



Savings and Loan Association Guide

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[DRAFT: SAVINGS AND LOAN ASSOCIATION GUIDE]

The Savings and Loan Association Guide is meant to assist Peace Corps Volunteers and community work partners who want to help their communities to start community-managed savings and loan associations. The Reference Guide provides an overview to methodology, as well as complete session plans, detailed meeting and recordkeeping procedures, and monitoring tools. It is meant to accompany an in-service training. This guide is modeled on the Savings and Loan Association – Shortened Overview from Peace Corps/Benin. It also borrows heavily from Programa de Ahorro Y Credito, Guia de Trabajo – Segunda Edicion from Peace Corps/Ecuador, 2002; Programa de Ahorro Y Credito, Manual de Trabajo, Primera Edicion, 2006 from Peace Corps/Ecuador; Savings and Credit Clubs: A Peace Corps Burkina Guide from Peace Corps/Burkina Faso, and Village Savings and Loan Associations: Programme Guide, Field Operations Manual, Version 2.0, June 19, 2006 by VSL Associates, and Village Savings and Loan Associations: Field Officer Training Guide, Version 1.04, April 22, 2011. Peace Corps/Peru also provided important content.

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SAVINGS AND LOAN ASSOCIATION GUIDE¹

1. What is a Savings and Loan Association?

A Savings and Loan Association is a self-selected group of 15 to 30 people who meet regularly – every week, every two weeks, or once a month. The purpose is for members to save money and to loan money to members of the Association. The Association governs itself. It makes its own rules and decisions guided by a constitution the members create. To enforce and implement these rules and decisions, the group elects a management committee composed of a chairperson, secretary, box keeper, and two money counters. The management committees' duties include facilitating meetings and keeping accurate records of Association activities. It is important to realize, however, that the committee itself has no formal power. Ultimate authority rests in the general assembly, which is made up of all members, including those on the management committee. Specific decisions or rule changes are decided by popular vote of the general assembly. The Association's money that is not being lent is kept locked in a cash box with three locks or kept in a commercial bank account. Three Association members, key holders, hold keys to the locks and the box keeper holds the box. This enhances security. After a predetermined amount of time, usually one year, the Association conducts a share out, dividing its assets and paying each member dividends (share out) in proportion to his or her savings. The Association can choose to begin a new cycle of savings and loan activities after a share out. If the Association chooses to begin a new cycle, then it holds fresh elections for the management committee.

Following are fundamental principles of Savings and Loan Associations that should not be violated:

- The Association must be self-selected.
- The Association should be 15-30 members who meet regularly. (Fewer than 15 members will not allow the loan fund to grow very fast, while an Association with more than 30 members often results in meetings that are too long.)
- The Association collectively agrees on and establishes its rules in the form of a constitution. Associations often implement punishments for people who break the rules, typically in the form of fines.
- Savings cannot be used for any purpose other than lending to Association members.
- No outside funding is involved. The Association saves and loans its own money to its members.
- The Association must share out its money at the agreed upon time (typically 9-12 months)²; savings and lending should not exceed 12 months.³

¹ This Guide is adapted from the *Savings and Loan Association – Shortened Overview by Peace Corps/Benin*

² The bank cycle for youth-led Savings and Loan Associations may be six months due to shorter time horizon. Veronica Torres, director of Youth Economic Opportunities, Making Cents International (Canada). "Help me Save: Applying Behavioral Economics Insights to the Design of Savings Products," presentation at the 2012 Global youth Economic Opportunities Conference, September 12, 2012.

³ Peace Corps/Benin, *Savings and Loan Association – Shortened Overview*, p. 1.

A Typical Savings and Loan Association

In the community of *Los Esteros*, a group of 30 people decides to start a Savings and Loan Association. The Association agrees that each member will bring \$1 per week as savings, for a total of \$4 per month. The members decide to divide the funds at the end of the year. The Association started to make loans to members during the fifth week, repayable after four weeks with a monthly service charge of 10 percent on the total loan amount.

At the end of the bank cycle (week 48) the total value of funds in the Association's loan fund is \$2,566.09. The members' weekly savings accounts for \$1,440. The difference (\$1,126.09) represents the Association's profit from service charges on loans, fees, and Association income-generating activities. This means that each member receives \$85.54, of which they contributed only \$48 in savings.⁴

2. Why are Savings and Loan Associations needed?

- All people need financial services.
- Formal financial service providers such as commercial banks, microfinance institutions (MFIs), and savings and credit cooperative organizations (SACCOs) exist in many developing countries, but often these commercial banks are not accessible to more rural residents. Savings and Loan Associations have a proven track record of meeting this gap.⁵
- Well run Savings and Loan Associations are strong, flexible, and profitable. These qualities allow them to meet residents' needs perhaps better than other informal financial service providers that exist in rural areas, such as rotating savings and credit associations (ROSCAS), which are savings clubs in which all members save the same amount and take turns receiving the same lump sum amount (sometimes called merry-go-rounds or tontines).^{6, 7}

3. Why work with Savings and Loan Associations?

Why Peace Corps Volunteers work with Savings and Loan Associations

Savings and Loan Associations:

- Are inexpensive, easy to set up, and require only local resources
- Build local capacity and draw on their members' creativity
- Provide financial services that are convenient and flexible so people can save and borrow when they need, and pay when they can⁸
- Require training unlike ROSCAs or burial funds; a Volunteer and his or her community partner are well positioned to administer this training
- Provide a platform for other trainings, such as HIV prevention/care, water/sanitation, nutrition, human rights, business development services, and literacy, although this should wait until after the members are fully competent to run their own bank
- Are sustainable
- Are a quick win, since most communities welcome access to much-needed financial services

⁴ Peace Corps/Ecuador, *Programa de Ahorro Y Credito, Manual de Trabajo, Primera Edicion*, 2006, p. 7.

⁵ Peace Corps/Benin, *Savings and Loan Association – Shortened Overview*.

⁶ Peace Corps/Benin, *Savings and Loan Association – Shortened Overview*.

⁷ Rutherford, Stuart, *The Poor and Their Money*. Department for International Development, Oxford University Press, 2000, p. 31.

⁸ Allen, Hugh, presentation on Community Managed Microfinance (CMMF) Theory – Rationale and Performance, at the MDI Workshop in Tanzania, 2008.

Youth-led Savings and Loan Associations

Young people tend to have a shorter time horizon than adults. Youth may want to share out their savings when they are going back to school, starting a business, or migrating to a new location. Therefore, youth-led Savings and Loan Associations may have shorter banking cycles, such as six months rather than 9-12 months for adult-led banks.⁹

Why Volunteers' community work partners work with Savings and Loan Associations

Savings and Loan Associations:

- Provide opportunities for productive development work
- Strengthen existing skills, such as community mobilization, teaching/training, and organizational planning
- Cultivate confidence and leadership ability
- Teach new skills they can take with them wherever they go in order to start new Savings and Loan Associations in other communities

Why organizations work with Savings and Loan Associations¹⁰

Savings and Loan Associations:

- Offer organizations a proven method for community development
- Develop organizations' human resources
- Complement organizations' other work, such as schools, health, or income generating activities (IGA's)
- Improve organizations' reputation in the communities where they operate
- Provide organizations with opportunities for partnership with other organizations and groups

Why people value Savings and Loan Associations¹¹

Savings and Loan Associations:

- Allow people to take charge of their own finances and become bankers in their own right
- Are a safe place to save and borrow money
- Offer a high annual return on savings
- Provide an insurance mechanism in the form of an emergency fund
- Empower women and the poor
- Build cohesiveness within a group
- Train people to plan ahead, keep time, and honor their commitments.
- Develop members' math and business skills
- Promote teamwork and community development
- Do not restrict how people use their money after the saving and lending cycle ends
- Keep all profits in the community

⁹ Veronica Torres, director of Youth Economic Opportunities, Making Cents International (Canada). "Help me Save: Applying Behavioral Economics Insights to the Design of Savings Products," presentation at the 2012 Global youth Economic Opportunities Conference, September 12, 2012.

¹⁰ Peace Corps/Benin, *Savings and Loan Association – Shortened Overview*.

¹¹ Peace Corps/Benin, *Savings and Loan Association – Shortened Overview*.

Peace Corps' History with Savings and Loan Associations

The Village Savings and Loan Association (VSLA) movement began in Niger in 1992. A program manager working for CARE/Niger had a vocational training program for women and it wasn't working. She was trying to find a way to help her clients, who were women secluded (cloistered) from the outside world, to become more economically active. Borrowing some elements from the FINCA village banking model, she started very small savings associations in 1992. It became known as *Mata Masa Dubara* (Women on the Move). This simple method of group saving and lending was tremendously successful. In less than three years there were more than 100,000 people in the program. In 1994, Marcy Kelley, who worked for CARE from 1989 to 1998 and is also a former Peace Corps staff member, evaluated the VSLA program, conducting a final evaluation in 1997. The evaluation results convinced Kelley of the program's worth and replicability as a model in other contexts. In 1998, Kelley was the Peace Corps country director in Ecuador and worked with the Peace Corps staff there to develop and run its own Savings and Loan Association program. They brought in a consultant who adapted the *Mata Masu Dubara* program known as the *Programa de Ahorro Y Credito* (PAC). They started with a pilot program, training seven or eight Volunteers and five Peace Corps staff members. Six months later, they had 13 banks. All Peace Corps staff members were trained in the methodology, setting up their own bank at the Peace Corps office.

Peace Corps/Ecuador trains all its Volunteers in the methodology because it is effective regardless of project sector. Peace Corps/Ecuador has since trained Peace Corps staff from other countries in the methodology. As a result, Peace Corps posts around the world have implemented the Savings and Loan Association methodology.¹²

4. Role of the Coach

The coach's role is to:

- Be a facilitator
- Gain the confidence of local leaders and participants
- Create a relaxed atmosphere so participants feel free to participate
- Encourage participants to be actively involved
- Build participants' confidence in the system so they use it properly and save actively

Note:

Some participants may be experiencing the following:

- Feeling timid to participate or speak publicly
 - Marginalization due to societal norms
 - Fear of participating equally with people of higher social status
-
- Train members how the Savings and Loan Association methodology functions, the requirements, and processes
 - Be creative in helping participants to resolve interpersonal conflicts

¹² Interview with Marcy Kelley in 2010 and Peace Corps/Ecuador, *Programa de Ahorro Y Credito, Guide de Trabajo, Segunda Edicion*, 2002, p.7.

- Help the participants understand that, as a group, they are more capable of resolving problems than they are as individuals^{13 14}
- Monitor the Association's performance and help members of the Association to assess their own performance

5. Who would be a good community work partner?

The Savings and Loan Association program should be done in cooperation with a community work partner.

Who would be a good community work partner? Look for someone who is:

- A natural motivator
- Learns procedures quickly
- Has respect for disciplined meetings
- Has the time and energy to train Savings and Loan Associations
- Is always punctual
- Is known as someone with integrity
- Has expressed a desire to train Savings and Loan Associations¹⁵
- A trustworthy community partner with whom one is already working or would like to work

6. Will a Savings and Loan Association work in my community?

The Savings and Loan Association methodology is not a cure for all development problems. For a Savings and Loan Association to be successful, certain conditions need to exist. Things to keep in mind when deciding to start a Savings and Loan Association are:

- Community work partner—a community member who is well-respected by the community, is committed to helping the community start and manage a Savings and Loan Association, and has the time to dedicate to the effort.
- Geographic density—for instance, if community members live far apart, it makes it difficult to do a Savings and Loan Association because participants must travel longer distances to meet regularly.
- Rural/urban—the methodology works in both rural and urban areas, but it works particularly well in rural areas.
- Community trust—the methodology depends on mutual trust, so making sure that there is community trust to build on is essential for the program to work.
- Existing savings and lending services—it is important to find out whether there are existing formal or informal banks and determine the history of savings groups, savings-led services, and microfinance institutions in the community; how they are perceived and where the gaps are prior to initiating a Savings and Loan Association. If there are many other options, then it does not make sense to do a Savings and Loan Association.^{16 17}

¹³ Peace Corps/Burkina Faso, *Savings and Credit Clubs: A Peace Corps Burkina Guide*.

¹⁴ Peace Corps/Benin, *Savings and Loan Association – Shortened Overview*.

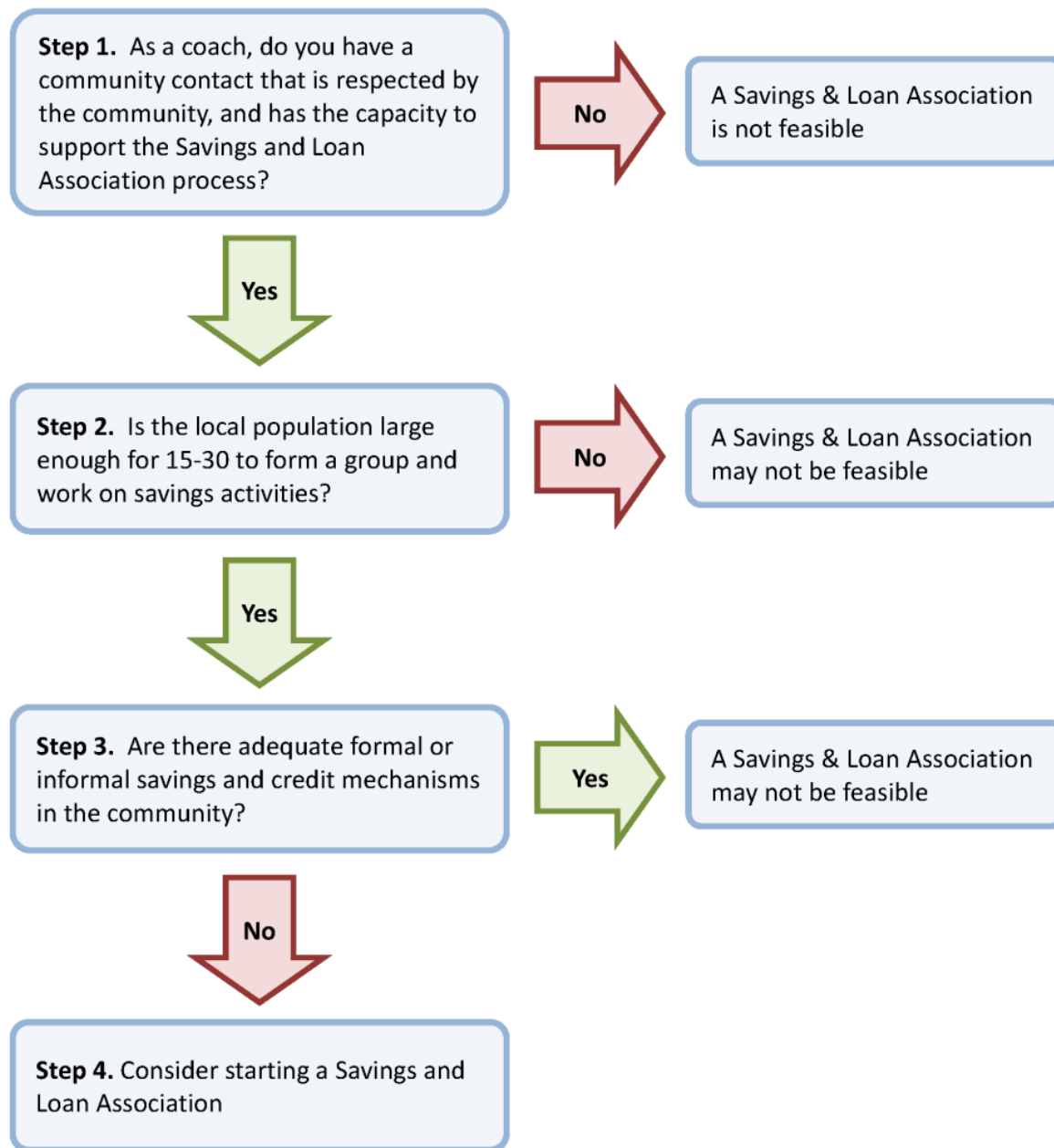
¹⁵ VSL Associates, *Village Savings and Loan Associations: Field Officer Guide, Version 1*, March 2009 modified with the Peace Corps Volunteer in mind, p. 32.

¹⁶ Peace Corps/Benin, *Savings and Loan Association – Shortened Overview*.

¹⁷ Peace Corps/Ecuador, *Programa de Ahorro Y Credito, Manual de Trabajo, Primera Edicion*, 2006.

Decision Tree¹⁸

The Decision Tree is useful for determining whether or not a Savings and Loan Association would be appropriate.



Adapted from *Programa de Ahorro y Credito – Manual de Trabajo, Primera Edicion*, 2006, Peace Corps Ecuador

¹⁸ Adapted from *Programa de Ahorro y Credito—Manual de Trabajo, Primera Edicion*, 2006, Peace Corps Ecuador.

7. How to Start a Savings and Loan Association

It takes a minimum of about eight months for a Savings and Loan Association to move from formation to graduation. The coach's work is most intense at the beginning but tapers off as the Association members build their capacity to manage banking activities. While the Association meets once a week, the coach does not attend every weekly meeting. The following chart illustrates the four phases of a Savings and Loan Association's development, and the coach's tasks and time commitment during each phase:¹⁹

Four Phases of Savings and Loan Development		
Phase	Time Commitment	Task
Mobilization (First 2-3 weeks)	2-4 meetings	• Meeting with local leaders and government officials • Informational meetings with community members • Meeting with potential and newly formed groups
Training (Three Months)	Weekly	• Leadership and elections • Creating emergency fund, share purchase, and credit policies • Development of the constitution • First-share purchase/savings meeting • First loan disbursement meeting • First loan repayment
Monitoring (Three Months)	Twice during first month, once a month for last two months	• Health check • Monitoring
Action Audit and Graduation (Two Months)	Last meeting	• Share out/action audit and graduation • Self-assessment

A. Mobilization

The Mobilization Phase has three purposes:

- To obtain permission by local authorities and leaders to work in a particular area and to enlist their support in organizing public meetings²⁰
- To describe to a public gathering or a meeting with a particular group or entity how the program works and how people may get more information
- To provide a detailed description of how a Savings and Loan Association works, what people have to do to participate, and what the coach promises to do

¹⁹ Modified from Peace Corps/Ecuador, *Programa de Ahorro Y Credito, Manual de Trabajo, Primera Edicion*, 2006.

²⁰ Results from a survey conducted by Peace Corps/Peru showed that more banks were formed as a result of meetings with existing groups or presentations given during a regular town meeting than at public meetings.

Starting a Savings and Loan Association begins with informational meetings. Typically, there are two to three informational meetings with local leaders and community members. During mobilization, you and your community work partner introduce yourselves, and the concept of a Savings and Loan Association, including how it works and how it benefits the community.

One way to start a Savings and Loan Association is via general recruitment of the public or a community meeting. Another strategy is to hold an informational meeting with existing women's groups, neighborhood groups, artisan groups, small producers groups, fishermen's associations, small farm operators, teachers, or youth groups at churches, mosques, and schools. It is also possible to bike from house to house and talk with community members. Meet local leaders and elders to explain the program and how it works. At this point, your objective is to reach as many people as possible. Existing groups may want to form an Association among its members or use their existing group or Association as a member base and then invite more people to join.

Groups providing informal financial services, such as burial funds or ROSCAs, often already exist in the community. These groups offer a perfect target for Savings and Loan Associations. Meet with them, learn about their activities, and explain the Savings and Loan Association model. If they are interested in starting a Savings and Loan Association, establish a time and place to begin training.

If you and your community work partner train an existing group, the group should separate its Savings and Loan Association activities from its non-Savings and Loan Association activities. This separation can be as simple as meeting one day of the week for the Savings and Loan Association and another day of the week for the other work. This helps to avoid distraction and confusion, and keeps the Association meetings focused on banking transactions. Leadership in the existing group does not transfer directly to the Savings and Loan Association. Board members of an existing group should not automatically become the management committee of the Association. One reason for this is that the existing board members may not have the skills necessary to manage the banking activities on behalf of the group. Every Savings and Loan Association must be an independent entity.

The goal of mobilization is to assemble a **self-selected** group of 15-30 people²¹ who

- understand the basic concepts of the Savings and Loan Association;
- want to form an association; and
- are willing to be trained in the Savings and Loan Association methodology.

Once you have mobilized such a group, you may begin training.²²

See [**Appendix A Mobilization Phase Meeting Agendas**](#)

- [**Meeting/s with local leaders and government officials**](#)
- [**Informational meetings with community members at large**](#)
- [**Meeting with potential and newly formed Savings and Loan Association**](#)

²¹Peace Corps/Peru suggests a target group size of 15-25 members. A group size under or over this target size does not mean a Savings and Loan Association is not feasible or that you shouldn't do one or that there is no need for one. A group smaller than 15 members has less access to loans because there is less money being contributed due to fewer members. A group larger than 30 may be handling large sums of money, which makes the risk of theft more serious. Too much money in one spot is more dangerous than having two separate Associations that have little money in their safe box, because it is always loaned out. Also, more than 30 members means that meetings take longer.

²²Peace Corps/Benin, *Savings and Loan Association – Shortened Overview*.

Post Adaptation:

Depending on the formalities in the host country, it may be important to inform government administrators at different levels about the Savings and Loan Association program, starting with the district level and then meeting with community-level administrators and traditional leaders. There may be more than one meeting. They can arrange a public meeting and contact influential community leaders to help promote the program.²³

Interest and Islam: If the issue of interest arises in relation to Islamic principles, emphasize the difference between interest paid on a loan to a commercial lender and a service charge that members pay to the Association. Whereas interest leaves the community and is paid to an outside lender, service charges remain with the Association and are the property of the people who paid them. Because the fund (including the service charges paid) will end up back in the participants' pockets at the end of the cycle, the service charge is, in effect, an additional opportunity to save.²⁴

B. Training

Before potential Savings and Loan Association members begin saving and lending activities, you and your community work partner must train them on the Savings and Loan Association methodology. This training consists of seven sessions that take place over the course of the first banking cycle.²⁵ All but one training session (action-audit/share out) take place in the first eight weeks of bank formation. Detailed session plans for each of the seven training sessions are located in [Appendix B](#).²⁶

The sessions include training on the following topics:

1. [Leaders and Elections](#)
2. [Emergency Fund, Share-purchase and Credit Policies](#)
3. [Development of Constitution](#)
4. [First Savings Meeting](#)
5. [First Loan Meeting](#)
6. [First Loan Repayment](#)
7. [Share Out, Action Audit, and Graduation](#)

See [Appendix B](#) for Training Session Plans

Promoting Women's Participation: Volunteers have had considerable success creating Savings and Loan Associations with women, though men's Associations can also be created. Depending on the cultural norms of the country, it may be advisable to form all-male and all-female Associations, avoiding the mixing of men and women, because cultural norms make it difficult for such groups to function successfully. For example, women may find it difficult to enforce the rules for male members.²⁷

²³ Allen, Hugh; Staehle, Mark, *Programme Guide Field Operations Manual Version 3.1*, November 1, 2007, p. 18.

²⁴ Allen, Hugh; Staehle, Mark, *Programme Guide Field Operations Manual Version 2.0*, June 19, 2006, p. 23.

²⁵ This methodology is time-bound, in which all savings and loan activities are completed within a set period of time determined by the members, such as 9-12 months. At the end of this period, the books are closed. This allows for a kind of audit in which all money is accounted for and disbursed to the members, so the next cycle can start clean. Stuart Rutherford's *The Poor and Their Money* provides a good explanation of this and other community managed microfinance methodologies.

²⁶ The training is slightly adapted from the Village Savings and Loan Association methodology from *VSL Programme Guide – Field Operations Manual, Version 3.1*, November 1, 2007, by Hugh Allen and Mark Staehle, pp. 27-81.

²⁷ Peace Corps/Benin, *Savings and Loan Association – Shortened Overview*

C. Monitoring

The purpose of monitoring is:

- To make certain the Savings and Loan Association conducts meetings efficiently and according to proper procedure
- To pinpoint where Associations need capacity development support so that they can become independent
- To determine whether or not a Savings and Loan Association is performing well

With your community work partner, attend the Savings and Loan Association's first six to eight meetings. During these meetings, make sure the Association follows procedures and keeps accurate records. As the bank cycle progresses, take a less active role in the meetings. Eventually the entire Association will know how to conduct a Savings and Loan Association meeting. Then, your job is to observe and coach where needed. Your attendance at meetings will taper off to once a month during this phase.

There are a couple of tools to help you with your monitoring tasks. One is the Meeting Procedures Checklist [See [Appendix C: Meeting Procedures](#)]. It details every step of a bank meeting. The second is a Health Check Tool that can be used periodically when visiting to help you track the Association's overall capacity building. [See [Appendix D: Savings and Loan Association Health Check](#)]

Accurate monitoring will help you identify weak areas or problems and give you data which will allow you and your community work partner to present your (and the community's) accomplishments. To monitor a Savings and Loan Association, collect data similar to that shown in the table below. This is from a Savings and Loan Association in Benin and amounts are shown in local currency (CFA).

Data Collection Form—Sample Benin		
1	Name of the Association	Iyaton
2	Date of formation	7 March, 2010
3	Formed by	PCV/Community work partner
4	Number of members at formation	18
5	Date of visit	15 May, 2010
6	Current number of members	15
7	Number of male members	4
8	Number of female members	11
9	Number of members who attended the meeting	14
10	Number of dropouts (if any)	1
11	Total amount of money saved	\$135,500
12	Number of active loans	7
13	Value of active loans	\$185,000
14	Value of loans past due (late repayment)	\$0
15	Cash left over in the box at end of meeting	\$500
16	Cash in emergency fund	-
17	Debts the Association has incurred	\$22,000

Collect this data quarterly and enter it into the Savings and Loan Association Data Collection form. [\[See Appendix E: Data Collection Form\]](#). This data will provide you, your community work partner, and your organization with the information to monitor the Association's performance. It also provides you with the tools to write an informative and professional report. These are standard statistics gathered by Savings and Loan Association programs around the world. Having hard data about a Savings and Loan Association is better than having a hunch or feeling about the health of each Association. Accurate and up-to-date data makes identifying areas where more training is needed and seeing potential problems easier. Volunteers and counterparts should strive to produce accurate and consistent reports. Reports with incorrect or incomplete data are worthless.²⁸ [\[See Appendix F: Sample Savings and Loan Association Report\]](#)

Tip: If you work with multiple Associations, use the data you collect to hold a competition. Which Savings and Loan Association saved the most? Which generated the greatest profit? Which improved the most? Make a poster with the results, bring out certificates, buy a crate of sodas, and throw a party. Invite the Association members, local dignitaries, and Peace Corps staff and show them the broad results of your work.²⁹

The members of the Savings and Loan Association also need to know how to monitor their own progress and capacity in order to take corrective action if needed. Part of your role as a coach is to help Association members to understand the importance of monitoring and evaluating their Association and how to use the information gathered to strengthen their operations. Make sure that Association members know how to use the Health Check Tool if they are interested in monitoring their operations.

D. Share Out and Action Audit

At the end of the cycle, after all members have repaid their loans and the money counters and the secretary have verified the total, the Association shares out its accumulated assets. This allows members to access their savings and offers an opportunity for the Association to resolve its finances and to deal with any past due loans. This is the last training for the Savings and Loan Association—share out and action audit.³⁰ [\[See Appendix B Training Session Plans\]](#)

In addition to sharing out, it is also an opportunity for the assembly to reflect on what it is doing very well and what it could do even better in the next cycle. The assembly can use a simple Savings and Loan Self-Assessment to do this. [\[See Appendix G: Savings and Loan Self-Assessment\]](#) This self-assessment should be completed by the entire general assembly at the end of every cycle.

At the share-out meeting, members decide whether or not to continue the Association. If the members decide to continue, then they can decide to each contribute a lump sum of more than the usual 1-5 share value in order to increase the size of the loan fund faster. The share-out meeting is also a time for members to leave with no penalties and for new members to join. Some Associations start the next cycle

²⁸ Peace Corps/Benin, *Savings and Loan Association – Shortened Overview*, p.5

²⁹ Peace Corps/Benin, *Savings and Loan Association – Shortened Overview*, p.5

³⁰ Peace Corps/Benin, *Savings and Loan Association – Shortened Overview*, p.5.

immediately after the share out, while they still have their lump sum payments. Others may wait a couple weeks or months to start a new cycle. If the members decide not to continue and to dissolve the bank, then the members determine how to equitably divide any assets owned by the Association, such as the emergency fund. In the end, it is up to the members themselves whether to continue or not.

After the share-out meeting, the Association has completed all seven training sessions and “graduates.” It no longer requires the technical support of the coach.

8. Record keeping

One of the keys to a successful Savings and Loan Association is simplicity. This methodology is streamlined to provide transparency for literates and illiterates. It uses individual stamped passbooks that are kept in the locked cash box between meetings, ending balances for the loan fund and emergency fund, and a strict memorization system. [See [Appendix H: Use of Passbooks](#)]

9. Emergency Fund

The emergency fund is a type of insurance against losses due to illness, death, or accidents. It provides grants to Association members in need. At the beginning of the banking cycle, the Association must agree on a standard contribution to the emergency fund. The Association stipulates how the emergency fund will be disbursed and the specific pay out amounts in the constitution.

How to work with graduated Savings and Loan Associations

If you are working in a community with existing Savings and Loan Associations, you may be able to provide technical support with the following:

- End of cycle share-out meeting
- Annual elections of the management committee
- Refresher training
- Conflict resolution
- Finding guest speakers to talk to the Association about expressed topics of interest to the Association, such as maternal and child health, HIV/AIDS, and literacy
- Providing business development support to individual members or for group income generation activities or businesses
- Offering financial education sessions
- Help calculating the Association’s net worth³¹

10. The Importance of Keeping Time

The discipline of keeping time is the first step in starting a Savings and Loan Association. A group that keeps time is a group that demonstrates its seriousness, commitment, and respect for its members, as well as you and your community work partner.

³¹ Peace Corps/Burkina Faso, *Savings and Credit Clubs: A Peace Corps Burkina Guide*, p. 7.

From the beginning, you and your community work partner should insist on keeping time. The Association should start meeting on time. Likewise, you and your community work partner should set an example by *always arriving at Association meetings early*. If you foster a culture of keeping time when you begin working with a group, the group itself will soon realize the benefits and the habit will stick. If you or the Association is lax, the culture of arriving late will be difficult to break. Associations can hold themselves accountable by setting fines for being late to meetings.

People who refuse to keep time are not ready to start a Savings and Loan Association. While keeping time may seem impossible or futile, this is not the case. Holding concise meetings that start on time is possible, but you and your community work partner have to make sure that members strictly adhere to and enforce this policy. For communities where people do not have access to a watch or clock, use local time keeping systems such as the school bell or call to prayer as time cues for meetings.³²

11. Quality vs. Quantity

Starting many Savings and Loan Associations may be tempting, but if you do not give each Association the time and commitment necessary for training and monitoring, problems can arise. Similarly, a group that is not fully committed to saving and lending will encounter problems. In order to prosper, each Savings and Loan Association must be strong and independent.

A weak Savings and Loan Association can poison the concept of Savings and Loan Associations in an area, making further work difficult or even impossible. In contrast, a strong Savings and Loan Association is an extremely good advertisement for creating additional Savings and Loan Associations. News spreads fast in the community. If a Savings and Loan Association is working profitably and efficiently, other people will soon want to form their own Associations. Simply put, one strong Savings and Loan Association is much more valuable than any number of weak ones.³³

12. Tips for Establishing a Strong Savings and Loan Association

The following are tips from Volunteers who have implemented Savings and Loan Associations:

- Make certain that the Savings and Loan Association meets at a time and place that is both private and convenient for the members.
- The Association should fine late-comers.
- Make sure the Savings and Loan Association elects a competent management committee, and that the secretary and money counters are competent.
- Train two people for each position; if a member of the management committee is sick or cannot attend the meeting, the backup can serve in his or her place.
- To keep the Savings and Loan Association organized and make it easier to memorize transactions, assign a number to each member (chairperson No. 1, secretary No. 2, box keeper No. 3, etc.) and have them sit in order. The Association should maintain this order at every meeting. **[See [Appendix I: Seating Arrangement](#)]** This makes it easier for members to remember whether the person right before them and right after them, numerically, attended the last meeting, was late, owed fines, owed savings, or owed loan repayments. With

³² Peace Corps/Benin, *Savings and Loan Association – Shortened Overview*, pp. 5-6 and *Savings and Credit Clubs: A Peace Corps Burkina Guide*, Peace Corps/Burkina Faso, p. 10.

³³ Peace Corps/Benin, *Savings and Loan Association – Shortened Overview*, pp. 6-7.

recordkeeping that depends on memorization, assigned seating helps a lot. If it is not possible for people to sit in the same order at each meeting, then reinforce member numbers and the importance of memorizing whether the member before them and after them (by number) attended the meeting, owed fines, or owed savings or loan repayments.

- The Association must conduct each meeting procedure, such as emergency fund contribution or share-purchase, sequentially starting with member No. 1, proceeding to member No. 2, then member No. 3, and so on until all members complete the procedure.
- When the Association finishes a meeting procedure, it moves on to the next procedure and does not go back for any reason. **[See [Appendix E: Meeting Procedures](#)]**
- Drill the members on proper meeting procedures until they know them perfectly. This constant repetition may seem rote or overly strict, but it is what makes the Savings and Loan Association methodology work. Details matter.

Note:

If a Savings and Loan Association is sloppy regarding minor details, it will be sloppy regarding more important matters.

- When the secretary takes attendance, ask each member to recite a rule from the constitution. Soon, everyone will memorize the rules and regulations.
- When a member buys shares, he or she can announce out loud how many shares he or she is buying. The money counters announce out loud how many shares the member has bought. The secretary stamps the passbook.
- After each procedure, such as the emergency fund contributions or savings/share purchase and loan repayment, the secretary must total the balance. This balance must be verified audibly by the money counters. *This principle is vital for transparency.*
- Do not train more than one Association at the same place and time. For example, Savings and Loan Association 1 meets on Mondays, Savings and Loan Association 2 meets on Tuesdays, etc.³⁴
- Savings and Loan Associations are democratic. Every member's voice should be heard, and everyone should have equal say. It is important that every decision be voted upon. The proper procedure is for members to propose solutions in an orderly manner. The solutions should then be voted upon, and the solution with the majority of votes is the final decision. Each vote has the same weight. This procedure ensures that the most dominant personality of the group is not making all the decisions, but rather the group as a whole is running the Association. Maintaining a democracy is a big challenge worth taking. Democratic decision making is often not the norm, and if Savings and Loan Associations can contribute to this positive behavior change, their impact will go far beyond access to savings and credit.
- A strong Savings and Loan Association requires time, commitment, knowledge, and a willingness to work from everyone involved. If you bring excellence to the work that you do and in turn demand excellence from the people you work with, the resulting Savings and Loan Association will be independent and profitable, will set a solid example for others, and will continue to function for years after your departure.³⁵

³⁴ Peace Corps/Benin, *Savings and Loan Association – Shortened Overview*, p. 7.

³⁵ Peace Corps/Benin, *Savings and Loan Association – Shortened Overview*, p. 7.

13. Safety and Security³⁶

Have a security discussion with the Association members in the early stages. As mentioned earlier, the box keeper should be accompanied at all times, but there is more to safety and security than this important precaution. It should be stressed that what happens in the meeting stays in the meetings. It is acceptable and even encouraged that the members talk about the ideology behind the Association, but specifics should remain confidential. No one outside of the bank needs to know how much money is in the box.

The share-out date should be different from the regular meeting dates and remain confidential. The share-out meeting should also be held in a different location and at a different time of day than the normal meetings.

Methods used to enhance Association security in Peace Corps/Peru have been:

- Holding the meeting in a public place like the municipality with locked doors
- Having the local police or security guards stand outside of the meeting place
- Switching meeting places on a weekly, bi-weekly or monthly basis—this can be confusing, but depending on the group, it has worked for some
- Holding the share-out meeting on a different date, at a different time, in a different place

³⁶ Peace Corps/Peru

Appendix A: Mobilization Phase Meeting Agendas

Meeting/s with Local Leaders and Government Officials

Sample agenda³⁷

- Introductions
- Introduce the project and implementing organization (*if there is one*)
- Present the project purpose and goals: *to build the capacity of community groups to be able to mobilize savings, use their savings to start a loan fund to make loans to the members, and create an emergency fund to assist members experiencing emergencies*
- Explain how the Association works:
 - 15-30 members form an Association. They elect a management committee and set group rules. They save each week. The funds are deposited in a secure cash box with three locks. There are three key holders. Each one has the key to a different lock and a box keeper holds the box. As a result, it requires four people to open the box. The box normally does not include much money, as it is lent out. At the end of 9-12 months, the members share the money, including dividends – profit on the savings that comes from service charges on loans and from fines.

Savings and Loan Associations:

- Provide the opportunity to borrow flexibly as members need and earn profits on their savings. Very poor people will find Savings and Loan Associations meet most of their needs for savings and credit because there are not high minimum deposit requirements, hidden charges, complicated procedures, or difficulty in accessing loans.
- Are convenient — members decide the meeting location, resulting in little to no transportation costs.
- Assist members in case of death, disease, or natural disaster with the emergency fund. Local moneylenders may not be willing to provide this service to the poorest.
- Help build members' self-respect, self-reliance, and self-confidence.
- Millions of poor people are successfully managing their Savings and Loan Associations around the world. More than 90 percent of Savings and Loan Associations succeed and remain together for several years or more.
- Savings and Loan Associations are taught to manage their own activities over a cycle of nine months to one year.
- A coach will attend most of the Association's meetings to train and assist them. After the first cycle, the Association manages its own affairs. The members become bankers in their own right.
- The coach promises the following to the community:
 - Reliability
 - Integrity

³⁷ Allen, Hugh; Staehle, Mark, *Village Savings and Loan Associations Field Officer Guide, Version 1*, March 2009, slightly modified, p.10.

- What is needed from the government and community leaders?
 - Permission for the coach to work in the area
 - Mobilization of the community to attend a public meeting, at which the Savings and Loan Association methodology will be explained and community groups invited to participate
- Feedback – take questions and ask for feedback.
- **Next Steps** – *Make sure someone is given the responsibility to arrange a public meeting and set a date at which the coach can meet with the community. Depending on the country, the public meeting may bring together 50-100 potential members in addition to local leaders, including religious leaders and prominent local business people who can spread the word.*

Informational Meetings with Community members at large

Note:

There will be many questions. The goal of this meeting is to generate interest.

Sample Agenda

- The coaches introduce themselves, and introduce the organization.
- The purpose of this meeting is to introduce Savings and Loan Associations. The purpose is to create a community-managed Savings and Loan Association that belongs to their members.³⁸
- If appropriate, share a story about a typical Savings and Loan Association to illustrate and serve as a reference during the meeting.

Post Adaptation:

Adapt the following story to the local context.

Story of a Savings and Loan Association

In the community of Silverado, a group of 30 women want to change their lives! They've heard about Savings and Loan Associations and how they provide a safe place to save, small loans for businesses, as well as member insurance, called an emergency fund. The women know and trust each other and decide to start a Savings and Loan Association of their own. But how will they get started?

They know a woman from a neighboring community who has been a member of a successful Savings and Loan Association for many years. She agrees to coach them so they can be bankers in their own right, but she says they must be committed and disciplined. The coach says, "The first thing you need to do is purchase your banking kit." She gives them a list of all the items they need for their kit. The women take a look at the list. It will cost them about \$30 to purchase all the items. They decide that each member will contribute \$1 toward the kit. They get the passbooks printed and purchase pens, pencils, a stamp and inkpad, notebooks, and a calculator from the local stationary store. Another member arranges to have her nephew, who is a welder, make them a cash box with three locks. Now they have everything they need to start their training!

At the first training, the women think about how much they want to save each week. No one in the Association has a lot of money, so they agree it needs to be an amount that everyone can afford. They agree that each member can afford to bring \$1 per week as savings, for a total of \$4 per month. Even the poorest woman in the Association agrees that she can bring \$1 a week. And if they have more money, they can save up to \$5 each week!

Their coach explains that they need to decide how long the banking cycle will be.

A member raises her hand. "What is a banking cycle?"

The coach says, "It is the length of time that the Association will save, make loans, and collect all of its money back to share with its members."

³⁸ Allen, Hugh; Staehle, Mark, *Village Savings and Loan Associations Field Officer Guide, Version 1*, March 2009, slightly modified.

The coach says, "In my Association we decided that we would have a nine-month cycle and end the cycle in time to pay school fees."

The women think about when they will need that money. They know that each year they need a lump sum of money for the big festival in December, so they set their banking cycle for nine months, just in time for the festival. That way, all of the loans will be repaid and they will receive their share out in time for the festival.

A woman raised her hand. "Will we get all of our savings back at the end of the cycle?"

The coach said, "Yes. At the end of the cycle, the members share the money. In my bank we had \$2,500 in the cash box at the end of 48 weeks. Each member had contributed \$48 in savings but got back \$86 at the end of the cycle! We call this 'share out.'"

"Wow! Where did the extra money come from?" one woman asked.

"The extra money came from service charges on loans, fines for breaking group rules, and group income-generating activities. As you can see, running a bank can be very profitable.

The woman nodded excitedly. "Knowing that I will share in the profit, motivates me to save even more!"

"That's right!" The coach said, "And the more you save, the faster the loan fund grows. That makes it possible for more members to take loans, which means more service charges. All of that money comes back to you at the end of the banking cycle."

This was exciting to hear! The women were eager to get started.

The next thing the Association needed to do was come up with a name. The members wanted to choose a name that is inspiring. After considering many possibilities, one of the women said, "How about 'Prosperity Bank?'" Everyone loved the name!

Then the coach shared some stories about her own bank. "My bank is very successful now, but in the beginning we struggled because we didn't create clear rules and follow them. We lacked discipline."

The women of Prosperity Bank decided they wanted to do things correctly from the start and discussed carefully what rules they needed to keep their bank disciplined and on track. They decided to write the rules in a constitution and make a copy to keep in their cash box so they can refer to it anytime they need to make an important decision.

Then a woman asked, "What about members who can't read? How will they know the rules?"

They thought about this and decided that each member would be responsible for memorizing one of the rules, and for the first several meetings they would begin the meeting by having each member recite her rule. That way they all will all learn the rules easily. And when new members join, they will get a sponsor from the Association who will help them to learn the rules.

The coach said, “You are doing a great job so far! Now it is time to elect a management committee to help the Association conduct meetings and manage the savings and loan transactions.” She explained that their management committee will have five members: a chairperson to lead the meetings, a secretary to take notes and keep records, a box keeper to keep the box between meetings, and two money counters to count the money.

The Association discussed the qualities that each member of the management committee would need. They agreed that the chairperson needs to be a natural leader who can help resolve conflicts, while the secretary needs to be well-organized and write well. The box keeper needs to live in a secure house and come from a family that is very trustworthy and honorable. Finally, the money counters need to be able to count well.

Once the women decided on these qualities, they nominated the best three candidates for each position and held a secret ballot election. Now they had a strong management committee!

A timid woman looked puzzled. The coach noticed her and asked if she had a question. The coach said, “Don’t be shy if you have questions. This is YOUR Association. You own it and so you should get all your questions answered.”

This encouraged the woman to speak. Then she asked, “Why does the cash box have three locks?”

Another woman smiled and said, “I had the same question, but was afraid to ask!”

The coach explained that each lock has a different key. In addition to the management committee members that they just elected, they will also select three members from their Association to be key holders. Each key holder will hold a key for one of the locks. The box keeper keeps the box between meetings. Then the coach asked, “How many people are needed to open the box?”

Several women shouted, “Four!”

The coach said, “Right! Four people – the box keeper and the three key holders. This keeps the money more secure. But most of the time there isn’t much money in the box between meetings because it is being loaned to the members. And when money is loaned out, it is earning more money in the form of service charges. And that’s a good thing because it means that there will be more profit for the members to share at the end of the cycle.”

The women nodded and agreed that this was a good way to keep money safe.

Another woman raised her hand to ask a question. What do you think she wants to ask?

The talking points to cover during this meeting are:

- This is not a government program
- Explain how the Association works:
 - 15-30 members form an Association.
 - They elect a management committee, and set group rules.
 - They save each week.
 - The funds are deposited in a secure cash box with three locks.

- There are three key holders. Each one has the key to a different lock.
- A box keeper holds the box so it requires four people to open the box.
- The box normally does not include much money since it is being lent out.
- At the end of 9-12 months, the members share the money, including dividends – profit on the savings that comes from service charges on loans and from fines.
- The Association can then decide to begin a new bank cycle.
- *All of the funds used to provide loans to members come from the money that members save. There are no external funds for loans.*
- The size of the Association must be not less than 10 members and not more than 25 to start, although in the future it can grow to 30.
- Associations will need to select their own members.
- Associations will need to assemble a kit that includes a cash box with three locks and other items needed to run a Savings and Loan Association. [Bring a sample kit to show them with a sample budget for the kit.]
- The cash box has three locks – each with a different key and held by a different member of the Association. The box is kept by a fourth person. This box cannot be opened between weekly meetings.
- Savings and Loan Association members will be taught to save regularly, to take loans from that savings, and to share out the savings and profits each year according to each person's contributions.
- The coach is only there to teach them the system. Members will manage their banking activities themselves, and the coach will *never*:
 - Handle the Association's money
 - Write in the Association's records
 - Take the cash-box away
 - Ask for a loan
 - Ask for a gift
- The coach provides training and ongoing coaching for an entire bank cycle, which lasts 9-12 months. After this, the Savings and Loan Association graduates and continues to operate without any more help. The coach will continue to be available for advice and support if the Association wants additional support.
- The members of the proposed Association choose where and when meetings are to be held.

Next Steps:

- *The coach then tells the assembly that he or she will return to the community at an agreed upon time to see if people are interested and will then make training arrangements. Those who are interested must form groups of 10-25 members before the next meeting. Community members should talk to each other and reach out to others to form a group. The coach stresses the following before closing the meeting:*
 - *Members must know and trust each other*
 - *Leaders are not elected until after training begins³⁹*
- *Take note of the interested individuals at this introductory meeting. Announce the next meeting for those interested. At that meeting see how many from your original list came. Add newcomers.*

³⁹ Allen, Hugh; Staehle, Mark, *Village Savings and Loan Associations Field Officer Guide, Version 1*, March 2009, slightly modified.

Meeting with potential and newly formed Savings and Loan Association

This meeting is only attended by people who are interested in joining a Savings and Loan Association, and who have already gathered in groups of 10 to 25 people who know and trust each other.

Sample agenda

After welcoming everyone to the meeting, the coach describes the basic features of a Savings and Loan Association:

- A Savings and Loan Association is created so people can save, borrow, and start an insurance fund (called an emergency fund).
- Members are self-selected and the Savings and Loan Association is managed by its members.
- Every Association has a written constitution with clear rules.
- The members set rules about the share purchase amount and the service charge on loans.
- Some rules, such as the need for annual elections, are already included in the constitution because this has been shown to be important.
- Every Association has a management committee, which is democratically elected and changed every year.
- The management committee handles the banking transactions for the Association.
- Members must attend all meetings and buy at least one share each meeting.
- The share price is determined by the Association.
- Fines for being late or missing meetings are determined by the Association.
- The Association allows all members to buy between 1-5 shares each week. (This allows flexibility but simplifies recordkeeping.)
- Members can withdraw their savings at each weekly meeting, if desired.
- The money collected from the purchase of shares is used to provide small loans to members, which are repaid over a period of not more than three months.
- Loans cannot be more than three times the value of the members' shares. (This does not include shares that the member has withdrawn.)
- All borrowers have to pay a service charge on their loans, at a percentage rate decided by the Association.
- There is an emergency fund from which members can receive small grants or interest-free loans for emergencies.
- All of the Association's cash is kept in a box with three locks, and the keys are kept by three different members of the Association who are not part of the management committee. (Members must have a contingency plan in case a key holder is sick or out of town or can't come to a meeting.)
- The box can only be opened during meetings, so all transactions are done in front of all of the members.
- Record-keeping is based on simple passbooks and memorization of important information, such as the amount of cash in the box, who owes money to the emergency fund, and fines.
- Each member has a passbook in which their savings and loans are recorded
- The passbooks are locked in the box between meetings to prevent anyone from changing the entries.
- The members decide on a period for operation of the Savings and Loan Association before they share out their profits. This is called a cycle and is usually 9-12 months.⁴⁰

⁴⁰ In Peru, Peace Corps Volunteers have had successful bank cycles for time periods ranging from 4-12 months. They encourage pilot programs that are short (usually 4-6 months) and coincide with major holidays. This brief trial eases any doubts and ensures member commitment to a longer bank period of usually one year.

- At the end of each cycle, all loans are repaid, and all savings and profits are distributed to members according to the number of shares they have purchased.
- The Association is responsible for getting a cash box and the supplies in it before training can begin.
- The training and coaching period is 36 weeks (nine months). After this period, the Savings and Loan Association continues to operate independently without any external support.
- During the training period, the Savings and Loan Association will meet weekly and the coach will visit 15 times.
- Once the Savings and Loan Association becomes independent, the coach will only attend meetings if requested by the members.

The coach explains that there are seven training modules:

1. [Leaders and Elections](#)
2. [Emergency Fund, Share-purchase and Credit Policies](#)
3. [Development of Constitution](#)
4. [First Savings Meeting](#)
5. [First Loan Meeting](#)
6. [First Loan Repayment](#)
7. [Share out, Action Audit, and Graduation](#)

Members must be aware of the qualities that are needed in a member. The coach reviews the qualities of a good member, suggesting 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 week.
- Be able to repay loans on time.
- Not have family members as a fellow Association member. Only one member from the same household is allowed. It is better if members from the same household join different Savings and Loan Associations, which prevents domination of the bank by one family.

Next Steps:

The coach and the new group arrange a time and a place for the first training.

*The new group gets a list of items they need to acquire for the kit prior to the first training.*⁴¹

⁴¹ Allen, Hugh; Staehle, Mark, *Village Savings and Loan Associations Field Officer Guide, Version 1*, March 2009, slightly modified.

Appendix B: Training Session Plans

Training: Leadership and Elections⁴²

Instructional Sequence
Training: Leadership and Elections Purpose of Training: In this training, participants will consider the qualities and responsibilities of each management committee member, hold a secret ballot election, and name their Association. Timing of Training: 60-90 minutes; the first meeting when participants have decided to form a Savings and Loan Association Trainer Preparation: 1. Make three voting cans with a hole on the top big enough to drop a bean in and paint them each a different color 2. Prepare color cards (3) to match the voting cans 3. Prior to the Leaders and Elections session, set up the voting screen 4. Read Voting by Secret Ballot and The Democratic Process in <i>Savings and Loan Reference Guide</i>
Leadership and Elections Participants will consider the qualities and responsibilities of the management committee and conduct secret ballot elections. 1. Welcome members to the first training meeting for their Savings and Loan Association! 2. Create a flip chart with the agenda below and post it on the wall. Leadership and Elections Agenda • Review qualities of a member • Story/discussion • Explanation of the management committee offices • Election of the management 3. Explain that the purpose of the meeting is to name the Association and elect leaders who will manage the Savings and Loan Association for a period of one year.

⁴² Allen, Hugh; Staehle, Mark, *Village Savings and Loan Associations Field Officer Guide, Version 1.04, April 22, 2011*, slightly modified, pp. 15-16.

Instructional Sequence

4. Say, *"Let's start by reviewing the qualities of a good Savings and Loan Association member, which we talked about during the community meeting last week. Who remembers what the qualities are?"* Solicit responses from the participants.

Note:

Possible Responses: know each other; doesn't live too far from where the meetings will be held; has a reputation for honesty and reliability; able to attend all meetings; attends all meetings on time; follows all rules; has a cooperative personality; someone who is known to create conflict should probably not join; able to buy at least one share each week; able to repay loans on time; only one member from the same household; better if members from the same household join different Savings and Loan Associations.

5. Remind participants of any of the important qualities listed above if they are not mentioned.
6. Ask, *"Does everyone feel comfortable with the qualities? Do you possess these qualities? If you are not sure you can be a good member, it is OK to leave the group now. It is best for everyone in the SLA to know what is expected of them and to be very committed, so if this doesn't sound like what you want to do, just say so."*
7. Explain that participants will read a story together about another Savings and Loan Association.
8. Read aloud the Story of Valle Grande to the participants.

Note:

If you do not want to make handouts for every participant or if not everyone can read, then make one copy and ask someone who is literate to stand and read the story out loud to the group.

Post Adaptation:

The name and some content can be adapted to the cultural context. Translate the story into local language if necessary.

Story of Valle Grande

In the community of Valle Grande, the members decided to form a Savings and Loan Association. Starting with the first meeting, the coach collected the money, and gave it to the most responsible person in the Association. That person took the money and went back to her house where she hid it under her cabinet. Her son had observed this, and waited for her to leave, then took the money and spent it.

The coach was a little late to the next meeting. When the members arrived, they put their savings on the table. Some were in a hurry so they left. When it was time to add up the money, no one wrote down the total, but everybody said that they had brought all of their savings.

9. Discuss the following questions together: What happened to the members of the Savings and Loan Association? How could you avoid this problem?⁴³

Note:

Possible Responses: They lost all their money because it was stolen. The money needs to be secured in a locked container. The person who keeps the money needs to be reliable and have a secure house. The coach shouldn't choose the person who keeps the money, because the coach doesn't know the members as well as their neighbors do. The neighbors would have known if the house wasn't safe enough.

⁴³ Peace Corps/Ecuador, *Programa de Ahorro y Credito – Manual de Trabajo, Primera Edicion*, 2006, p.16

Instructional Sequence

10. Explain that an important lesson we learned from the story is that the coach shouldn't make decisions like who should keep the money. That is a decision for the group to make itself. The group did not have a management committee and did not follow meeting procedures. Disorganization resulted in the loss of money. There was no way to verify who brought what amount of money.
11. Explain that the Savings and Loan Association is made up of its members and they all have the same rights. The members of the Savings and Loan Association are called the general assembly.
12. Explain that to help the Savings and Loan Association transact its business, the general assembly elects a management committee. Each member of the assembly has a vote. And if the assembly is not happy with the work the management committee does, it can also dismiss the management committee for poor performance. The management committee serves for one year, after which a new committee is elected. The management committee is made up of five positions – the chairperson, the secretary, the box keeper, and two money counters.
13. Explain that we are going to look at the qualities needed for each position, and together we are going to think about who in our group would fill each position well. Then we will have an election.
14. Discuss the qualities and responsibilities of the chairperson. Ask participants what questions they have.

Table 1

Qualities and responsibilities of the chairperson ⁴⁴	
Qualities	Responsibilities
• A leader • Respected • Confident and calm when speaking in front of others • Treats everyone equally • Listens to others and asks for opinions • honest • Organized • Always on time	• Calls the meeting to order and creates and announces the agenda • Acts as leader of the Association • Leads discussions • Guarantees respect for the constitution • Ensures democratic decision-making processes • Finds solutions in case of conflicts between members • Represents the Savings and Loan Association to outsiders and non-members⁴⁵ • Asks for applications for the emergency fund and asks the rest of the members to respond

⁴⁴ Allen, Hugh; Staehle, Mark, *Village Savings and Loan Associations Field Officer Guide, Version 1.04*, April 22, 2011, slightly modified.

Instructional Sequence

Table 2

Qualities and responsibilities of the secretary	
Qualities	Responsibilities
• Good with numbers • Writes neatly • Attention to detail • Honest and reliable • Always on time • Available for training • Willing to work extra hours to train with the coach if needed • Must be able to read and write	• Ensures that all transactions for the emergency fund, share-purchase, and lending take place according to procedure, and that all rules are followed • Makes all passbook entries for shares and loans • Reads the emergency fund and loan fund cash balances aloud at every meeting • Takes notes during meetings about all decisions made by the Association

Table 3

Qualities and responsibilities of the box keeper	
Qualities	Responsibilities
• 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	• Keeps the cash box in a safe place between meetings • Ensures that (s)he is accompanied to/from meetings as necessary • Brings the box to the meetings on time

Table 4

Qualities and responsibilities of the money counters	
Qualities	Responsibilities
• Able to count quickly and accurately • Trustworthy • Calm and organized • Always on time	• Counts the money at the beginning and end of the bank operations • Receives all money • Informs the secretary of the correct amount to be recorded in the passbook • Counts all amounts paid to, or taken from, the Savings and Loan Association

15. Continue for each remaining role: box keeper, secretary, and money counters.

16. Answer any questions and concerns that members have about the qualities and responsibilities while finding someone in the group willing to fulfill these roles.

Instructional Sequence

17. Say, *"We are going to move to the elections now."*
18. Ask members to propose two or three candidates for the position of chairperson.
19. As members propose a candidate, ask each candidate if he or she accepts the nomination. If they do not accept, ask members to propose additional candidates. If the candidates do accept the nomination, ask them if they think they are able to fulfill the qualities and responsibilities of the nominated office.
20. Remind participants about the roles and responsibilities for each committee member.
21. Say, *"We are going to hold a secret ballot election. So I want to make sure that everyone understands the procedure for voting."*
22. Explain that in a community bank, like any organization that is managed by its members, it is a priority that each member have a voice and have his/her opinions represented. In a discussion, it is important to express distinct ideas, because that is how the best solutions are found. Each member should feel free to vote how they think, not how their friends, the majority, or their relatives vote. When they have to decide something very important, it is useful to vote by secret ballot.
23. Explain that each member gets a vote. Hand out a bean, seed, or corn kernel to each member.
24. Ask the candidates for the position of chairperson to stand at the front of the room and give each a different colored card to hold.
25. Call to the participants' attention that there is a screen. Behind the screen there are colored cans that match the color each candidate is holding. Show the cans to the participants.

Note:

 - 1) Give an example. Lisa, Eric, and Dave have been nominated to be the secretary. Lisa holds a red card. Eric holds a blue card, and Dave holds a yellow card. Tell participants that if they want to vote for Lisa they find the can that is colored red and put their bean in it.
 - 2) Make sure everyone gets just one bean, seed, corn kernel, or pebble.
 - 3) Ask participants to remain quiet during voting.
 - 4) Before beginning the vote, the coach should shake each can, so everyone knows the cans are empty.
 - 5) Utilize more than one person to count the votes.
 - 6) Count the votes where everyone can watch.

The Democratic Process⁴⁶

In a community bank, like any organization that is managed democratically, it is a priority that all members have a voice and have their opinions represented. In a discussion, it is important to express distinct ideas, because that is how the best solutions are found. Each member should vote how they think, not how their friends, the majority, or their relatives vote. When they have to decide something very important, it is useful to vote by secret ballot.

Voting by secret ballot:

Each person gets a bean (or a seed/corn kernel/pebble). In the front of the room, the candidates for the office stand, each holding a colored card. Behind a curtain or wall, place some cans, each marked with a different option or color (corresponding with the colored cards held by the candidates). The cans have a single hole at the top to drop the bean. The members go one by one behind the screen to place their bean (vote) in the can that corresponds to their preference. Afterwards, the totals for each can are tallied to determine the winner, making sure that the total corresponds to the total number of members who voted.

26. Refer to [Appendix J: Election Procedure](#). Say, *"Each of you is going to go one by one behind the screen to cast your ballot. You are going to place your bean in one of the three cans of your choice. When you finish voting, you are going to come back around and sit down and the next person will go behind the screen. In this way, we can each vote secretly for the candidate of our choice. Does anyone have any questions before we get started?"*
27. One by one, call each member forward to go behind the screen and cast her/his ballot.
28. When all have voted, ask two members to come to the front. Take the voting cans. Empty one can at a time in front of the members. Ask each member to count the number of beans in each can. If the members do not get the same result, have them each count again. Announce the results to the group.
29. On a flip chart, write the name of each candidate and write the number of votes each received. When the winner is determined, circle that person's name. Thank the candidates and ask them to take a seat.
30. Repeat steps 22-33 for each of the next four management committee members
 - Secretary
 - Box keeper
 - Money counter 1
 - Money counter 2

⁴⁶ Peace Corps/Ecuador, *Programa de Ahorro Y Credito, Manual de Trabajo, Primera Edicion*, 2006, pp.17-18.

Instructional Sequence

31. When all five committee members have been elected, congratulate the new management committee.

Name for the Association

32. Explain that the Association needs a name.

33. Ask the chairperson to come forward. As his/her first duty, the Chairperson will lead the group in creating a list of names for the Savings and Loan Association. Ask members to choose the name they want by consensus.

34. Congratulate the participants on their good work.

Training: Emergency Fund, Share Purchase, and Credit Policies⁴⁷

Instructional Sequence

Training: Emergency Fund, Share-purchase, and Credit Policies

Purpose of Training: In this training, participants will make decisions regarding the emergency fund, set the emergency fund contribution amount, and set rules for savings and lending activities. They will also learn about the structured seating arrangements for bank meetings and how this helps members to remember banking transactions and member absences. Participants also learn about the contents of the banking toolkit and how each item is used.

Timing of Training: 1 ½ hours; depending on how quickly the participants want to get started saving, this meeting could take place during the same week as the previous meeting or the following week.

Trainer Preparation:

1. Prior to Session 2, set up the room according to the seating arrangement chart in [Appendix I: Seating Arrangement](#).
2. Using [Appendix M: Member Number Cards](#) as a model, create number cards for participants (one unique number per participant).
3. Using the list in [Appendix K: The Kit](#), bring the kit in order to show people the contents and explain their uses.
4. Bring a sample passbook with stamps to pass around to the participants.

Emergency Fund, Share-purchase, and Credit Policies

Participants will learn about the structured seating arrangements for banking meetings, make decisions regarding the emergency fund, and set rules for savings and lending activities.

1. Set up the room according to [Appendix I: Seating Arrangement](#).
2. Create a flip chart with the agenda below and post it on the wall.

Emergency Fund, Share-purchase, and Credit Policies Agenda

- Seating arrangement for meetings
- Emergency fund
- Rules for saving with share purchase
- Rules for loans

⁴⁷ Allen, Hugh; Staehle, Mark, *Village Savings and Loan Associations Field Officer Guide, Version 1.04*, April 22, 2011, slightly modified, pp. 17-19.

Instructional Sequence

3. Explain that the purpose of this meeting is to learn about the seating arrangement for meetings, to decide how our Savings and Loan Association will offer insurance to members through the emergency fund; develop rules concerning how members of the Association will save money by buying shares; and set rules about how members will take loans and pay them back.

Seating Arrangement

4. Referring participants to [Appendix I: Seating Arrangement](#), explain to participants how the room is set up for the meetings and where everyone sits.

Note: If you have already set up the room according to the seating arrangement, then you can explain why it is set up in this way instead of referring to the trainer material.

Post Adaptation:

If a seating arrangement will not work in your community, then you can skip this portion of the training. However, when members receive their member numbers, additional emphasis will need to be made about each member remembering the transactions of the member before and after them, in numerical order, since they won't have the benefit of always sitting next to each other.

- Point out that the management committee sits at the front of the room, behind a table.
- Each member of the assembly will be assigned a number, including the management committee members, and everyone will take their seats based on their number.
- The table has the cash box and a fines bowl in front of the chairperson and a money-counting bowl in front of the money counters.
- There is a stool in front of the table for the person who is doing bank transactions.

Note:

See [Appendix I: Seating Arrangement](#) for room setup. The diagram will be adjusted depending on the number of people in the Association, but the management committee always sits in the front, with the chairperson being No. 1.

5. Ask participants to explain why this seating arrangement is important.

Note:

Possible Responses: It allows all members to see clearly what is happening. It ensures that all members conduct bank transactions in order. It helps members remember who missed meetings because they will remember if their neighbors (who are always the same people) were present or not, if they arrived late, if they saved, or if they paid their loan payments, service charges, or fines.

6. Explain that the secretary will now assign a number to each participant, starting with the chairperson as No. 1. Hand the secretary [Appendix M: Member Number Cards](#). If you are using the seating arrangement, ask participants to take a seat according to the diagram.
7. Explain that in all future meetings, the bank members will sit in the same order. Explain that each member is responsible for remembering who sits next to him or her. This helps everyone to easily remember who is on the left and right of them and whether they were present, absent, or late to meetings. This will help the group to remember who owes fines, savings, and loan repayments. This is important since there are few records kept in this system. It relies a lot on the group's ability to memorize.

Note:

Instructional Sequence

If they are not seated according to the seating arrangement, then they should remember who is before or after them by number.

8. Ask, *“What questions do you have?”*

Emergency Fund

9. Explain that many Savings and Loan Associations like theirs create an emergency fund. The emergency fund is like insurance for group members. Other Savings and Loan Associations have issued emergency fund grants to help with:

- Funeral expenses
- Illness
- Catastrophes, such as fire damage or house damage
- Loss of livestock

10. Ask if the group would like to have an emergency fund.

Note:

This is an optional service and a group may decide not to create an emergency fund.

11. If the group would like to have an emergency fund, ask the group members to decide how much the emergency fund contribution should be. Remind people that they will be making this contribution at each weekly meeting, in addition to the weekly savings.

Note:

The amount decided upon should be affordable for the poorest member of the group.

12. Set the emergency fund contribution amount and write it on a flip chart.

13. Explain that:

- The emergency fund is kept separately from the loan fund, in its own bag. Show participants the bag.
- The emergency fund is used for grants, not loans.
- The constitution, the internal rules for the group that we will work on during the next training, lists the payouts for the death of a member and his or her relatives.
- When we work on the constitution, the group can decide to make payments for other types of losses if it wishes.

14. Ask the secretary to write down the emergency fund contribution amount.

Shares

15. Say, *“Now we are going to talk about the loan fund. Members save in a Savings and Loan Association by buying shares. At each meeting, each member has the opportunity to purchase one to five shares.”*

16. Explain that the group needs to decide how much a share should be.

Instructional Sequence

- The amount is too big if any member will have trouble regularly saving for at least one share.
- During a lean season of the year, the amount is too small if members with more money feel that five shares will still be too little.

17. Discuss with the group what the value of a share should be. Encourage everyone to participate in the discussion.

Note:

If you notice that someone is dominating the conversation, call on someone else. If you notice that a person never speaks, try to draw them into the conversation.

18. Arrive at a consensus. On a flip chart, write down the amount for one share.

19. Ask the secretary to write down the share amount in a notebook.

Lending rules

20. Explain that while members can save every week, *they can only borrow once every four weeks*.

Borrowing just once every four weeks

- keeps most meetings short;
- keeps record-keeping simple (loans in every meeting make records very complicated); and
- allows the loan fund to build, so members can borrow useful amounts.

Note:

Once the Association has graduated, it can decide whether it wants to provide loans more frequently. By then, they will be experienced with the recordkeeping system.

21. Ask the group members for reasons that loans will be given. Members should not take out loans that they cannot repay easily. Give participants a few minutes to discuss.

Note:

- 1) Possible Responses: agriculture, to start a business, school fees, house renovations.
- 2) Some Savings and Loan Associations prioritize the use of loans, giving higher priority to business-related loans and lower priority to personal consumption loans.

22. Explain that *the amount borrowed by any member cannot be more than three times his or her savings*. This is best, to ensure everyone has fair access to loans and that loans are not too risky.

23. Give some examples:

- **Example A:** Say, "Let's say that the value of a share is \$1. If a member saves one share per week, then at the end of the first month, she would have \$4 saved. If she wanted to take out a loan, it could not be for more than three times the value of her savings. How much would the maximum loan amount be?"

Note:

Answer: $\$4 \times 3 = \$12$.

Post Adaptation:

Use local currency examples.

- **Example B:** Say, "If a member saves five shares per week, at the end of the first month, she

Instructional Sequence

would have \$20 saved (\$5 x 4). If she wanted to take out a loan, it could not be for more than three times the value of her savings: How much would the maximum loan amount be?"

Note:

- 1) Answer: $\$20 \times 3 = \$60$
- 2) Write the examples on the board or on a flip chart. Make sure this is clear to participants before moving on.

24. Ask the group how long members should be allowed to take out loans.

Note:

The maximum loan duration should not be more than three months.

25. The secretary should record the following items in his/her notebook:

- The purposes of loans
- The priorities of loans
- The maximum loan term

Service Charge

26. Explain that when members take out loans, they have to pay a service charge every four weeks.

This is a fee paid to the Association for being able to borrow money, but this money belongs to all members of the Association, so it ends up back in members' pockets when the loan fund is divided and shared at the end of the cycle.

27. Explain that the monthly service charge is a percentage is

- based on the loan amount; and
- paid every four weeks

28. Give an example:

Example: Mary takes a loan for \$100. The service charge is 10 percent a month. Ten percent of \$100 = \$10. Every four weeks, Mary needs to pay a service charge fee of 10 percent of the loan. She can also make loan repayments. After the first four weeks, Mary makes a payment. She pays \$20 for the loan and \$10 for the service charge for a total of \$30. She now has a loan balance of \$80. So next month, Mary will owe a service charge of $\$80 \times 10 \text{ percent} = \$8$.

29. Give the following guidance:

- A service charge that is very low may tempt members to borrow more than they can easily repay. For this reason, it should not be less than 5 percent.
- A service charge that is too high will discourage members from borrowing, and make the Savings and Loan Association less useful. For this reason, it should not be more than 10 percent.
- A service charge of 10 percent is easy to calculate.

30. Ask the group to decide how much the service charge should be. Ask the secretary to write this down in the notebook.

Instructional Sequence

The Kit

31. Explain that we will review the contents now and congratulate the group for acquiring the contents of their kit.

32. Ask the management committee to display all the contents of the kit on the table.

Note:

The kit should include all the items listed in the chart in [Appendix K: The Kit](#).

33. Show the bags. Explain that one is for the loan fund and the other is for the emergency fund money in order to keep them separate.

34. Show the bowls. Explain that one is for fines. The other one is for money counting. Say, *"We will use that one when we start saving and paying loans."*

35. Show the notebooks. The notebooks are used to keep track of ending balances and any other important notes from meetings. The secretary has already started to use his/her notebook to record decisions made by the members, including the amount of the emergency fund contribution and the loan fund share amount.

36. Show the pens (different colors) that the secretary will use to write in the passbooks.

37. Show the passbooks. There is one for each member of the Association. They are kept in the cash box. The members do not take the passbooks home with them, but they may look at them at each bank meeting.

38. Show the calendar. The secretary uses the calendar to determine the dates loans are to be repaid.

39. Show the calculator. It is used to calculate loan fund balances and service charges, and the share out at the end of the cycle.

40. Show the ink stamp and ink pad. The secretary uses them to mark in the member's passbook the number of shares each member purchases.

41. Show the cash box, which is big enough to hold all of the items in the kit, all the passbooks, AND will contain the group's constitution, which will be discussed in the next training session.

42. Show the three locks, each with its own key.

43. Tell members that although they have appointed their management committee, it is necessary to appoint three people, to be called key holders, to keep the keys so the box can only be opened during meetings. Key holders can be identified by discussion and the following criteria are important:

- They do not need to be members of the management committee.

Instructional Sequence

- 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.

44. Ask the group to appoint three key holders.

45. Once the members have appointed three key holders, give each key holder a key.

Note:

Members do not need to hold an election for the key holders.

46. Ask who holds the box?

Note:

Answer: The box keeper on the management committee.

47. Ask how many people are required to open the cash box?

Note:

Answer: Four – the box keeper and the three key holders.

48. Emphasize that requiring four people to open the cash box keeps the members' money and records safe and makes sure that transactions cannot take place privately between meetings.

49. Ask if anyone has any questions

END OF TRAINING: EMERGENCY FUND, SHARE-PURCHASE, AND CREDIT POLICIES

Instructional Sequence

Development of the Constitution

Purpose of Training: In this meeting the coach helps the Association understand the importance of establishing internal rules. Analyzing sample scenarios will serve to draw conclusions regarding useful rules for a Savings and Loan Association.

Note:

Bring the constitution questions ([Appendix L: The Constitution](#)) and two copies of the sample Savings and Loan Association constitution template. Give one sample constitution to the secretary and keep one for yourself and your community work partner.

Timing of Training: 2 to 4 hours; this training may be divided into two sessions or held on one day with a break in between. Depending on how quickly the participants want to get started saving, this meeting could take place in the same week as the previous meeting or the following week.

Trainer Preparation:

1. Study [Appendix L: The Constitution](#) in the *Savings and Loan Reference Guide* in order to be familiar with the constitution.

Development of the Constitution

In this meeting, participants learn the importance of establishing internal rules and will develop the rules to guide their Savings and Loan Association in the form of a constitution.

1. Welcome everyone.
2. Explain that the purpose of the meeting is to establish the rules for our Savings and Loan Association.
3. Explain that to help the group think about some good rules for the Association, we are going to start by listening to some scenarios.
4. Read aloud the story below about group rules and then discuss.

First Story: Manuel is very sick and took a loan of \$50. The total of his savings is \$33.
What should happen if he dies?

5. Read aloud the story below about group rules and then discuss.

⁴⁸ Allen, Hugh; Staehle, Mark, *Village Savings and Loan Associations Field Officer Guide, Version 1.04*, April 22, 2011, slightly modified, pp.20-22.

Instructional Sequence

Second Story: In the Santa Martha Community Bank, each member has saved \$20. Riquilda has only saved \$10. During festival time, all the members take out their savings - \$15 each.

Can Riquilda take out \$15 like the rest? What policy should be taken in such cases?

6. Read aloud the story below about group rules and then discuss.

Third Story: Sandra is a member of the community bank. She rarely attends but sends her savings regularly. It is Friday – a bank meeting day, and also the day before her son’s baptism. As usual, she deposits the \$1 she sends with her neighbor, but she also asks for a loan of \$25 for food for the baptism. The bank’s constitution states that members must attend 80 percent of meetings to be eligible for a loan. Sandra’s loan request is rejected and her \$1 savings deposit is returned.

*Why do you think her loan request was denied? Why was her savings returned?*⁴⁹

7. Stress that a set of written rules is vital to the smooth functioning of the association and helps members deal with situations similar to those in the scenarios. Tell participants that a well-written constitution will help prevent and resolve disputes among members when they arise. Internal rules are made by the assembly. The constitution template also includes some recommended rules. The assembly can also add other rules as needed.
8. Using [Appendix L: Constitution in Question Form](#), discuss each question and get majority consensus on each rule.
9. When the group reaches consensus on a rule, ask the secretary to fill in the appropriate section of the constitution template.
10. When the group has completed the constitution, have each member sign it or offer his or her thumb print.
11. Explain that this is like a contract. By signing the document all members agree to the rules set forth in the constitution.
12. Reinforce the following points:
 - The constitution is the Savings and Loan Association’s ultimate authority.
 - All members must follow the constitution.
 - The group must enforce the constitution by collecting fines for all violations.
 - At the end of the bank cycle, if the group decides to continue the Association, they can make changes to the constitution if that is needed.
13. Remind people that they need to bring their member number cards to the next meeting.

⁴⁹ Programa de Ahorro y Credito – Manual de Trabajo, Primera Edicion, 2006, Peace Corps/Ecuador, pp. 19-20.

Instructional Sequence
END OF TRAINING: DEVELOPMENT OF CONSTITUTION

Training: First Savings Meeting⁵⁰

Instructional Sequence

First Savings Meeting

Purpose of Training: In this meeting, the coach helps the Association members learn the procedure for conducting a savings meeting by guiding the management committee through an actual meeting step-by-step.

Timing of Training: 90 to 120 minutes; depending on how quickly the participants want to get started saving, this meeting could take place in the same week as the previous meeting or the following week.

Trainer Preparation:

1. Using [Appendix O: Use of Passbooks](#) as an example, draw a blank passbook page on a flip chart.
2. Have a passbook filled out to pass around.

First Share Purchase Meeting

Participants will learn the procedure for a savings bank meeting

1. Welcome everyone.
2. Explain that before we start the first savings meeting, we are going to learn how to fill out the passbooks to become familiar with that process. This is the role of the secretary, but we all need to know how to fill out the passbook in order to make sure that our own passbook is filled out correctly.
3. Explain that members save in the form of shares, which are stamped in the front section of the passbook. Pass out a passbook that has been filled in so members can see for themselves what it looks like.
4. Remind participants that as a group they already determined the value of a share. Ask the secretary to remind members the value of a share.
5. Make two flip charts with a blank passbook page as shown in [Appendix O: Use of Passbooks](#)
6. Post one blank passbook flip chart on the wall.
7. Explain that you will walk them through an example to demonstrate how to fill out share purchases, using a stamp and making a line to show how many shares have been purchased each week.

⁵⁰ Allen, Hugh; Staehle, Mark, *Village Savings and Loan Associations Field Officer Guide, Version 1.04*, April 22, 2011, slightly modified, pp. 20-22.

Instructional Sequence

8. The share purchase is \$1. Write \$1 in the single share value line.
9. Explain that the savings portion of the passbook has rows. There is a row for each savings meeting and each row has five boxes for five share purchases. There is one share for each box.
10. Use [Appendix H: Use of Passbooks](#) and the information for Week 1 through Week 4. These steps will demonstrate purchasing shares, selling shares, and a week where no shares were purchased.

Give participants the following information:

- Week 1: Member 5 purchases two shares.
- Week 2: Member 5 purchases three shares.
- Week 3: Member 5 purchases two shares.
- Week 4: Member 5 cannot purchase any shares. In fact, Member 5 needs to withdraw three shares.

Note:

1) Answers:

- Week 1: Member 5 purchased two shares. On the first row, the secretary puts two stamps in the first two boxes and draws a blue line through the rest of the row to ensure that no one writes or stamps in that row.
- Week 2: Member 5 purchases three shares. The secretary puts a stamp in three boxes on the second row and draws a blue line through the rest of the row to ensure that no one writes or stamps in that row.
- Week 3: Member 5 purchases two shares. The secretary puts two stamps on the third row and draws a blue line through the rest of the row to ensure that no one writes or stamps in that row.
- Week 4: Member 5 cannot purchase any shares. In fact, Member 5 needs to withdrawal three shares. The secretary draws a line through the entire row to indicate that no shares were purchased. The secretary uses the red pen to draw through three of the shares.

11. Point out that the possibility of selling shares allows members to access their savings, *but all members must understand that they will lose future earnings when profits are distributed. Once sold, the shares cannot be replaced.*
12. After completing Weeks 1-4, read the description of what Member 5 did in Week 5. Ask participants to tell you what to do to correctly fill out the passbook. Continue through Week 10.

Give participants the following information about Weeks 5-10.

- Week 5: Member 5 purchases two shares.
- Week 6: Member 5 purchases three shares.
- Week 7: Member 5 cannot purchase any shares.
- Week 8: Member 5 purchases five shares.
- Week 9: Member 5 purchases one share.
- Week 10: Member 5 cannot purchase any shares. In fact, Member 5 needs to withdrawal three shares.

Instructional Sequence

Note:

1) You may want to have a separate training with the management committee or the secretary so they feel confident about filling out passbooks prior to this meeting, using the share purchase and withdrawal exercise.

2) Answers:

- Week 5: Member 5 purchases two shares. On the fifth row, the secretary puts two stamps in the first two boxes and draws a blue line through the rest of the row to ensure that no one writes or stamps in that row.
- Week 6: Member A purchases three shares. On the sixth row the secretary puts three stamps in the first three boxes and draws a blue line through the rest of the row to ensure that no one writes or stamps in that row.
- Week 7: Member A cannot purchase any shares. The secretary draws a blue line through the entire row to ensure that no one writes or stamps in that row.
- Week 8: Member A purchases five shares. The secretary puts five stamps on the eighth row. Week 9: Member A purchases one share. The secretary puts one stamp on the ninth row and draws a blue line through the remaining boxes to ensure that no one writes or stamps in that row.
- Week 10: Member A cannot purchase any shares. In fact, Member A needs to withdraw three shares. The secretary draws a blue line through the entire row to ensure that no one writes or stamps in that row and uses the red pen to draw through three of the shares.

13. Ask a participant to fill out the passbook on the flip chart with the help of the other members for Weeks 11-13.

Give participants the following information:

- Week 11: Member 5 purchases two shares.
- Week 12: Member 5 purchases one share.
- Week 13: Member 5 purchases one share.

Note:

Answers:

- Week 11: Member 5 purchases two shares. The secretary puts two stamps on the 11th row and draws a blue line through the third, fourth, and fifth boxes to ensure that no one writes or stamps in that row.
- Week 12: Member 5 purchases one share. The secretary puts one stamp on the 12th row and draws a blue line through the remaining boxes to ensure that no one writes or stamps in that row.
- Week 13: Member 5 purchases one share. The secretary puts one stamp on the 13th row and draws a blue line through the remaining boxes to ensure that no one writes or stamps in that row.

1) Ask participants what the starting number of shares was.

Note:

Answer: 0 – We just started the cycle.

2) How many shares were purchased this period?

Note:

Hint: Count the total number of stamps. Answer: 22

3) How many shares were sold this period?

Note:

Hint: Count the total number of stamps crossed out. Answer: 6

Instructional Sequence

- 4) What is the net shares end period (to be carried forward)?

Note:

Hint: This is the total shares purchased minus the total shares sold. Answer: 16

- 5) Ask participants, "If the bank cycle is longer than 13 weeks, what will be written on second page of the passbook on the line 'Starting number of shares?'"

Note:

Answer: 16

[illegible]

14. Congratulate the participants on their good work. Now, in the future, they all can serve as secretaries and will be able to review their own passbooks to make sure they are correctly filled out.
15. Explain to members that this meeting will be the first chance they have to buy shares and that you will guide them through the steps.
16. Explain that you are there to support the management committee, which is now in charge of the meeting.
17. Explain that in this meeting they will all learn how to conduct a share-purchase meeting. Explain again that the first loan meeting will not occur for another four weeks.
18. Pass out [Appendix C: Meeting Procedures](#) to the management committee members.

Instructional Sequence

19. Explain that for the first bank meeting of the cycle the secretary takes attendance by number (calling out the person's number, rather than name). Ask each person to step forward to the table to collect his/her number card (s/he must bring it with him/her to every subsequent meeting). The secretary then writes the member's number and name on his/her passbook.
20. The coach makes sure that the management committee follows proper procedures and keeps accurate records.
21. Members should recall the amount of contribution to the emergency fund and the secretary will confirm the amount. Each member should come forward to make a contribution to the emergency fund.
22. At the end of the emergency fund contributions, the money counters count the money and report the amount to the secretary. The secretary should verify the amount and announce the ending balance of the emergency fund.

Note:

The total for the emergency fund can be written on a flip chart.

23. The secretary should begin calling members up by their member number. Each member should purchase shares.
24. At the end of the share purchases, the money counters count the money and report the amount to the secretary, who should verify the amount and announce the ending balance of the loan fund.
25. At the end of the meeting, the secretary enters the following in a notebook:

Note:

The amounts entered below are just an example. Make sure that the actual amounts are entered based on the amounts collected during the meeting.

Date	Cash in Loan Fund Bag	Cash in Emergency Fund Bag
10/3/12	\$30	\$10

26. The secretary should remind participants that they will need to memorize the amounts in each fund for the next meeting.
27. Congratulate everyone on their first successful share purchases!

END OF TRAINING: FIRST SAVINGS MEETING

Training: First Loan Meeting⁵¹

Instructional Sequence
First Loan Meeting Purpose of Training: In this meeting the coach helps the Association members learn the procedure for conducting a loan disbursement meeting by guiding the management committee through an actual meeting step by step. Timing of Training: 90 to 120 minutes; takes place four weeks after the First Savings Meeting. Trainer Preparation: 1. Review Appendix C: Meeting Procedures—Steps 1-48 2. Also refer to Appendix H: Use of Passbooks to show the members how loans are recorded so they understand the loan record keeping system. It may be helpful to draw on newsprint large scale sample diagrams to show how a loan is recorded in a passbook. Be sure to review it before the meeting.
First Loan Disbursement Meeting Participants will learn the procedure for a loan disbursement bank meeting. Note: Prior to this meeting, you may want to have a separate training with the management committee members or just the secretary to review how to fill out a loan disbursement and repayment. 1. Welcome members and tell them this meeting will be the first chance they have to borrow money from the loan fund. Loans will be disbursed once the emergency fund and share purchase activities are completed by each member. 2. Say that loans will be taken and repaid thereafter every four weeks. 3. Explain that this is very important. Do not permit a group to disburse loans at every meeting. This is necessary to: • Keep most meetings short • Keep record-keeping simple and understandable for the members and the secretary • Allow the loan fund to build between loan meetings 4. Say, <i>“Before we start the meeting we are going to practice filling out the passbooks to show loan disbursements. This is what the secretary will do during the bank meeting, but we all need to know how to do this so that we can certify our loan is correct.”</i> 5. Make two flip charts with a blank passbook page as shown in Appendix O: Blank Passbook Pages 6. Post one blank passbook flip chart on the wall. 7. Explain that you will walk them through an example to demonstrate how to fill out a loan

⁵¹ Allen, Hugh; Staehle, Mark, *Village Savings and Loan Associations Field Officer Guide, Version 1.04*, April 22, 2011, slightly modified, pp.23-26.

Instructional Sequence

disbursement.

8. Demonstrate on the flip chart how to fill out a Loan Disbursement using Passbook Page 1 in the example below.

Passbook Page 1: Use this example to fill out the blank passbook page.

Tina takes a loan for \$30 for two months. This is Tina's first loan so the secretary writes the number one in the Loan No. column. In this example, Tina takes a loan for \$30. Write \$30 in the "Loan Amount" column. The constitution of this Savings and Loan Association states that any loan will have service charge of 10 percent per month. Since Tina took a loan for \$30, the service charge will be $\$30.00 \times .10 = \$3.00$. Write \$3.00 in the box next to "Service Charge." Tina has decided she needs the loan for two months. The secretary writes "End" next to "Paid" on the third month. After the secretary fills out all the information, Tina signs next to the loan amount and service charge to indicate that she agrees to the terms of the loan.

Loans			
Loan No	Item	Amount	Signed
1	Loan Amount	30	Tina
	Service Charge	3	
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
End	Paid		
	Loan Amount		
	Service Charge		
	Paid		

9. Post another blank passbook page.
10. Give participants the following information: David is taking a third loan for \$100 for three months with a service charge of 10 percent.
11. Ask the following questions and ask the secretary to fill in the blank passbook as the participants shout out the answers.
 - 1) What do you write in the Loan Number box?
Note:
 Answer: 3
 - 2) What do you write in Loan Amount?
Note:
 Answer: \$100
 - 3) What is the service charge?
Note:

Instructional Sequence

Answer: \$10

4) Who signs?

Note:

Answer: David because he is taking the loan.

5) Why does David sign?

Note:

Answer: To verify that he understands the loan amount and terms.

6) Where do you write “End”?

Note:

Answer: Under the third month.

Loans			
Loan No	Item	Amount	Signed
1	Loan Amount	100	David
	Service Charge	10	
	Paid	60	
	Loan Amount	50	David
	Service Charge	5	
	Paid	5	
	Loan Amount	50	David
	Service Charge	5	
	Paid	55	
End	Loan Amount	0	Ellen
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		

12. Ask the management committee to conduct the meeting.

Note:

Follow [Trainer Material 4: Meeting Procedures](#) through Step 48 and, skipping Steps 23-31, the Loan Repayment steps.

13. When it is time for loan requests, each member who wants a loan should stand and make their request. The Assembly should discuss each request (referring to the constitution) and approve or deny each request.

14. After the Assembly grants the loans, the secretary fills in the loan pages in the members' passbooks. Ensure that the member verifies the terms of the loan by signing in the passbook. Make sure the management committee follows proper procedures and keeps accurate records.

15. Congratulate the group!

END OF TRAINING: FIRST LOAN MEETING

Training: First Loan Repayment⁵²

Instructional Sequence
First Loan Repayment Purpose of Training: In this meeting the coach helps the Association members learn the procedure for conducting a loan repayment meeting by guiding the management committee through an actual meeting step by step. Timing of Training: 90 to 120 minutes; takes place four weeks after the First Loan Meeting. Trainer Preparation: • Use Appendix C: Meeting Procedures—Steps 23-31. • Refer to Appendix H Use of Passbook to help members understand the loan record-keeping system. Be sure to review it before the meeting.
First Loan Repayment Meeting Participants will learn the procedure for a loan repayment bank meeting 1. Welcome everyone. Note: Prior to this meeting, you may want to have a separate training with the management committee members or just the secretary to review how to fill out a loan repayment. 2. Welcome members and tell them that this meeting will be the first chance they have to make loan payments. 3. Post the passbook flip chart with Tina’s example from the previous training: First Loan Meeting on the wall. Read through the scenario below to remind members of the loan Tina received. Passbook Page 1: Use the example below to fill out the blank passbook page. Tina takes a loan for \$30 for two months. This is Tina’s first loan so the secretary writes No. 1 in the Loan No. column. In this example, Tina takes a loan for \$30. Write \$30 in the “Loan Amount” column. The constitution of this Savings and Loan Association states that any loan will have a service charge of 10 percent per month. Since Tina took a loan for \$30, the service charge will be $\\$30.00 \times .10 = \\$3.00$. Write \$3.00 in the box next to “Service Charge.” Tina has decided she needs the loan for two months. The secretary writes “End” next to “Paid” on the third month. After the secretary fills out all the information, Tina signs next to the loan amount and service charge to indicate that she agrees to the terms of the loan. 4. Explain that you will walk them through an example to demonstrate how to fill out a loan repayment.

⁵² Allen, Hugh; Staehle, Mark, *Village Savings and Loan Associations Field Officer Guide, Version 1.04*, April 22, 2011, pp.27-29.

Instructional Sequence

5. Read the following scenario aloud, ***“Passbook Page 2: The following month Tina pays \$3, the service charge for the first month. She does not pay any of the loan amount so she still owes \$30, in addition, Tina now owes a new service charge of \$3. She now owes a total of \$33. Tina signs in the ‘Signed’ column indicating that she acknowledges the term of a loan.”***

Passbook Page 2

Loans			
Loan No	Item	Amount	Signed
1	Loan Amount	30	<i>Tina</i>
	Service Charge	3	
	Paid	3	<i>Tina</i>
	Loan Amount	30	
	Service Charge	3	
	Paid		
	Loan Amount		
	Service Charge		
End	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		

6. Read the following scenario aloud: ***“Passbook Page 3: The following month Tina pays \$10. Three dollars is paid toward the service charge. The remaining \$7 is paid toward the loan amount. Tina’s new loan balance is \$23. In addition, she owes a new service charge of \$2.30. Tina signs, acknowledging the new balance.”***

Instructional Sequence

Passbook Page 3

Loans			
Loan No	Item	Amount	Signed
1	Loan Amount	30	<i>Tina</i>
	Service Charge	3	
	Paid	3	<i>Tina</i>
	Loan Amount	30	
	Service Charge	3	
	Paid	10	<i>Tina</i>
	Loan Amount	23	
	Service Charge	2.30	
End	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		

7. Read the following scenario aloud: ***“Passbook Page 4: The following month, Tina pays off her loan. She pays \$23 for the loan amount and \$2.30 for a service charge for a total of \$25.30. Tina owes \$0. This time the secretary, Ellen, signs the passbook, acknowledging receipt of the money and the payoff of the loan. The loan is canceled with a red pen.”***

Passbook Page 4

Loans			
Loan No.	Item	Amount	Signed
1	Loan Amount	30	<i>Tina</i>
	Service Charge	3	
	Paid	3	<i>Tina</i>
	Loan Amount	30	
	Service Charge	3	
	Paid	10	<i>Tina</i>
	Loan Amount	23	
	Service Charge	2.30	
End	Paid	25.30	<i>Ellen</i>
	Loan Amount	0	
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		

Instructional Sequence	
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8. Say, “Now let’s do an example together.” Post the passbook flip chart with David’s example from the previous training (First Loan Meeting) on the wall. Read through the scenario below to remind members of the loan David received.

Passbook Page 1: David is taking a third loan for \$100 for three months with a service charge of 10 percent.

9. Read aloud each of the following parts to the group. Give members time between each part to complete and ensure the passbook is filled in correctly. Give participants the following information:
 - 1) At the loan repayment meeting, David makes a payment of \$60. Fill out the passbook to show the loan amount balance remaining and calculate the new service charge due.
 - 2) At the next repayment meeting, David pays \$5. Calculate the new loan amount and service charge due.
 - 3) At the next loan repayment meeting, David makes a payment of \$55. Fill out the passbook to show the loan has been paid off in full.
 - 4) Turn to your neighbor (David) to sign off on each repayment.

Single Share Value USD \$1

Shares Bought per Meeting

Starting number of shares	0
Number of shares bought this period	22
Number of shares sold this period	6
Net shares end period (to be carried forward)	16

10. Ask the management committee to conduct the meeting. The secretary calls each member to the front by his/her member numbers to make contributions to the emergency fund and purchase shares. Continue the meeting according to the meeting procedures.

Instructional Sequence

11. When it is time to repay loans, the secretary should call each member up by his/her member number and enter the correct information in his/her passbooks.
12. When it is time to consider requests for emergency funds and loan disbursements, remind the Assembly to refer to its constitution to determine whether to approve or deny the requests and to confirm the amount to disburse.
13. Make sure the management committee follows proper procedures and keeps accurate records.
14. Congratulate the group on its first loan repayment meeting!

END OF TRAINING: FIRST LOAN REPAYMENT

Instructional Sequence
Share Out, Action Audit and Graduation Purpose of Training: In this meeting the coach helps the Association members learn how to calculate share out, and how to conduct the share out meeting by guiding the management committee through an actual meeting step by step. The coach also assists the Association to conduct a Savings and Loan Association Assessment. Timing of Training: 120 minutes; takes place on the last day of the banking cycle. Trainer Preparation: 1. Review Appendix C: Meeting Procedures Steps 49-66 2. Create a flip chart of Appendix P: Share Purchases and Share Out 3. Review Appendix Q: Calculating Share Value for Share Out
Share Out/Action Audit and Graduation Meeting Participants will learn the procedure for conducting a share out/action audit and graduation meeting. Note: Prior to this session you may want to hold a separate training for the management committee or the secretary. 1. Welcome everyone to the last meeting of the banking cycle. 2. Remind participants that all loans need to be repaid by this meeting. No emergency fund or share purchases will be made during this meeting. 3. Referring to Appendix C: Meeting Procedures, ask the management committee to conduct the meeting. 4. When you get to Appendix C: Meeting Procedures Step 54 in the meeting to calculate the share out, stop the meeting. 5. Explain that at this point the secretary needs to take each passbook and calculate the following: • Total number of shares that each member has (count the number of shares each member has purchased and subtract any shares that were sold) • Total number of shares for the Association (add up total shares for all members) • The new share value (divide the total amount of money in the loan fund by the total number of shares.)

⁵³ Allen, Hugh; Staehle, Mark, *Village Savings and Loan Associations Field Officer Guide, Version 1.04*, April 22, 2011, slightly modified, p.31.

Instructional Sequence

6. Calculate what each member's dividend or share is based on the number of shares s/he purchased. (Multiply the new share value by the total number of shares a member purchased. Repeat for each member.)
7. Calculate this on flip chart paper so everyone can see the total loan fund amount and the new share value. Use [Appendix Q: Calculating Share Value for Share Out](#) to see examples and formulas.
8. Write the total amount of the loan fund on [Appendix P: Share Purchases and Share Out](#).
9. Divide the total loan fund value by total the number of shares. Write it on [Appendix P: Share Purchases and Share Out](#).

Total Shares	Total Loan Fund	Old Share Value	New Share Value

10. Explain that the secretary will calculate the new value of shares and calculate the amount to be shared out to each participant. The secretary will work with the money counters to place the correct amount of money in each passbook, beginning with Member No. 1. No passbooks are passed out to members until all the money has been shared out.
11. The money is placed in each passbook until all share outs have been calculated to make sure no errors have been made. If there is not enough money to fulfill each member's passbook, the secretary should repeat the process to find the new share value calculation. If the new share value calculation is correct, the secretary should then calculate what each member should receive and the money counters should recount the money in each passbook.

If the new share value calculation was incorrect the first time, the money counters should return all the money to the money bag and begin again.
12. The process begins again until it is correct and all members receive the correct amount of share out. The share out amount in cash is placed in each passbook, then each passbook is canceled and each member steps forward to receive the canceled passbook with his/her share out
13. After all passbooks are cancelled and each participant is given his/her money, explain that the members now can decide whether or not to continue with the Association following [Appendix C: Meeting Procedures Steps 60-66](#). Members can drop out and new ones can be added at this time.
14. Members should also decide how much members should contribute to the loan fund to start again. Emphasize that this is the only time members can make one-time contributions of more than five share purchases. Each member must contribute the same amount.

Instructional Sequence

15. If the Savings and Loan Association decides to dissolve permanently, then the assembly also determines what to do with the emergency fund. If the Association decides to continue, the emergency fund is not usually shared out.
16. Explain that some Associations decide to do a self-assessment to determine where their bank is strong and where it could make improvements. Suggest that they either conduct this assessment during this meeting using [Appendix D: Self-Assessment Health Check](#) or schedule a meeting in the near future to conduct an assessment.
17. Explain that now that they have completed their first banking cycle, your work with them is complete. If they need additional support, you are available, but now they are experts in how to start and manage Savings and Loan Associations. In fact, they can help neighboring community groups to start their own Associations.
18. Congratulate the members on the successful completion of their first banking cycle!

Appendix C: Meeting Procedures⁵⁴

Prepare Room

Meeting Opening

1. The chairperson opens the meeting.
2. The secretary takes attendance.

Emergency Fund

3. The Association recalls the closing balance from the previous meeting and the secretary verifies the amount.
4. The key holders open the cash box and the money counters verify the balance.
5. Each member comes forward and contributes the designated amount to the emergency fund to the money counter and gets his/her passbook.
6. The money counters confirm that each member has given the correct contribution and puts it in the money-counting bowl
7. The secretary asks if any member missed a payment to the emergency fund during the last meeting. They can pay it now.
8. The secretary asks if any member needs a grant from the emergency fund. Members in need make their requests to the Association.
9. If the majority of the members approve the grant by show of hands or consensus, the money is provided to members according to the constitution.
10. The money counters tally the emergency fund in the counting bowl and announce this to the members. Everyone should remember the amount for the next meeting.
11. The secretary writes down the amount in a notebook.
12. The emergency fund money is placed in its drawstring bag and put back in the cash box.

Share Purchase/Savings

13. The secretary asks the members to recall the balance of the loan fund from the previous meeting and the secretary verifies the amount.
14. The money counters remove the loan fund from the bag and announce the amount to the members.
15. Once it is agreed that the amount remembered and the amount counted are the same, the money is placed in the money counting bowl.
16. The chairperson announces that members will now buy shares.
17. The secretary calls each member by number. Each member who saves money buys 1-5 shares. They hand the money to the money counters and their passbook to the secretary.
18. The money counters count the money, place it in the money bowl, and announce the number of shares purchased by the member.
19. The secretary stamps the correct number of shares into the passbook and crosses out any unused blocks.

⁵⁴ Modified from *VSLA Field Officer Guide, Version 1.04*, April 22, 2011, pp.83-86.

20. The member then checks that the number of new stamps in the passbook is correct and the passbook remains with the secretary for the rest of the meeting. The process is repeated for each member.

Note:

If the member needs a withdrawal, s/he will ask for it instead of buying shares. When a withdrawal is needed, the secretary 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.

Expenses

21. If any money was given for expenses during the previous meeting, the person who made the expenditure gives an account and returns any change to the money counters, who place it in the money counting bowl.
22. The chairperson asks the secretary if there will be any necessary expenses before the next meeting. If any expenses are approved by all of the members, the chairperson instructs the money counters to remove the necessary amount from the money-counting bowl and give it to the member who is responsible for paying the expenses.

Loan Repayment *(Skip these steps if this is not a loan meeting)*

23. The chairperson asks borrowers to identify themselves.
24. The secretary confirms the amount due by referring to the borrowers' passbooks.
25. Members repay loans that are due.
26. The money counters count the payment, announce the amount, and place it in the money counting bowl.
27. The secretary enters the payment amount in the member's passbook in the paid box.
28. The secretary then calculates the remaining balance due and enters it in the loan amount box in the member's passbook.
29. If the remaining balance due is zero, the secretary signs the passbook and announces that the loan is repaid, cancelling the loan with a diagonal line drawn through the transactions.
30. If a balance remains, the secretary then calculates the service charge due for the next meeting and enters it in the appropriate space. The borrower then signs in the space provided.
31. The money counters combine the money in the fines bowl and the money in the money counting bowl and confirm the amount with the secretary. This new total represents the amount now available for loans.

Loan Disbursement

32. The chairperson invites loan requests, reminding members of the maximum loan term and loan amount (three times the members' savings).
33. Each member who wants a loan makes a request verbally to the Association, announcing the amount requested, the purpose of the loan, and over what period of time s/he expects to repay.
34. The secretary then calculates the total value of the requests and announces it.
35. If the total value of loans requested is more than the money available in the loan fund, the Association must discuss adjustments to the individual loan amounts until all members are satisfied.
36. Once it is decided how much each borrower will receive, the secretary calls each borrower to the front in order of his/her number.
37. The secretary then enters the loan number, loan amount, and service charge due in each member's passbook.

38. The secretary instructs the money counters to give the borrower the loan amount from the money counting bowl.
39. The borrower counts the money, and signs the passbook.
40. The secretary then instructs the borrower to announce out loud the total amount due and the date it is due.
41. This process is repeated until all loans have been issued.
42. The money counters count any remaining money and announce the amount to the Association. This amount constitutes its loan fund.
43. The secretary writes down the ending balances in a notebook and encourages others to do the same.
44. The Association memorizes the closing balance of the loan fund and the emergency fund.
45. The money counters place the loan fund in its draw string bag and put it in the cash box.
46. The management committee puts everything back in the cash box and the key holders lock it.
47. The Association takes care of any other business.
48. The chairperson closes the meeting.

Share Out/Action Audit *(this is only for the last meeting of the bank cycle)*

49. The emergency fund is counted, announced, and put away. It does not get shared UNLESS the Association wants to dissolve the Association (in which case it gets combined with the loan fund).
50. Funds from loan repayment and fines for the meeting are combined with the loan fund.
51. If any member still owes the Association money, that amount is recovered by cancelling the number of shares in his/her passbook that equal the value of the amount owed.
52. The money counters start counting the loan fund.
53. While the money counters are counting, the secretary uses the calculator to divide the total of the loan fund by the total number of shares.
54. Once the money counters are finished, the secretary uses the calculator to divide the total of the loan fund by the total number of shares. This determines the value of a single share. It should be written down to the three decimal places.
55. Next, the secretary multiplies the number of shares in each passbook by the value of one share. The secretary then announces the number of shares and the amount, ignoring any fractional amount, and then asks the money counters to put that amount into the passbook, which is set aside.
56. The secretary then cancels all of the members' shares by drawing a large cross on each page of the passbook on which there are share stamps.
57. All passbooks are done the same way before anyone receives any money.
58. Once the process is complete, there may be a small amount of money remaining 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 emergency fund.
59. Members are given their passbooks with all the money. It is very important that each member's money is placed in his/her hand.

Preparation for the Next Cycle *(Only for the last meeting of the cycle)*

60. Any member who wishes to leave the Association should be free to do so.
61. New members can now join, if all remaining members agree.
62. The continuing members now decide on the share value for the next cycle.

63. If the Association members wish to contribute a lump sum (share capital) for the next cycle, they should do so now. Everyone must contribute the same amount, including new members. It can be more than five shares on this one occasion.
64. The seed capital is then put in the loan fund bag, after being counted by the money counters and announced by the secretary.
65. The cash box is now locked and the cycle is formally ended.
66. Depending on the Association's constitution, it may need to hold elections in the next meeting for the management committee and then revise its constitution, which new members must sign.

Note:

New members may be assigned an old member to explain the constitution. New members should fully understand the constitution and proper meeting procedure (and why it is done in that way).

Appendix D: Savings and Loan Association Health Check⁵⁵

Name of the Association: _____

Date of visit: _____

Issue		Notes	Points
1. Did at least 80 percent of the members attend the meeting?			
2. Did at least three-fourths of the members arrive on time?			
3. Did the management committee play its role well?			
4. Did the Association have a constitution on hand (in the cash box)?			
5. Was the constitution followed?			
6. Did the members of the Association participate in the discussions?			
7. Were savings and lending procedures followed correctly?			
8. Did at least 80 percent of the members save?			
9. Were procedures transparent and understood by the members?			
10. Were passbooks up to date and accurate?			
11. Did the secretary accurately summarize the financial position of the Association at the end of the meeting?			
		Total points:	
Points Key 1 = bad/no 2 = needs some improvement 3 = good/yes	Condition: "Good health" = 24 - 33 "Uncertain health" = 14 - 23 "In need of further training" = 0 - 13		

⁵⁵ From a Village Savings and Loan Association workshop given by Hugh Allen for MDI, Tanzania in 2008 and *Village Savings and Loan Associations (VSLA), Programme Guide, Field Operations Manual, Version 3.1*, November 1, 2007, slightly modified, p.96.

Appendix E: Data Collection Form and Instructions

Comments ⁵⁶		Bank
1	Name of Association/Association	
2	Date of savings started this cycle	
3	Association formed by	
4	Members at start of cycle	
<i>The first four pieces of data will not change for the rest of the cycle</i>		
5	Date of most recent visit	
6	Active members at time of visit	
7	Active men at time of visit	
8	Active women at time of visit	
9	Number of members attending meeting	
10	Dropouts since start of cycle	
11	Net value of savings this cycle	
12	Number of loans outstanding	
13	Value of loans outstanding	
14	Loan fund cash on hand and at bank	
15	Total cash in other funds	
16	Property at start of cycle	
17	Property now	
18	Debts	

⁵⁶ Allen, Hugh; Staehle, Mark, *VSL Programme Guide – Field Operations Manual, Version 3.1*, November 1, 2007, slightly modified.

No	Item at End of Meeting	What the data means	Where to get the data
1	Name of Association/Association	The name of the Association given to it by its members.	Ask the members
2	Date savings started this cycle	Date the Association started its savings activities <i>in the current cycle</i> , not the date the Association was founded.	Note the date on which the Association was trained on Module 4
3	Association formed by	This is who was responsible for training the community bank. Choose Volunteer, Community Member, or Spontaneous . “Spontaneous” means Associations that have received no formal training.	You will know this. It is either you or the previous Volunteer. If it wasn’t trained, write, “Spontaneous”
4	Members at start of cycle	Number of members who participated in the community bank when the Association started its savings activities <i>in the current cycle</i> .	Note at the time you started to train the community bank in Module 1
5	Date of most recent visit	Date of the most recent visit – when the data collection form was filled in.	Note the date of visit
6	Active members at time of visit	The number of members who are considered by the other members to belong to the Association – <i>NOT just the number who are present at the meeting where this data is collected (they may be absent for important reasons)</i> . This number should be equal to the sum of Nos. 8 and 9 listed below (men and women).	Ask the members
7	Active men at time of visit	The number of men who are considered to be active member of the Association – even if not present at the time of your visit when the data is collected.	Ask the members
8	Active women at time of visit	The number of women who are considered to be active member of the Association – even if not present at the time of your visit when the data is collected.	Ask the members
9	Number of members attending the meeting	The number of members who were actually present at the visit when these data were collected.	Observation
10	Dropouts since start of cycle	The number of members who have left the Association since the start of the current cycle, for ANY reason (i.e. death, moved away, quit, thrown out for failing to pay a loan, or for not saving or attending meetings regularly).	Ask the members

No	Item at End of Meeting	What the data means	Where to get the data
11	Net value of savings this cycle	<u>This applies ONLY to the current cycle.</u> Count member shares from passbooks and subtract any shares that have been cancelled. <u>You must actually count the shares.</u> Do <u>NOT</u> infer the amount from other data. Multiply the total number of shares by the purchase price of the shares (i.e., What the member actually paid). Do not include other income such as from service charges.	Member passbooks
12	Number of loans outstanding	Number of loans that remain to be completely repaid, whether on time or late.	Member passbooks
13	Value of loans outstanding	Total remaining value of loans that are not yet completely repaid, whether on time or late. From passbook. It <u>DOES NOT include service charge that will be owed.</u>	Member passbooks
14	Loan fund cash on hand and at bank	Cash remaining in the loan fund bag plus any that is on deposit at any type of financial institution (formal or informal).	Write down the cash in the loan fund and add to anything shown on Association commercial bank statement
15	Total cash in other funds	Cash that remains in any other funds (i.e. insurance, education, expenses, etc.) in which the members have invested and which is on hand or on deposit with any type of financial institution (formal or informal).	Write down the cash in the emergency fund from ending balance
16	Property at start of cycle	The <u>purchase price</u> of any physical property (buildings, livestock, furniture, goods, etc.) that the Association owned <u>at the start of the present cycle.</u>	Ask the members
17	Property now	The total <u>purchase price</u> of any goods (such as grains, livestock, etc.) owned by the Association.	Ask the members
18	Debts	Total value of any money the Association owes to anyone (not counting member savings), for any reason. Could be from an external loan.	Ask the members

Data Collection Form—Example		
Comments		Example
1	Name of Association/Association	<i>Peace Bank</i>
2	Date of savings started this cycle	<i>March 12, 2012</i>
3	Association formed by	<i>Scott</i>
4	Members at start of cycle	<i>12</i>
5	Date of most recent visit	<i>January 12, 2013</i>
6	Active members at time of visit	<i>18</i>
7	Active men at time of visit	<i>5</i>
8	Active women at time of visit	<i>13</i>
9	Number of members attending meeting	<i>15</i>
10	Dropouts since start of cycle	<i>1</i>
11	Net value of savings this cycle	<i>\$1,216</i>
12	Number of loans outstanding	<i>7</i>
13	Value of loans outstanding	<i>\$1,300</i>
14	Loan fund cash on hand and at bank	<i>\$120</i>
15	Total cash in other funds	<i>\$50</i>
16	Property at start of cycle	<i>0</i>
17	Property now	<i>0</i>
18	Debts	<i>0</i>

This information needs to be collected every three months, preferably at the end of the bank cycle.

Savings and Loan Data Table: How to collect data on total value of savings to date and total value of loans

Savings and Loan Data Table		
Name of Association		<i>Peace Bank</i>
Member Number	Total Number of shares bought/savings made to date	Value of outstanding loans
1	23	
2	11	
3	52	12,000
4	45	17,000
5	43	
6	46	13,000
7	37	
8	28	
9	17	
10	28	20,000
11	55	
12	21	15,000
13	17	23,000
14	12	
15	32	
16	32	30,000
17	54	
18	55	
19		
20		
21		
22		
23		
24		
25		
Total	608	130,000
Value of share	200	
Total value of shares	121,600	

This form is only used to add up the total value of all share purchases and to find out the total value of outstanding loans by members of the community bank. It is intended to simplify the most difficult items on the Community Bank Data Collection Form. Proceed as follows:

Total Number of Shares/Savings

Step 1. Collect all of the members' passbooks, before they are put back in the box at the end of the meeting.

Step 2. Open each passbook and total all of the shares stamped at the most recent meeting. Add this amount to the value of shares carried forward (the first line on the table at the bottom of each page). Enter the total number of shares against the member's number in the table.

Step 3. Add the total number of shares and write the total next to the box at the bottom "Total."

Step 4. In the next box, write the price of a single share (in this case 200).

Step 5. Multiply this amount with the figure in the "Total" box.

Step 6. Put the result in the box designated for "Total value of all shares."

Step 7. Enter total value of shares on the Community Bank Data Collection Form on Line 13. Net value of savings this cycle.

Value of Outstanding Loans

Step 1. Open each member's passbook at the back and check to see the amount in the "Loan Amount box" of his/her latest loan. If the member has finished paying the loan, this sum will be zero. Put the amount in the Value of Loans Outstanding column above. Do not include interest due.

Step 2. In the occasional case that the member has more than one loan due, add them together.

Appendix F: Sample Savings and Loan Association Report

Ratios and Reports ⁵⁷				
Ratio	What the Information tells us	Formula	Example	Answer
Age	Shows how old the Association is and presumably what capacity level it should be at.	Count the number of months since the “Date Savings Started This Cycle.”	2 nd Feb, 2010 – 7 th March, 2010	5 weeks
Total number of members end of period	Comparable unit of measurement between Associations since Associations vary in size.	Number of members at the start of cycle minus dropouts.		
Percent of women	A demographic profile indicator sometimes considered a reflection of depth of outreach.	Number of female members divided by total number of members.	$10/14 = .71 \times 100 = 71$	71%
Attendance Rate	Level of active participation and commitment of members.	Number of members attending meeting divided by total number of members.	$11/14 = .78 \times 100 = 78$	78%
Percent Change in Membership	Gives a sense of the stability and institutional memory of the Association	Current number of members divided by beginning number of members, minus one	$14/18 = .77 - (1) = -.22 \times 100 = -22$	- 22%
Total assets of Association end of period	This gives a sense of the scale of financial activity. It is also helpful to see growth of assets over time.	Cash on hand and in bank account, any outstanding loans, plus emergency fund, plus the value of any other assets, such as land or equipment minus debts.		
Return on Savings	Measures how well Association uses savings to generate returns. Factor: interest rate/service charge fees. Is an indicator of profitability.	Net income divided by total savings at the end of the period, minus one. ⁵⁸	$50,500/135,500 = .37 \times 100 = 37$	37%

⁵⁷ Referred to Peace Corps/Benin, *Savings and Loan Association – Shortened Overview*.

⁵⁸ <http://www.care.org/getinvolved/advocacy/access-africa/pdf/CARE-Access-Africa-Closing-the-Gap-2011.pdf> accessed on September 5, 2012.

Appendix G: Savings and Loan Association Self-Assessment⁵⁹

Discuss the questions and answer “yes” or “no.” Then decide what you can do to improve your Savings and Loan Association’s health.

Participation

- | | |
|---|--------|
| 1. All or almost all of the members attended the last bank meeting. | Yes/No |
| 2. All or almost all of the members arrived on time at the last bank meeting. | Yes/No |
| 3. Members discuss and vote on issues important to the Association. | Yes/No |
| 4. Members are active in group income-generating activities to raise money for the Association. | Yes/No |

Rules

- | | |
|---|--------|
| 1. The constitution is kept in the cash box. | Yes/No |
| 2. Members carefully follow the constitution. | Yes/No |

Bookkeeping

- | | |
|---|--------|
| 1. The management committee members carry out their roles well. | Yes/No |
| 2. All the passbooks are filled out accurately and signed. | Yes/No |
| 3. All the passbooks are up to date. | Yes/No |
| 4. The secretary correctly announced the ending balances at the last meeting. | Yes/No |

Savings

- | | |
|---|--------|
| 1. Each member makes savings deposits every week. | Yes/No |
| 2. All or almost all of the members deposited savings at the last bank meeting. | Yes/No |

Money Handling

- | | |
|--|--------|
| 1. Savings and lending procedures were carefully followed at the last meeting. | Yes/No |
| 2. The procedures are transparent and understood by the members. | Yes/No |
| 3. No one but the money counters handle the Association’s money during the bank meeting. | Yes/No |
| 4. No bank transactions are made outside of the meeting except by the management committee. | Yes/No |
| 5. The Association has a commercial bank account. | Yes/No |
| 6. The commercial bank passbook and deposit slip are shown to the members after every deposit. | Yes/No |
| 7. The members know how to check the date and the amount of the commercial bank deposit. | Yes/No |

Growth

- | | |
|--|--------|
| 1. The Association has plans to increase its membership to at least 30. | Yes/No |
| 2. Members undertake at least two income-generating activities a month to create income for the group. | Yes/No |

⁵⁹ Adapted from Health Check of our Self-Help Group, Women’s Empowerment Program: Road to Wealth, slightly modified, pp. 124-134, Pact Revised Edition 2008.

Appendix H: Use of Passbooks⁶⁰

Passbook Cover—Figure 1: At the first savings meeting, each member is called to the front by the number he/she was assigned. The member receives his/her number card. The secretary writes the member's name and number on the passbook cover.

Figure 1: Passbook Cover

Savings and Loan Association

Member Share Passbook



Association Name Peace Bank

Association Number 1

Member Name Tina Smith

Member Number 11

Figure 2: Passbook with stamps indicating 11 shares were purchased

Single Share Value USD \$1

Shares Bought per Meeting				
→				
→	→			
→	→	→		
→	→	→		
→	→			

Starting number of shares	0
Number of shares bought this period	
Number of shares sold this period	
Net shares end period (to be carried forward)	

Savings—Figure 2

At each meeting, members save in the form of shares. Each share is stamped in its own box on the row that corresponds with the meeting, as shown in Figure 2.

Each row indicates a meeting. Each box indicates a potential share. Each stamp (arrow) indicates a purchased share. Tina Smith, Member No. 11, purchased one share during the third meeting. How many shares did Tina purchase during the third meeting?

Note:

Answer: Tina purchased three shares during the third meeting.

How many shares could she purchase each meeting? How do you know?

Note:

Answer: Tina could purchase five shares per meeting. This is indicated by the number of spaces available in the passbook per meeting. The maximum number of shares a member is allowed to purchase is also written in the constitution.

Explanation: The illustration shows that there have been five meetings and that the member has purchased 11 shares. When members make their contribution, the secretary stamps in each passbook the number of shares purchased and the member confirms that the amount is correct. On each line, the unused spaces are marked through with a diagonal line to prevent fraudulent entry of shares at a later date. The value of shares purchased is $11 \times \$1 = \$11$.

⁶⁰ Slightly modified from *VSLA Field Officer Guide, Version 1.04*, April 22, 2011.

Explanation: Two meetings later, in the seventh meeting of the cycle, the member was unable to save. To show that s/he did not save anything at this meeting, the row for meeting seven is cancelled by the secretary, with a diagonal line.

The possibility of selling shares allows members to access their savings, *but all members must understand that they will lose future earnings when profits are distributed. Once sold, the shares cannot be replaced.*

[illegible]

Single Share Value	<u><i>USD \$1</i></u>
Shares Bought per Meeting	
➡	
➡	➡
➡	➡ ➡
➡	➡ ➡
➡	➡
➡	
➡	
➡	➡
➡	➡ ➡
➡	➡ ➡ ➡ ➡
➡	➡ ➡
➡	

Starting number of shares	<i>0</i>
Number of shares bought this period	<i>28</i>
Number of shares sold this period	<i>3</i>
Net shares end period (to be carried forward)	<i>25</i>

Explanation: Figure 4 shows what the passbook looks like when a page is filled. By the 13th meeting, all 13 rows indicate purchased shares and sold shares. Each page in 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, s/he sold three shares purchased in meetings five and six. At the 13th meeting, the net number of shares bought during this period, therefore, is 25. This is indicated in the last line of Figure 4: Net shares end period (to be carried forward). This figure is written on the next page in the box that says, “Starting number of shares.” Figure 4 demonstrates 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.

Loans

Loans are recorded in the back of the passbook. They are not shown in the form of stamps but are written as numbers.

Member loan record—Figure 5

Explanation: The example in Figure 5 shows the first loan the member takes, as shown in the “Loan No.” column. Tina’s first loan is for USD \$30. No date is shown since loan meetings follow each other at intervals of four weeks.

The service charge is \$3 because her Association charges 10 percent of the loan amount every four weeks. In this case, the loan period is 12 weeks. To indicate when the loan should be paid off, the word “End” is written against the “Paid” row 12 weeks in the future. Tina signs this to show that she understands she owes \$30 for the loan and \$3 as the service charge for the first four weeks.

Figure 5: Member Loan Record

Loans			
Loan No	Item	Amount	Signed
1	Loan Amount	30	Tina
	Service Charge	3	
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
End	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		

Figure 6: Member loan record

Loans			
Loan No	Item	Amount	Signed
1	Loan Amount	30	Tina
	Service Charge	3	
	Paid	3	Tina
	Loan Amount	30	
	Service Charge	3	
	Paid		
	Loan Amount		
	Service Charge		
End	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		

Member loan record—Figure 6

Explanation: At the next loan meeting, four weeks later, Tina makes the service charge payment of \$3 but no repayment of the principal sum. The next entry in her passbook appears as in Figure 6. This shows that after paying the service charge, the member still owes \$30 (\$30 Loan Amount plus \$3 Service Charge minus Amount Paid \$3). A service charge of another \$3 is then added to cover the next four weeks. Thus, the member is told that she owes \$33.

Member loan record—Figure 7

Explanation: After another four weeks, Tina made a loan repayment of \$10. Because she owed \$33 (\$30 principal plus \$3 accrued service charge) this means she now has a balance of \$23. The secretary receives the \$10 and writes a loan balance of \$23 on the next line. She also adds a service charge of \$2.30, which will be owed at the next loan meeting. Thus, the total amount owed is \$25.30.

Figure 7: Member loan record

Loans			
Loan No	Item	Amount	Signed
1	Loan Amount	30	Tina
	Service Charge	3	
	Paid	3	Tina
	Loan Amount	30	
	Service Charge	3	
	Paid	10	Tina
	Loan Amount	23	
	Service Charge	2.30	
End	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		

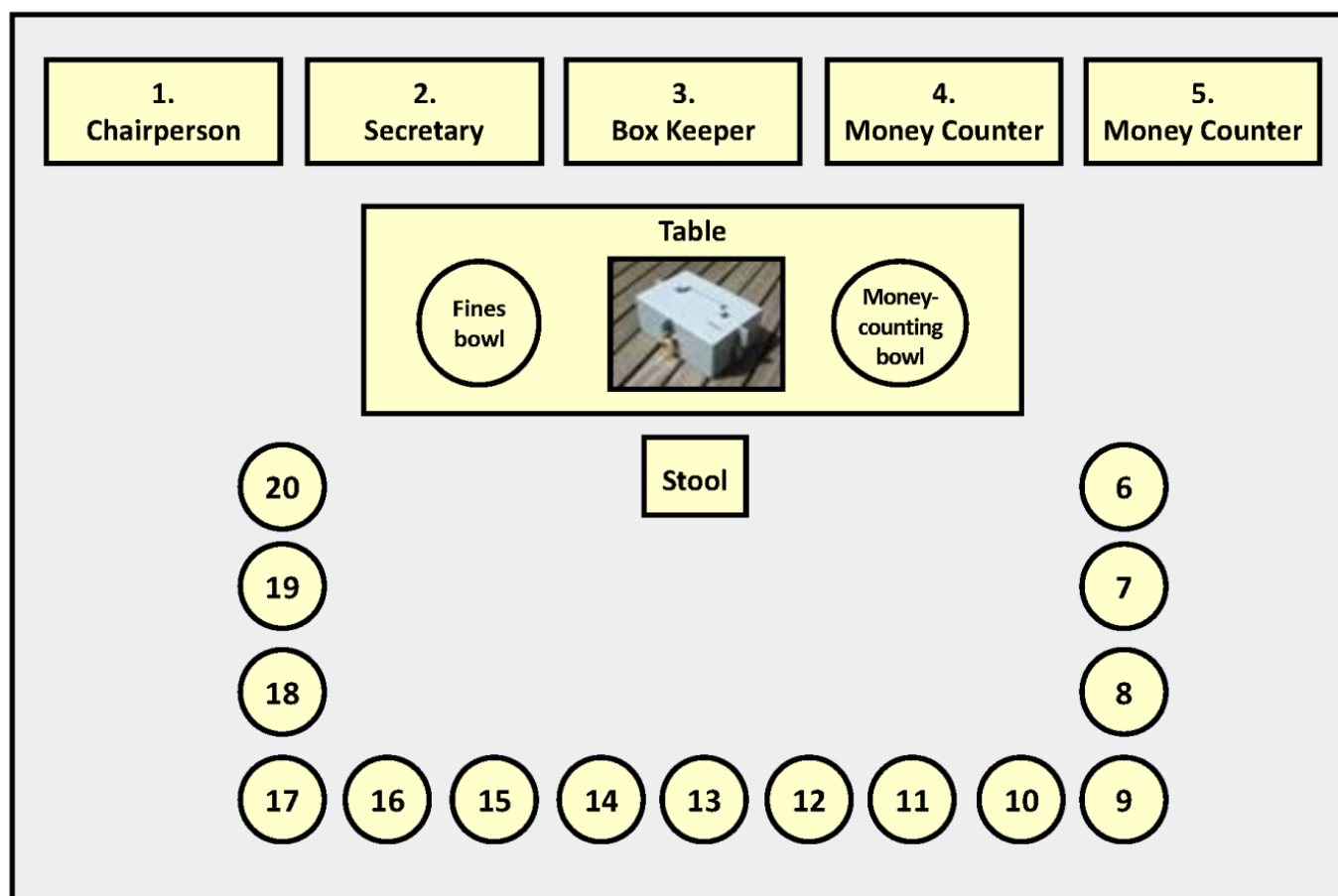
Figure 8: Member loan record

Loans			
Loan No.	Item	Amount	Signed
1	Loan Amount	30	Tina
	Service Charge	3	
	Paid	3	Tina
	Loan Amount	30	
	Service Charge	3	
	Paid	10	Tina
	Loan Amount	23	
	Service Charge	2.30	
End	Paid	25.30	Ellen
	Loan Amount	0	
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		

Member loan record—Figure 8

Explanation: Figure 8 shows that at the next meeting, the member pays the full \$25.30 owed. The secretary (Ellen) enters \$25.30 in the “Paid” row and signs the entry. Once the loan is fully paid, the secretary draws a red line through the whole loan record. This indicates that the loan has been completely repaid.

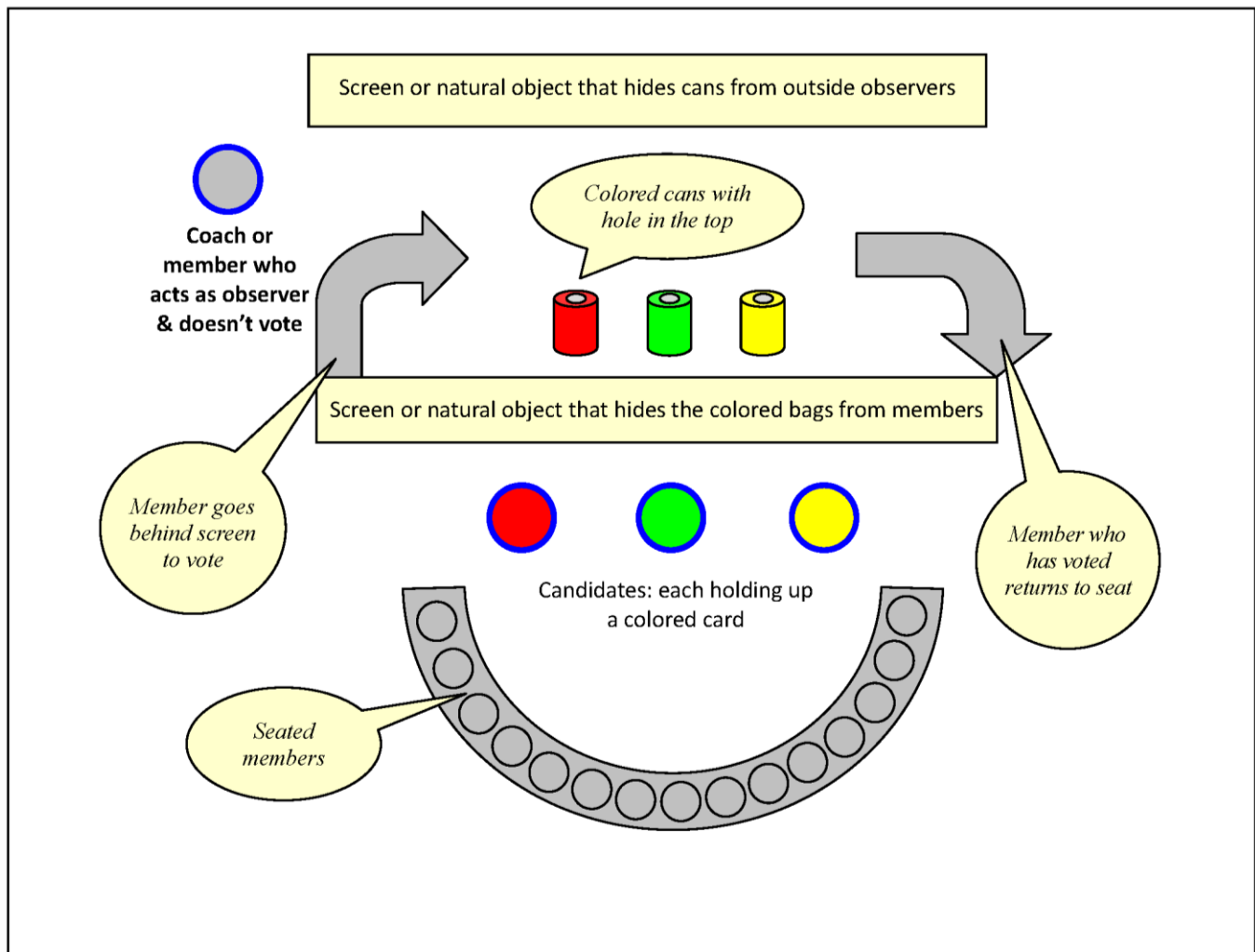
Appendix I: Seating Arrangement⁶¹



Adapted from *VSLA Field Officer Guide, Version 1.04*, April 22, 2011, p. 17

⁶¹ Adapted from *VSLA Field Officer Guide, Version 1.04*, April 22, 2011, p. 17

Appendix J: Election Procedure⁶²



Adapted from VSLA Field Officer Guide, Version 1.04, April 22, 2011, Hugh Allen and Mark Staehle, p.34

⁶² Allen, Hugh; Staehle, Mark, *VSLA Field Officer Guide, Version 1.04*, April 22, 2011, slightly modified, p.34.

Appendix K: The Savings and Loan Association Kit

The kit includes all the equipment a Savings and Loan Association needs to operate

Post Adaptation:

Adapt the Local Currency column with costs in the local currency.

Item	What to use / How to get it	Approximate Cost	
		Local Currency	USD \$
Cash box	A metal or wooden box that is lockable in three places and large enough to fit a notebook and the rest of the kit. It does not have to be complicated but should be well-made and secure.	15000	\$30.00
Notebooks	bookstore or stationary store	200	\$0.40
Pens (2)	Two pens / bookstore or stationary store	200	\$0.40
Ruler	Bookstore or stationary store	100	\$0.20
Inkpad	Bookstore or stationary store	1000	\$2.00
Calendar	Bookstore or stationary store	200	\$0.40
Calculator	Bookstore or stationary store	600	\$1.20
Ink Stamp	A local artist	3000	\$6.00
Passbooks (30)	30 school exercise books / bookstore or stationary store	3000	\$6.00
Locks (3)	Three padlocks / local market	1200	\$2.40
Bowls (3)	Three plastic bowls / local market	1000	\$2.00
Cloth bags (2)	Locally made, drawstring cloth bags / Association members	200	\$0.20
TOTAL		25700	\$51.40

The Association is responsible for assembling the kit. The coach provides potential Savings and Loan Association members with the list and specifications. They will need the entire kit before you start the training.⁶³

⁶³ Peace Corps/Benin, *Savings and Loan Association – Shortened Overview*, p.8.

Appendix L: The Constitution⁶⁴

Constitution Template

Governance of the Association

1. BASIC INFORMATION OF THE ASSOCIATION

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

2. OBJECTIVE OF THE ASSOCIATION

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

3. RELATIONSHIP TO EXTERNAL SOURCES OF FINANCIAL SERVICES

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

4. WHO MAY BE A MEMBER OF THE ASSOCIATION?

- Minimum age: ____
- Sex: _____
- Residence: _____
- Other: _____

⁶⁴ Allen, Hugh; Staehle, Mark, *VSLA Field Officer Guide, Version 1.04*, April 22, 2011

5. COMPOSITION OF THE MANAGEMENT COMMITTEE

The management committee is in charge of SAVINGS AND LOAN ASSOCIATION operations. The management committee consists of:

- Chairperson
- Secretary
- Box keeper
- Money Counter 1
- Money Counter 2

6. ELECTION PROCEDURES

The management committee is elected and supervised by the general assembly.

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

7. REMOVAL OF OFFICERS FROM THEIR POSITION BETWEEN ELECTIONS

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

8. MEETINGS

- The Association will meet on _____ at _____ o'clock am/pm.
- The Association will meet in the following location: _____
- To collect savings, the Association will meet every _____
- To disburse loans the Association will meet every _____
- The cycle of meetings will continue for a maximum of ____ weeks. At the end of the cycle, the Association will share out its assets.

9. SAVINGS

- The value of a share will be: _____
- Each member may choose to purchase 1 – 5 shares at each meeting
- At the beginning of the next bank cycle, the members can decide to each contribute a one-time lump sum amount. Each member should contribute the same amount.

10. LENDING

- Those eligible to borrow are: _____
- The maximum amount that anyone can borrow is three times the value of his or her shares.
- The maximum length of loan term is 24 weeks, but only 12 weeks during the first cycle.
- The service charge rate to be charged every four weeks (month) is: ____%
- 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: _____
- A loan that is not repaid will be considered uncollectible after: ____ missed repayments
- When a member does not repay a loan, the following principle will apply:

-
- If a member, dies his/her loan need not be repaid.

11. EMERGENCY FUND

- The contribution to the emergency fund will be: _____
- The emergency fund contribution will be paid at every meeting.
- The benefits for the death of a spouse will be: _____
- The benefits for the death of a child will be: _____
- The benefits for the death of a parent will be: _____
- The benefit to a member whose house or workplace is destroyed will be: _____
- The benefit for the wedding of a member or a member's child will be: _____
- The benefit for the birth to a member will be: _____
- The benefit for an orphan's support will be: _____

12. FINES

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

Offense	Amount
Non-attendance at a meeting for personal reasons	
Late to meetings	
Not remembering Association rules	
Loss of member number card	
Forgetting key	
Chatting during the proceedings	
Showing disrespect to a fellow member	
Not remembering decisions and activities of the preceding meeting	
Failure of a member of the management committee to perform his/her duties	

13. MEMBERS LEAVING THE ASSOCIATION⁶⁵

- If a member leaves the Association, the Association will calculate how much he or she is paid using the following principle:
- If a person is expelled from the Association, the Association will calculate how much he or she is paid using the following principle:

14. EXPULSION FROM THE ASSOCIATION

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

15. DEATH OF A MEMBER

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

⁶⁵ Adapted from *VSLA Programme Guide, Field Operations Manual, Version 3.1*, November 1, 2007, pp.45-47, and Peace Corps/Ecuador *Programa de Ahorro y Credito (PAC) – Bancos Comunitarios Ecuador, Cuarta Edicion*, 2003, Quito, Ecuador, and *SLA – Shortened Overview* from PC/Benin, pp.14-15.

16. AMENDMENTS TO THE CONSTITUTION

- Two-thirds of the members must agree before the constitution can be changed
- Anyone can propose an amendment to the constitution

The constitution is signed by its members

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

Constitution in Question Form⁶⁶

Following is a list of questions that may help members think through each part of the constitution. It can be used together with the constitution template. For instance, the chairperson can read each question, the Assembly can discuss and reach consensus on that question, then the secretary can write the decision in the constitution template.

1. Basic information of the Association

Name of the Association:

Address:

Date of formation:

Date of official registration:

2. Objectives of the Association

What are the objectives of the Association?

What activities will the Association do?

3. Relationship to external financial services providers

- The Association will not borrow from financial institutions during the first cycle of saving and loaning. If it chooses to do so in the subsequent cycles, it will follow these principles:

⁶⁶ Peace Corps/Benin, *Savings and Loan Association – Shortened Overview*

- The association must be the borrower and not individual members.
- The association will not allow the lender access to information on individual loans.
- Members' savings cannot be sold as collateral for an external loan.
- Any borrowing by the Association must not exceed the total value of all members' paid up shares.

4. Who may be a member of the Association

- Minimum age:
- Sex:
- Residence:
- Other:

5. Composition of the management committee

- Chairperson
- Secretary
- Treasurer
- Money Counter 1
- Money Counter 2

6. Election procedures

- How many cycles may a member serve on the management committee?
- When will the Association hold elections?
- The minimum number of members who must be present to hold an election is:
- The minimum number of people who must stand for each position is two (2).
- Another member must propose a candidate for election.

7. Removal of officers from their position between elections

Any member of the general assembly can call for a vote of no confidence in a member of the management committee. If a majority of the members decide to remove a member from the management committee, the member must step down and the Association must elect another member of the same position.

8. Meetings

- Which day of the week will the Association meet?
- At what time will the Association meet?
- Where will the Association meet?
- The cycle of meetings will continue for a maximum of one year before the Association shares out its assets.

9. Saving

- What is the value of one share?
- Members may purchase one to five (1-5) shares at each meeting.
- After share out, the members can decide to each contribute a lump sum amount greater than the 1-5 share value in order to build the loan fund for the next cycle.

10. Lending

- Who is eligible to borrow? Is someone outside the group eligible to take a loan from the Association? (It is not recommended to allow people outside the group to take loans.)
- The maximum amount that any member can borrow is three times the value of his or her shares.
- For how long will loans be taken?
- What percent will the service charge rate be on a loan?
- What reasons can a member give to access a loan?
- When the Association has limited funds, what criteria shall be used to distribute loans?
- When will a loan be considered uncollectible?
- What happens when a member does not repay a loan?
- If a member dies, his/her loan need not be repaid.

11. Emergency fund

- How much will each member contribute to the emergency fund?
- The emergency fund contribution will be paid at every meeting.
- What emergencies will the emergency fund cover?

12. Fines

The following table lists the fines that can be charged for offenses committed by members (examples include tardiness, talking during meetings, etc.)

Offense	Amount

13. Members leaving the association

- If a member leaves the Association, the Association will calculate how much he or she is paid using the following principle:
- If a person is expelled from the Association, the Association will calculate how much he or she is paid using the following principle:

14. Expulsion from the Association

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

15. Death of a member

- What happens when a member dies?
 - With a loan?
 - Without a loan?

16. Amendments to the constitution

Two thirds ($\frac{2}{3}$) of the members must agree before the constitution can be changed. Anyone can propose an amendment to the constitution.

The constitution is signed by its members

Name: _____

Signature: _____

Name: _____

Signature: _____

Name: _____

Signature: _____

Appendix M: Member Number Cards

1	2	3
4	5	6
7	8	9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

Appendix O: Blank Passbook Pages

Sample Cover

Savings and Loan Association

Member Share Passbook



Association Name _____

Association Number _____

Member Name _____

Member Number _____

Sample Savings Page

Single Share Value _____

[illegible]

Sample Loan Page

Loans

Loan No	Item	Amount	Signed
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		

Appendix P: Share Purchases and Share Out

	Total Shares Purchased	New Share Value	Share Out Dividend
Member 1			
Member 2			
Member 3			
Member 4			
Member 5			
Member 6			
Member 7			
Member 8			

Total Shares	Total Loan Fund	Old Share Value	New Share Value

Appendix Q: Calculating Share Value for Share Out

Simple Share Out Formula⁶⁷

The simple formula for determining the dividends is to take the total amount of money in the Loan Fund divided by the total number of shares equals the new share value. To calculate a member's dividend: multiply the number of shares he or she bought by the new share value.

Example: At the end of the first cycle, Sunshine Savings and Loan Association's assets are \$2,000. The members bought a total of 1,000 shares at \$1 per share.

\$2,000 divided by 1,000 shares equals a new share value of \$2.

Total Loan Fund	Total Shares Purchased	Original Share Value	New Share Value
\$2,000	1,000	\$1	\$2

Calculating Total Loan Fund: At the end of the bank cycle, all loans and fines should be paid in full. All the money that the money counters count in the Loan Fund on the last day of the banking cycle is the total value of the loan fund.

Calculating Total Shares Purchased: To find out the total shares purchased, count up all the shares purchased in the members' passbooks. (Remember not to count any shares that were withdrawn).

Calculating New Share Value: To find out the new share value, divide the total loan fund value by the total shares purchased. In the example above, $\$2,000/1,000 = \$2$.

Calculating Individual Dividends: To find out what each individual member should receive in dividends, take the total number of shares purchased by that member (subtracting any shares withdrawn) and multiply it by the new share value.

Example: Janet bought 64 shares (\$64). $64 \times \$2$ (the new share value) = \$128. Janet will receive \$128 at the share out. On top of her savings (\$64), Janet receives \$64 in profit.

⁶⁷ Savings and Loan Association – Shortened Overview from Peace Corps/Benin.

Appendix R: Blank Passbook

Savings and Loan Association
Member Share Passbook



Association Name _____

Association Number _____

Member Name _____

Member Number _____

Savings and Loan Association
Member Share Passbook



Association Name _____

Association Number _____

Member Name _____

Member Number _____

NOTES

Record of Shares

NOTES

Record of Shares

Single Share Value _____

Shares Bought per Meeting				
Starting number of shares				
Number of shares bought this period				
Number of shares sold this period				
Net shares end period (to be carried forward)				

Loans

Loan No	Item	Amount	Signed
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		

Single Share Value _____

Shares Bought per Meeting				
Starting number of shares				
Number of shares bought this period				
Number of shares sold this period				
Net shares end period (to be carried forward)				

Loans

Loan No	Item	Amount	Signed
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		

Loans

Loan No	Item	Amount	Signed
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		

Single Share Value _____

[illegible]

Starting number of shares	
Number of shares bought this period	
Number of shares sold this period	
Net shares end period (to be carried forward)	

Loans

[illegible]

Single Share Value _____

[illegible]

Starting number of shares	
Number of shares bought this period	
Number of shares sold this period	
Net shares end period (to be carried forward)	

Single Share Value _____

[illegible]

Starting number of shares	
Number of shares bought this period	
Number of shares sold this period	
Net shares end period (to be carried forward)	

4

Loans

Loan No	Item	Amount	Signed
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		

21

Single Share Value _____

[illegible]

Starting number of shares	
Number of shares bought this period	
Number of shares sold this period	
Net shares end period (to be carried forward)	

4

Loans

[illegible]

21

Loans

[illegible]

Single Share Value _____

[illegible]

Starting number of shares	
Number of shares bought this period	
Number of shares sold this period	
Net shares end period (to be carried forward)	

Loans

Loan No	Item	Amount	Signed
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		

Single Share Value _____

[illegible]

Starting number of shares	
Number of shares bought this period	
Number of shares sold this period	
Net shares end period (to be carried forward)	

Single Share Value _____

Shares Bought per Meeting				
Starting number of shares				
Number of shares bought this period				
Number of shares sold this period				
Net shares end period (to be carried forward)				

Loans

Loan No	Item	Amount	Signed
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		

Single Share Value _____

Shares Bought per Meeting				
Starting number of shares				
Number of shares bought this period				
Number of shares sold this period				
Net shares end period (to be carried forward)				

Loans

Loan No	Item	Amount	Signed
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		

Loans

[illegible]

Single Share Value _____

[illegible]

Starting number of shares	
Number of shares bought this period	
Number of shares sold this period	
Net shares end period (to be carried forward)	

Loans

[illegible]

Single Share Value _____

[illegible]

Starting number of shares	
Number of shares bought this period	
Number of shares sold this period	
Net shares end period (to be carried forward)	

Single Share Value _____

Shares Bought per Meeting				
Starting number of shares				
Number of shares bought this period				
Number of shares sold this period				
Net shares end period (to be carried forward)				

Loans

Loan No	Item	Amount	Signed
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		

Single Share Value _____

Shares Bought per Meeting				
Starting number of shares				
Number of shares bought this period				
Number of shares sold this period				
Net shares end period (to be carried forward)				

Loans

Loan No	Item	Amount	Signed
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		

Loans

Loan No	Item	Amount	Signed
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		

Single Share Value _____

[illegible]

Starting number of shares	
Number of shares bought this period	
Number of shares sold this period	
Net shares end period (to be carried forward)	

Loans

Loan No	Item	Amount	Signed
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
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	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		
	Loan Amount		
	Service Charge		
	Paid		

Single Share Value _____

[illegible]

Starting number of shares	
Number of shares bought this period	
Number of shares sold this period	
Net shares end period (to be carried forward)	

Single Share Value _____

Shares Bought per Meeting				

Starting number of shares	
Number of shares bought this period	
Number of shares sold this period	
Net shares end period (to be carried forward)	

Record of Loans

Single Share Value _____

Shares Bought per Meeting				

Starting number of shares	
Number of shares bought this period	
Number of shares sold this period	
Net shares end period (to be carried forward)	

Record of Loans

Single Share Value _____

Shares Bought per Meeting				

Starting number of shares	
Number of shares bought this period	
Number of shares sold this period	
Net shares end period (to be carried forward)	

Single Share Value _____

Shares Bought per Meeting				

Starting number of shares	
Number of shares bought this period	
Number of shares sold this period	
Net shares end period (to be carried forward)	

Single Share Value _____

Shares Bought per Meeting				

Starting number of shares	
Number of shares bought this period	
Number of shares sold this period	
Net shares end period (to be carried forward)	

Single Share Value _____

Shares Bought per Meeting				

Starting number of shares	
Number of shares bought this period	
Number of shares sold this period	
Net shares end period (to be carried forward)	

Single Share Value _____

[illegible]

Starting number of shares	
Number of shares bought this period	
Number of shares sold this period	
Net shares end period (to be carried forward)	

Single Share Value _____

[illegible]

Starting number of shares	
Number of shares bought this period	
Number of shares sold this period	
Net shares end period (to be carried forward)	

Single Share Value _____

[illegible]

Starting number of shares	
Number of shares bought this period	
Number of shares sold this period	
Net shares end period (to be carried forward)	

Single Share Value _____

[illegible]

Starting number of shares	
Number of shares bought this period	
Number of shares sold this period	
Net shares end period (to be carried forward)	