This indicates that the loan has been completely repaid. Note that the red line covers the whole page, so that each loan is registered on its own page. The extra lines are available in the case that a member pays in small, more frequent amounts.

If the member pays in more than 8 instalments, the loan record can continue on the next page, but ignoring the 'Service charge cell.

Note: Fines should be considered if the borrower does not pay within the agreed upon time of the loan: See the fines section in the Constitution framework in Annex 2.

Social Fund contribution record

Loan Fund balances are recorded in the notebook, but it is also necessary to keep track of who has paid their Social Fund contributions. When they are paid the Record-keeper marks each payment with a checkmark for the member. At the end of the cycle (52 meetings as shown in Figure 13 below) the Record-keeper can see how many times the member has not paid their Social Fund contribution at the end of the cycle (in this case 5 times, or Br 10) and can either demand that it be paid, or deducted from their savings. The page shown here allows for two 12-month cycles.

Figure 13: Social Fund record of payment

Social fund contribution				<i>Br 2</i>			
Cycle number		1		Cycle number		2	
✓	✓	✓	✓				
✓	✓	✓	✓				
✓	✓	✓	✓				
✓	✓	✓	✓				
✓	✓	✓	✓				
✓	✓	✓	✓				
✓	✓	✓	✓				
✓	✓	✓	✓				
✓	✓	✓	✓				
✓	✓	✓	✓				
✓	✓	✓					
Number not paid		5		Number not paid			

Annex 5: Calculating a Service charge

Figures 14,15 and 16 below are charts that allow the Record-keeper to calculate the amount of the service charge that a member must pay on their loan (only in the case of groups that require a service charge. Sharia-compliant groups can ignore this).

Figure 14 shows the amount of service fees to be applied (based on the loan amount and interest rate applied) for three-month loans. Figure 15 shows the service patterns for two-month loans; Figure 16 shows the amount of service fees for one-month loans.

Figure 14: Calculating a three-month service charge

Total of loan service charges payable: 3 month loan						
Loan	1.0%	2.5%	5.0%	10.0%	15.0%	20.0%
300	9	23	45	90	135	180
400	12	30	60	120	180	240
500	15	38	75	150	225	300
600	18	45	90	180	270	360
700	21	53	105	210	315	420
800	24	60	120	240	360	480
900	27	68	135	270	405	540
1,000	30	75	150	300	450	600
1,100	33	83	165	330	495	660
1,200	36	90	180	360	540	720
1,300	39	98	195	390	585	780
1,400	42	105	210	420	630	840
1,500	45	113	225	450	675	900
1,600	48	120	240	480	720	960
1,700	51	128	255	510	765	1,020
1,800	54	135	270	540	810	1,080
1,900	57	143	285	570	855	1,140
2,000	60	150	300	600	900	1,200
2,100	63	158	315	630	945	1,260
2,200	66	165	330	660	990	1,320
2,300	69	173	345	690	1,035	1,380
2,400	72	180	360	720	1,080	1,440
2,500	75	188	375	750	1,125	1,500
3,000	90	225	450	900	1,350	1,800
3,500	105	263	525	1,050	1,575	2,100
4,000	120	300	600	1,200	1,800	2,400
4,500	135	338	675	1,350	2,025	2,700
5,000	150	375	750	1,500	2,250	3,000
6,000	180	450	900	1,800	2,700	3,600
7,000	210	525	1,050	2,100	3,150	4,200
8,000	240	600	1,200	2,400	3,600	4,800
9,000	270	675	1,350	2,700	4,050	5,400
10,000	300	750	1,500	3,000	4,500	6,000

The monthly service charge is indicated as a percentage in the top row. The lines below show the actual amount that will be charged for a three-month loan at the selected monthly service charge.

Note: In almost all cases, the loan term is three months and therefore Figure 14 will be the most commonly used. For the sake of simplicity, programmes may decide to adopt the three-month period only. If loans are granted for less than three months, Figures 15 and 16 should be used. The recording of data should be strictly supervised by the FO. Loans must be granted only for one, two or three months if a service charge is applied – it is too complicated to calculate a service charge for periods shorter than a month.

Figure 15: Calculating a two-month service charge

Loan	Total of loan service charges payable: 2 month loan					
	1.0%	2.5%	5.0%	10.0%	15.0%	20.0%
300	6	15	30	60	90	120
400	8	20	40	80	120	160
500	10	25	50	100	150	200
600	12	30	60	120	180	240
700	14	35	70	140	210	280
800	16	40	80	160	240	320
900	18	45	90	180	270	360
1,000	20	50	100	200	300	400
1,100	22	55	110	220	330	440
1,200	24	60	120	240	360	480
1,300	26	65	130	260	390	520
1,400	28	70	140	280	420	560
1,500	30	75	150	300	450	600
1,600	32	80	160	320	480	640
1,700	34	85	170	340	510	680
1,800	36	90	180	360	540	720
1,900	38	95	190	380	570	760
2,000	40	100	200	400	600	800
2,100	42	105	210	420	630	840
2,200	44	110	220	440	660	880
2,300	46	115	230	460	690	920
2,400	48	120	240	480	720	960
2,500	50	125	250	500	750	1,000
3,000	60	150	300	600	900	1,200
3,500	70	175	350	700	1,050	1,400
4,000	80	200	400	800	1,200	1,600
4,500	90	225	450	900	1,350	1,800
5,000	100	250	500	1,000	1,500	2,000
6,000	120	300	600	1,200	1,800	2,400
7,000	140	350	700	1,400	2,100	2,800
8,000	160	400	800	1,600	2,400	3,200
9,000	180	450	900	1,800	2,700	3,600
10,000	200	500	1,000	2,000	3,000	4,000

The monthly service charge is indicated as a percentage in the top row. The lines below show the actual amount that will be charged for a two-month loan at the selected monthly service charge.

Figure 16: Calculating a one-month service charge

Loan	Total of loan service charges payable: 1 month loan					
	1.0%	2.5%	5.0%	10.0%	15.0%	20.0%
300	3	8	15	30	45	60
400	4	10	20	40	60	80
500	5	13	25	50	75	100
600	6	15	30	60	90	120
700	7	18	35	70	105	140
800	8	20	40	80	120	160
900	9	23	45	90	135	180
1,000	10	25	50	100	150	200
1,100	11	28	55	110	165	220
1,200	12	30	60	120	180	240
1,300	13	33	65	130	195	260
1,400	14	35	70	140	210	280
1,500	15	38	75	150	225	300
1,600	16	40	80	160	240	320
1,700	17	43	85	170	255	340
1,800	18	45	90	180	270	360
1,900	19	48	95	190	285	380
2,000	20	50	100	200	300	400
2,100	21	53	105	210	315	420
2,200	22	55	110	220	330	440
2,300	23	58	115	230	345	460
2,400	24	60	120	240	360	480
2,500	25	63	125	250	375	500
3,000	30	75	150	300	450	600
3,500	35	88	175	350	525	700
4,000	40	100	200	400	600	800
4,500	45	113	225	450	675	900
5,000	50	125	250	500	750	1,000
6,000	60	150	300	600	900	1,200
7,000	70	175	350	700	1,050	1,400
8,000	80	200	400	800	1,200	1,600
9,000	90	225	450	900	1,350	1,800
10,000	100	250	500	1,000	1,500	2,000

The

monthly service charge is indicated as a percentage in the top row. The lines below show the actual amount that will be charged for a one-month loan at the selected monthly service charge.

Annex 6: What to do if the loan is paid back early or late

Early repayment

If a member is repaying a loan early, the SG should return a part of the interest. However, this can be complicated, when parts of a month have to be calculated. To keep it simple, it is easier to pay one month's interest back for each full month the loan is paid back early, which will encourage early repayment.

Late repayment

If a member repays their loan late, they must be fined for late payment. A fixed percentage of the loan amount is charged as a late penalty for every month or part of a month spent in arrears (meaning that if a member is overdue by as little as one week, they must still pay the full fine). This provision should normally be included in the "Fines" section of the By-Laws as shown in section 10 of the Constitution template in Annex 2 on page 30.

Annex 7: Share out chart example from Ethiopia

Member No.	Shares per member		Single share value at end of cycle	=	Payout to members
1	200	x	11.444	=	2,288
2	200	x		=	2,288
3	198	x		=	2,265
4	153	x		=	1,750
5	260	x		=	2,975
6	135	x		=	1,544
7	172	x		=	1,968
8	260	x		=	2,975
9	99	x		=	1,132
10	184	x		=	2,105
11	260	x		=	2,975
12	85	x		=	972
13		x		=	
14		x		=	
15		x		=	
Total shares					2,206
Total cash to share out					25,245
Share value at end of cycle					11.444
			Total shared out		25,237
			Balance remaining		8

- The Trainer starts by entering the number of each member's total shares at the end of the cycle and adds them up to arrive at a total number of shares bought by the members of the group (in this case 2,206 shares)
- The total cash available for the share out is entered below (in this case 25,245)
- The total number of shares is then divided into the total value of cash and the result is displayed to three places of decimals. This is the current value of a share (in this case 11.444) This amount is entered into the Single share value at end of cycle column.
- The number of each member's shares are then multiplied by the value of a share and the result is then rounded down to the nearest real value in the national currency (in this case, to the nearest Br 1)
- The balance (in this case 8) is the amount in cash that should be left over