



# **Accredited Drug Shops (ADS) Savings and Credit Association (SACCO) Training Manual**

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## **Community Integrated Development Initiatives (CIDI)**

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## PREFACE

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Organising and supporting Accredited Drug Shops (ADS) to form groups, associations, and subsequently national umbrella organisations is one of the goals of the Sustainable Drug Seller Initiatives (SDSI) under Management Sciences for Health (MSH) to sustainably and strongly build the businesses of ADS in Uganda. Achievement of this outcome is necessary for the project to achieve its wider objective of building the capacity of ADS to increase access to essential medicines to rural communities in Uganda.

Most of the business-level data (Uganda Business Inquiry of Uganda Bureau of Statistics, Private Sector Investment Surveys of Uganda Bureau of Statistics, Bank of Uganda and Uganda Investment Authority, and the World Bank Regional Program on Enterprise Development [RPED] studies) show a high start-up rate for indigenously owned businesses with an equally high rate (85%) of closure after the first five years of their establishment. Moreover, most of these types of businesses are small and micro such as ADS, clinics, dispensaries, etc., and can be categorised to belong to the informal sector of small and medium enterprises. These are characterised by insufficient financial muscle to tap into larger domestic and foreign markets for their products as well as access to credit. In addition, the lack of substantive capital also implies that they cannot afford better technology, staff, and other capital goods to benefit from economies of scale. While some of the indigenous firms are able to provide inputs for non-indigenous firms, many of them have to compete with foreign firms for the same market and inputs.

This training manual has been designed as a tool for the persons forming and nurturing ADS groups into Savings and Credit Co-operatives (SACCOs) to build their capacity to develop into strong organisations and ensure financial sustainability. The manual will enable them to train ADS attendants and owners in the concepts, processes, and procedures of mobilising members' savings and how to manage the funds. It will enable the groups to organise their ideas and reach consensus on the management of the group activities. The leader and members of saving and credit groups will find the manual a useful reference for groups' evaluation and for help in internalising the dynamics of group development.

The manual is divided into seven (7) modules. The first module is devoted to explaining the concept of saving and credit association, the purpose of the manual and the guiding principles, as well as the organisation of the manual. The subsequent modules talk about promotion, introduction to saving and credit associations, management of the saving and credit association, making group loans, group records, and include an appendix with extra materials. Each training module would take about one to two hours. It is obligatory for the field worker (be it the grassroots consultant) to be present as an observer in each of the group meetings for the first six months.

While developing this manual, we have drawn liberally upon material developed by other organisations. These include the publications by organisations such as USAID and ACIDI/VOCA. It is hoped that this training manual may be of help to the field workers engaged in ADS savings and credit associations. The manual should also help the project staff to have a good understanding of the approach to be adopted in implementing this important project subcomponent.

Dr. Jjuuko Flugencio  
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## **MODULE ONE: PRELIMINARIES**

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### **1. PRELIMINARIES**

#### **1.1. Purpose of the manual**

These guidelines have been designed to assist Accredited Drug Shops (ADS) facilitators to guide ADS groups mobilise savings and credit among the group members and subsequently become savings and credit associations. The leader and members of savings and credit groups will find this manual a useful reference for groups' evaluation and for help in internalising the dynamics of becoming a savings and credit association.

This manual will serve as a practical guide to walk the ADS group facilitators through a series of training topics that help ADS groups form a savings and credit association and to manage their funds. It will enable the group to organise their ideas and reach consensus on the management of group activities.

#### **1.2. Guiding principles and philosophy**

- ADS group members in the same community who on a regular basis save in their groups are the owners of the ADS savings and internal loan association. Holding savings in a group gives members voting rights and entitles them to use the financial services.
- Local ownership, governance, and management reduce transaction cost for both the groups and its members.
- By lending and charging interest, the group members earn. Given that the proceeds can be distributed to the members, ownership and genuine interest develops in the groups' affairs.
- Rural resources are often hoarded in insecure places such as mattresses, pillows, and pots. These resources can be maximised through a savings and credit association.

#### **1.3. Roles of the facilitator/trainer**

Initially, the role of the facilitator is that of sensitising potential members in order to interest them into forming a savings and credit groups. He/she then facilitates potential members into groups, carefully guiding them in all technical aspects of group formation.

As the groups develop, the facilitator takes a back seat. This allows the group leaders and members to play their roles. However, the facilitator/promoter should continue to provide assistance by—

- Visiting groups, especially when they are carrying out key activities such as loan analysis, sharing of proceeds, and discussing new projects.
- Organisation additional training, review, and evaluation of groups' activities.
- Following-up implementation of items discussed in the meetings and training sessions conducted.

It's recommended that a group facilitator read this manual before going out to facilitate the formation of savings and credit groups.

#### **1.4. Organising a group meeting**

The meeting venue should be free from noise and natural hindrances such as sunshine. It can be under a tree or in a community building such as a church, depending on the weather. The facilitator should ensure that an atmosphere is created that allows participants to speak freely. The members should sit in such a way that they are comfortable, able to see each other, and able to be seen by the facilitator. It is recommended that a circular sitting arrangement be adopted since it has proven to be convenient for community meetings.

#### **1.5. Procedure for facilitating sessions**

Begin each session with a recap of the previous session (the facilitator may spend a little more time on this if participants show inadequate understanding of the previous session). Introduce the topic for the day and outline its objectives. The session is then delivered using participatory methods whenever possible, some of which are provided in the guidelines. The facilitator should not follow the methods suggested in these guidelines to the dot, but rather use other methods depending on the situation and circumstances prevailing.

#### **1.6. Time for the training**

The estimated time for covering each topic is indicated for each topic. The actual time needed for each session will depend on the trainer, the number of participants, and the level of participants' knowledge of the subject.

#### **1.7. Training methodology**

The facilitator is advised to use a mix of participatory methodology to ensure that the participants are fully involved in the training sessions. In these guidelines, use of relevant short stories, proverbs, group experience, role plays, and question and answer sessions are encouraged. These should, however, be adapted to the local circumstances.

#### **1.8. Training evaluation**

Evaluation of training should be done preferably at the beginning, during and after the session. This helps determine the value of training using the following suggested methods: oral, written, rating, and brainstorming.

#### **1.9. Laying out guidelines**

At the beginning of each topic is a facilitator's summary, which is a one-page summary of the objectives, duration of the topic, materials needed, and content.

For some topics, an Energiser, or an activity that helps explain the meaning of the topic, is provided. However, the facilitator is free to use other suitable Energisers.

The facilitator's notes, a detailed set for the facilitators' reference, is provided for each topic. The facilitator should read them in preparation for every session. Training should not be limited to the notes in this manual. Facilitators should allow participants to share information based on their experience and knowledge.

Appendices containing additional notes have been provided at the end of these guidelines.

## MODULE TWO: PROMOTION

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### 2. PROMOTION

#### 2.1. Facilitator's summary

Objectives	<ul style="list-style-type: none"> <li>• Participants should be able to explain the benefits of a savings and credit association.</li> <li>• Participants should be able to state the requirements for joining a savings and credit scheme.</li> <li>• Participants should be able to explain how they can be supported to start a savings and credit association.</li> </ul>
Duration:	2 hours
Material:	Leaflets about your organisation
<b>Content</b>	
a) Gather information	<ul style="list-style-type: none"> <li>• Request other development workers to provide information about the community (e.g. social demographic characteristics, banking services, ways of life)</li> </ul>
b) Meet the community	<ul style="list-style-type: none"> <li>• Schedule a meeting with the ADS groups where the leader of the group or DADI will introduce you to the ADS group members.</li> <li>• Explain the aim of your organisation, how it works, and how it will help them form and manage a savings and credit group.</li> <li>• Explain how a savings and credit association works and the requirements for joining a savings and credit group.</li> <li>• Invite questions from participants, provide some answers, and ask some participants to answer some questions themselves.</li> </ul> <p>The facilitator is advised to organise a role play involving a group leader, the DADI, and any other health leader in the community.</p>
c) Registration	<ul style="list-style-type: none"> <li>• Pass around a sign-up sheet for participants interested in joining the SACCO. Those who can't write should be assisted.</li> </ul>
d) Summary	<ul style="list-style-type: none"> <li>• Thank the group leader and the members of the group for attending the meeting.</li> <li>• Announce that you will start training in the next meeting and the topic will be operating a savings and credit association.</li> <li>• Agree on the venue, the date for the next meeting, inform those registered to come ready to start saving and close the meeting.</li> <li>• Emphasise that it's important for all members to attend all training sessions and those who miss sessions will not be admitted to the group.</li> </ul>

#### 2.2 Facilitator's notes

##### 2.2.1 Gathering information about the community

The first and most important task of a group promoter is to gain acceptance by the ADS group. This may involve a long walk; hence the need to start slowly and take small steps.

### 2.2.2 Prepare yourself

The facilitator should gather information about the ADS groups and its leaders from the District Assistant Drug Inspector (DADI) before embarking on training the members. The following information should be gathered:

- Group members
- Group name
- Location of the group
- What do members do for a living; for example, are they ADS sellers and owners?
- The main problem affecting the group
- The development agencies already working in the groups, especially those supporting capacity building and financing.
- Any other group dynamics

### 2.2.3 Meeting the group(s)

- It's necessary to first obtain the support and endorsement of local leaders, especially the District Health Officer (DHO). Meet the DHO and the DADI and other ADS influential leaders in the community; tell them the aim of your organisation. Request that they organise a meeting to introduce you to ADS groups in their community.
- In the meeting with the ADS groups, discuss the situation and expectations and explain how you can work with them.
- Choose the time and place convenient and appropriate for both the ADS sellers and owners. It may be necessary to organise a separate session for each ADS group to ensure that they have a chance to talk and discuss freely.
- Discuss general ideas. Initiate the discussion and encourage people to speak freely. It may be useful to ask questions to encourage active participation in the discussion.

### 2.2.4 Provide the following information to the meeting:

- The name of your organisation (e.g. Community Integrated Development Initiatives [CIDI]) and the other organisations that you work with, such as Management Sciences for Health/Sustainable Drug Seller Initiatives (MSH/SDSI). This is to avoid confusion with other organisations, especially those offering financial services.
- The nature of your organisation; that it's non-denominational, non-political and non-profit.
- The aim of your organisation. For example, to form groups, associations and subsequently national umbrella organisations. This is one of the goals of MSH/SDSI. Mention that sustainability and building strong ADS businesses in Uganda are also goals.
- How a savings and credit group operates:
  - The group consists of 15-30 self-selected members.
  - The group is autonomous and self-managing. This is fundamental because the goal of a savings and credit group is institutional and financial independence. The promoting nongovernmental organisation (NGO) does not manage the groups' affairs.
  - The group members develop a constitution to guide the running of their affairs.
  - Members elect a management committee to run their affairs. Each member has a vote.
  - Members meet regularly: weekly, bi-weekly, or monthly at an agreed venue (chairperson's place, nearby school/church, or any other public place).
  - Each member is expected to deposit savings with the group on a regular basis.

- Savings deposits constitute the fund from which loans are made to members who repay with interest.
- The general assembly (meeting of all members) has total power in decision making.
- The group may consider charging the membership a fee to raise funds to cover costs such as purchase of books, pens, and transport to the bank.
- All members have individuals' passbooks. This helps to track members' savings as well as loan liabilities. In addition, the group executives maintain records of all group transactions.
- Membership requirements (ask participants to add to the list provided below)

Explain to the members that for one to join the savings and credit association, he/she should be ready to fulfil the following requirements:

- Should be a member of any ADS group
- Should be aged 18 years of age or above
- Should be engaged in a drug shop business as an owner or seller
- Should be of sound mind and of good character
- Should be able to attend group meetings regularly as required
- Should be able to deposit savings to the group during each meeting
- Should be able to pay a membership fee to help the group cover its operational costs
- Should be willing to support other members when in need
- Should be ready to share profits/losses in the group

### **2.2.5 Registration of interested participants**

Pass around a piece of paper for interested members to write their names. Those who can write should help those who can't write.

Supervise the process while looking out for potential candidates for leadership position.

### **2.2.6 Summary**

- Thank all the participants for attending the meeting. Inform the registered participants that the training will focus on how to operate a savings and credit association.
- Emphasise that it is important for all members to attend all training sessions and those who miss sessions will not be admitted to the association.

## **MODULE THREE: INTRODUCING A SAVINGS AND CREDIT ASSOCIATION**

### **3. INTRODUCING A SAVINGS AND CREDIT ASSOCIATION**

#### **3.1 Facilitator's summary**

Energiser	When spiders unite, they can tie down a lion (emphasise that if they worked together, they are most likely to achieve their objectives).
Objectives	<ul style="list-style-type: none"> <li>• Participants will be able to explain the forms and ways of saving money.</li> <li>• Participants will be able to outline the benefits of forming a savings and credit group.</li> <li>• Participants will be able to identify the sources of credit available to them.</li> </ul>
Duration:	1 hour
Materials:	Flip chart and stand, notebooks, ballpoint pens and marker pens
<b>Content</b>	
a) What is a group?	<ul style="list-style-type: none"> <li>• Ask the participants to define a group</li> </ul>
b) Forms of saving	<ul style="list-style-type: none"> <li>• Ask participants to define saving</li> <li>• Ask participants to mention the various ways in which they save in their communities.</li> <li>• Discuss the advantage and disadvantages of each of them.</li> </ul>
c) Source of credit	<ul style="list-style-type: none"> <li>• Ask the participants to mention the various source of credit that are available to them.</li> <li>• Invite volunteers to share their experience with some of them (note the advantages and disadvantages of each of them)</li> </ul>
d) Benefits of savings and credit groups	<ul style="list-style-type: none"> <li>• Ask participants how they think they will benefit from forming a savings and credit group.</li> <li>• Note the key points and make clarifications as needed.</li> </ul>
e) Features of a good group	<ul style="list-style-type: none"> <li>• Ask participants to tell others features of a good group. List them on a flip chart including other points not mentioned by member.</li> </ul>
f) Summary	<ul style="list-style-type: none"> <li>• Ask participants to mention the important things they have learned during the session.</li> <li>• Inform participants that in the meeting they are going to discuss the governance of a savings and credit group.</li> <li>• Invite questions from participants about the day's topic.</li> <li>• Answer the questions if asked, thank them for attending the training, and close the meeting.</li> </ul>

### **3.2 Facilitator's notes**

This is the first training meeting where the facilitator sensitises participants about the benefits of forming a savings and credit association.

#### **3.2.1 What is a group?**

A savings group is an association of people who agree to pool their resources together in order to achieve common objectives.

#### **3.2.2 Forms of saving**

Saving is the preservation of something valuable for future use instead of consuming it immediately. People save in various forms for purposes of: safe guarding against emergencies such as sickness/death, poor harvest, catering for future events such as school events, starting a new business, diversifying, and managing old age.

There are several forms of savings but the following are the most common ones: cash savings, bank accounts, and saving in kind like animals, land, and commodities.

Cash can be saved in several places such as: at home, in a savings and credit group, in a bank, or with a friend.

##### **Advantages of saving at home**

- Saving can easily be accessed because members can bring it closer in the group meetings

##### **Disadvantages**

- Saving can easily be stolen because it is more easily accessed.

##### **Advantages of saving in a bank**

- It's a safe option and may earn interest on the money saved depending on the type of the account operated

##### **Disadvantages**

- Banks only accept cash savings
- The costs of opening and maintaining a savings account in a bank can be too high for the poor.
- Most banks operate in urban areas leaving the rural people underserved.

Saving takes different forms. The facilitator should emphasise that money should be saved where it can earn interest (grow) and is safe or in assets that appreciate over time.

#### **3.2.3 Source of credit and their advantages and disadvantages**

Ask participants to identify them, and then discuss the advantages and disadvantages of each

The possible sources are:

- Microfinance institution, savings and credit groups, friends/relatives, banks, and money lenders

It should be noted that much as there are many sources of credit, most of them are not easily accessible to small-scale business owners and rural people.

### 3.2.4 Benefits of a saving and credit group

- By saving in a group, members can get quicker access to a larger amount of pooled resources than they would if they saved on their own.
- A savings and credit group can provide a more secure environment for people in rural areas to keep their money; for example, members may have a safe deposit cash box.
- More production and income. Given increased access to credit for procuring drug supplies and other inputs, the members can achieve higher levels turnover of their business and hence more income.
- Increased savings levels enable members to expand their businesses even further and to meet other needs such as health care and school fees.
- Enables the members to become more self-reliant.
- Builds development and acquisition skills. In a group, members learn how to work together, analyse problems together and plan together, which fosters development.

### 3.2.5 Limitations of savings and credit groups

Ask participants to add to these—

- They offer limited savings and credit options compared to banks.
- They have few or no financial links with the rest of the financial systems (banks)

### 3.2.6 Features of a good savings and credit group

Ask participants to add to these—

- The group should consist of a manageable number of members, (for example, 15-30) so that all members have a chance to speak and contribute their energy and ideas for the group's development. In addition, smaller groups are less likely to be divided by arguments or dominated majority.
- Should be homogeneous. All should live under similar economic conditions and have close social similarity. This reduces conflict within the group, as members with similar backgrounds are more likely to trust each other and accept joint liability for their activities.
- A good group should be formed around income-generating activities. These activities are crucial for group development as they produce assets that help build self-reliance.
- Should be voluntary and democratic. Members should know who can join the group, who will lead them, what rules to follow and what activities to undertake. Decisions should be made by consensus or majority vote.
- Should keep accurate records of their activities and meetings.
- Members should hold regular meetings and participate in discussions and decision making.

### 3.2.7 Summary

- Ask participants to state the most important things discussed in the meeting.
- Announce that the next topic is on group governance and that they will elect group leaders during the next training.
- Thank them for attending the day's training.
- Close the meeting.

## MODULE FOUR: MAKING A SAVINGS AND CREDIT ASSOCIATION CONSTITUTION

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### 4. MAKING A SAVINGS AND CREDIT ASSOCIATION CONSTITUTION

#### 4.1 Facilitator's summary

Energiser	<ul style="list-style-type: none"> <li>Tell the story of animals in the village and discuss it. (See Energiser on next page: Story of the Hyena)</li> </ul>
Objectives	<ul style="list-style-type: none"> <li>Participants will be able to explain the importance of a constitution in the operation of a savings and credit group.</li> <li>Participants should be able to state how the association will be governed and policies for savings and credit activities.</li> </ul>
Duration	4 hours (sub-divide into 2 or more sessions)
Materials	Flip chart stand, notebooks, ballpoint pens, pencils, marker pen
<b>Content</b>	
a) Definition of rules and regulations	<ul style="list-style-type: none"> <li>Ask participants what they understand by rules and regulation</li> </ul>
b) Importance of rules/regulations/constitution	<ul style="list-style-type: none"> <li>Discuss the story of the animals in the village and relate it to regulations.</li> </ul>
c) The elements of a constitution	<ul style="list-style-type: none"> <li>Ask members to suggest what they would like to have in their group constitution.</li> <li>Record the major elements on a flip chart and discuss each of them.</li> <li>Ask participants to name at least 3 persons who will draft the constitution based on the element in this meeting.</li> </ul>
d) Enforcing internal regulations	<ul style="list-style-type: none"> <li>Explain why group members need to follow their constitution (lecture)</li> </ul>
e) Summary	<ul style="list-style-type: none"> <li>Ask participants the following questions: what is a constitution? Why does a group need a constitution? What are the key elements in a group's constitution?</li> <li>Make clarification where needed.</li> <li>Thank them for attending the training and close the meeting.</li> </ul>

## 4.2 Trainer's notes

### 4.2.1 Definition of a constitution

A group constitution is a document that defines the goals and objectives of the group, who governs it, how those who govern it get their authority, and the policies that relate to the savings and loans, and how the group shares out common funds such as interest earned from loans.

### 4.2.2 The importance of a constitution

(Tell the story below and ask participants the questions that follow it)

Once upon a time in a forest village crossed by a river lived a variety of animals. One day, drought struck the village resulting in a drop in the water level in the river. The animals led by their king, the lion, built a dam to preserve water.

One morning, the hippos and elephants, which did not participate in the building of the dam, drank a lot of water and bathed in the dam leading to a reduction in the water level.

The animals complained bitterly to the lion saying that the water was only for drinking and watering crops. The elephant and the hippos said they had to bathe three times a day and also drink lots of water. All the animals started to quarrel and the lion was confused about what to do.

#### a) Question about the story

- What do you think the animals should do?
- If you were the lion, what would you do?
- What should the elephants and hippos do?

#### b) Discuss how the story relates to a group

It is important to establish group rules because:

- They ensure equal treatment of all members.
- They describe the vision and mission of the group
- They ensure discipline and control of members in the group.
- They promote team spirit.
- They unite all members and ensure that the group does not fall apart.
- They ensure safety of groups' money.

### 4.2.3 Making a constitution

- The constitution should, among other things, outline what the group would like to do with the savings and whether the group would like to undertake complementary activities in order to expand their capital. Participants must understand that a constitution is established by members: it should be written in the local language and kept by the group in their bags together with other group records, which should be available for members' reference.
- Inform participants that they should internalise the rules so that they can use them, discuss them, and eventually change them if the need arises.

**The main content of a group constitution is as follows:**

In order for members be able to run the savings group, they will need a constitution and this is different from other constitutions. It mainly focuses on the savings and credit groups. The following are the key components of such a constitution.

**a) Background information**

- Name of group/association
- Address/physical location (sub-county/parish), telephone contact, and meeting place.
- Preamble to the constitution (date of formation and situation that led to its formation).
- Objectives of the group/association (e.g. to provide suitable financial services to members).
- The activities the group will undertake in order to attain the objectives.

**b) Criteria for membership**

- Age limit (e.g. one should be an adult of 18 years or older)
- Occupation (should be engaged in economics activities [e.g. ADS])
- Reputation (people with no criminal record and can be trusted by other members)

**c) Leadership**

- The committee and position on committees (e.g. a management committee composed of chairperson, security, treasurer, and a loan committee composed of a chairperson and two committee members)
- How the leaders will be elected and how they will be removed.
- The term of office for leaders (e.g. each member may be eligible to serve in the committee for two terms only). Members should decide the length of each of office.

**d) Meetings and amount of savings**

- How often will the group meet?
- The minimum amount of savings each member is to deposit and how often?

**e) Finances**

- What will be source of funds (e.g. members' saving and process from the group projects)?
- Who will be responsible for the funds (e.g. signatories if a bank account is opened)?
- In case of loss of funds, what steps should be taken?

**f) Savings**

- Why should members save?
- How much each member must contribute at every meeting?
- When and where savings are collected?
- How the savings will be kept safely?
- What should be done in case of loss of money?
- Notice required before member can withdraw savings from the group.
- The limit on the amount that can be withdrawn.

**g) Loan policies**

- For what purpose can members borrow from the group?
- What is the loan period (e.g. 6 months) and repayment frequency (e.g. each month)?
- The loan security that will be accepted by the group (e.g. guarantors, saving and assets).
- How will the group set priorities for loan allocation when funds are not sufficient to satisfy every one's needs?
- How will the group assess borrowers' ability to repay?
- What is the interest payable?
- What happens in case of non-payment?

**h) Situations where fines (or other sanctions) do or do not apply**

Which of the following situations will attract fines and how much will be charge for each?

- Non-attendance of meeting for reasons of travels or family ceremonies
- Non-attendance of meeting for reasons of health, birth, or late to meetings
- Late to meeting
- Making savings deposits and repayments for other members who are absent without valid reasons or without notice.
- Absence without valid reason
- Chatting through meeting proceedings
- Non-execution of roles by a management committee member
- Late deposit or late loan repayment

**i) Criteria for the welfare fund (a group may also establish a welfare fund)**

- How much will each member contribute to the welfare fund and at what frequency?
- For what categories of emergency will the welfare fund be available? How much can the welfare fund pay out for each type of emergency?
- If funds are depleted through grants to members, how will they be replenished?

**j) Records**

- A list of records the group will keep
- The contents of records
- Identify duties and responsibility of those keeping the records
- The group records should be up-to-date.
- Interested members should be trained on basic record keeping.
- All transactions should be made and recorded in the presence of members

**k) Cessation of membership**

**i) Voluntary withdrawal of a member**

- What will happen to a member's savings and interest earned in the event of their leaving the group during the cycle?
- If a member leaves the group during the cycle will the member be treated differently if the reason for leaving is their own free choice, as opposed to arising from circumstances beyond their control?

- If a member leaves the group before loan repayment is completed, how will this be handled?
- In case of death, what measure will be undertaken with respect to savings and non-reimbursed loans?

**ii) Forced termination**

For what reason should a person be terminated from the group? The reasons may include:

- Breach of the group constitution
- Embezzlement of group funds
- Other forms of indiscipline that shall be punished by expulsion from the group

**l) Dissolution of group**

- If members would like to dissolve a group, what steps will be taken?
- How will the proceeds be distributed?

**m) Amendments to the constitution**

- What is the quorum needed to amend the constitution?
- It is recommended that two-thirds of the members must agree before the constitution can be amended.
- Group members should discuss all the items in the constitution at their meetings.
- The constitution-making process should not be rushed so that members are allowed to think through each of the items in it.
- For ease of preparation, it is advisable that the group nominate a committee of members to draft the constitution, which should be discussed in subsequent meetings attended by a majority of members.
- The members can then approve and adopt the constitution as the document that will guide their affairs.

**n) Enforcing internal regulations**

- Regulations are important in the management of group. Inform the members that regulations must be used at all times.
- The leaders as well as ordinary members should be treated in the same way when they breach group regulations.
- Should members at any time notice violation of group regulations or discrimination, it should as matter of urgency be raised for discussion and remedies agreed upon and implemented immediately.

**o) Summary (ask participants the following questions)**

- What is a constitution?
- Why does a group need a constitution?
- What are key elements in a group's constitution? provide clarification if necessary
- Inform the participants that a draft constitution will be presented to them for discussion, refinement, and approval.
- Invite participants to deposit their savings and close the meeting.

## MODULE FIVE: SAVINGS GROUP GOVERNANCE

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### 5. SAVINGS GROUP GOVERNANCE

#### 5.1 Facilitator's summary

Energiser	<ul style="list-style-type: none"> <li>Start topic with a relevant Energiser</li> </ul>
Objectives	<ul style="list-style-type: none"> <li>Participants will be able to explain the importance of a management committee in the operation of a savings and credit group.</li> <li>Participants will be able to outline the role of members and group leaders in a savings and credit group.</li> </ul>
Duration	2 hours
Materials	Flip chart stands, hand-outs, notebooks, ballpoint pens, pencils, marker pens.
<b>Content</b>	
a) What is group governance?	<ul style="list-style-type: none"> <li>Ask participants what they understand by the term group governance. Clarify if necessary (refer to trainers notes).</li> </ul>
b) Roles of members	<ul style="list-style-type: none"> <li>Brainstorm on the role of group members and note the key points mentioned.</li> </ul>
c) The management committee and its roles	<ul style="list-style-type: none"> <li>Ask the participants to mention the various positions they would like to have on their management committee.</li> <li>Discuss the role of each of them starting with chairperson, treasure, secretary, etc.</li> </ul>
d) Electing the management committee	<ul style="list-style-type: none"> <li>Describe the recommended steps in the election of group members.</li> <li>Conduct elections for the management committee.</li> <li>Request participants for the exercise on the roles of group leaders and members (refer to notes).</li> </ul>
e) Summary	<ul style="list-style-type: none"> <li>Ask 2-3 questions about the sessions. Thank participants for coming to the training, inform them that the next topic is making a constitution and close the meeting.</li> </ul>

#### 5.2 Trainer's notes

##### 5.2.1 What is group governance?

- Group governance is the practice by which a group is steered to achieve the objectives or the aspiration of the members. It involves decision making and implementation of decisions made by group members within the limits of the constitution.

- A group elects a management committee composed of a number of elected persons as per the constitution, each to perform specific roles.
- The members constitute the general assembly, which is the supreme body of a group. Much as the key role in a group such as planning, record keeping, management of group funds and activities involve in the governance of the group by participating in the meeting during which activities are discussed.

### **5.2.2 Roles of members**

The roles of members include (discuss with participants and add to these):

- Elect the management committee (chairperson, secretary, treasurer, etc.) on the basis of the rule of one person on vote.
- Attend all group meetings and make regular savings deposits to the group.
- Members are responsible for the work of the committee. If the committee does not work well, then the members must replace it. It is only the general assembly (a meeting of all members) that can do this. There should be a provision in the constitution such that if the rules are not respected, a special meeting can be held to discuss problems and make decisions accordingly.
- Propose an issue to be discussed in a meeting.

### **5.2.3 The management committee and its roles**

A management committee is a group of members who are elected by the general assembly to manage the activities and resources of the group. Management committee members should be elected democratically on the basis of their competencies and qualities, but not their social positions.

The following positions are critical for the effective management of the group savings and credit activities: chairperson, secretary and treasurer

However, if a group is engaged in a number of activities, additional positions such as group advisor, money counter and welfare officer may be included in the committee.

#### 5.2.4 Roles and responsibilities of different committee members

Position	Responsibilities	Qualities
<b>Chairperson</b>	<ul style="list-style-type: none"> <li>• Leadership of the group</li> <li>• Manages the meetings</li> <li>• Leads discussion</li> <li>• Guides and helps the group to make decisions</li> <li>• Maintains order in the group</li> <li>• Represents the group to outsiders and non-members</li> <li>• Ensures that the internal regulations are respected or followed</li> <li>• Initiates discussions of problems</li> <li>• Advises the members</li> <li>• Facilitates resolutions of conflicts between members</li> <li>• Ensures that the group develops well</li> </ul>	<ul style="list-style-type: none"> <li>• Strong character</li> <li>• Present and visible in the committee</li> <li>• Mature and commands respect</li> <li>• Capable of leading groups</li> <li>• Honest/honourable/intelligent</li> <li>• Reputation for wisdom</li> <li>• Patient/available/dynamic</li> <li>• Available and keeps time</li> <li>• A good listener and a good person to talk to</li> </ul>
<b>Treasurer</b>	<ul style="list-style-type: none"> <li>• Ensures the safety of the group funds</li> <li>• Writes and signs members' passbooks and savings and credit records.</li> </ul>	<ul style="list-style-type: none"> <li>• Basic arithmetical knowledge</li> <li>• Transparent and trust worthy</li> <li>• Able to read and write</li> <li>• Knows how to count and manage money</li> <li>• Hardworking</li> <li>• Accountable</li> <li>• Financially stable</li> <li>• Does not accept or ask for bribes.</li> </ul>
<b>Secretary</b>	<ul style="list-style-type: none"> <li>• Records deliberations by members during each training.</li> <li>• Ensures that all transactions (deposits, loans and repayments) occur in front of the members.</li> <li>• Maintains the accounts of the members such as savings deposits, loans, and savings withdrawals.</li> <li>• Reports the group's activities to the facilitator during monitoring visits.</li> </ul>	<ul style="list-style-type: none"> <li>• Where possible, one who is literate</li> <li>• Reliable/intelligent/honest</li> <li>• Capable of providing reports</li> <li>• Available for bookkeeping trainings</li> </ul>

<b>Group members</b>	<ul style="list-style-type: none"> <li>• Guarantee each other loans</li> <li>• Make payments for loans and savings deposits as scheduled</li> <li>• Observe the work of office bearers</li> <li>• Follow up on group loans</li> <li>• Attend meetings regularly</li> <li>• Participate in group activities</li> <li>• Support other members to solve problems that they are facing</li> <li>• Work hard to generate income from their activities</li> <li>• Reimburse cash if it is lost</li> </ul>	<ul style="list-style-type: none"> <li>• Should be committed</li> <li>• Responsible and hardworking</li> <li>• Keep time</li> <li>• Respectable and trustworthy</li> <li>• Listen to one another and share ideas freely.</li> </ul>
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### **5.3 Electing the management committee**

After discussing the role of each office bearer in the management committee, the group should now elect a management committee.

#### **5.3.1 Procedure**

- Ask participants to nominate candidates (but they should not nominate themselves) starting with the position of chairperson, then treasurer, secretary, and others. Advise that the nominees should accept the nominations before voting is done.
- Ask the group to vote for each position in turn. Elections for a position should be completed before nominations for other positions.
- The facilitator should ensure that the members chosen are up to the task. If not, he/she should intervene to explain further the importance of their roles and the necessary qualities.
- After the elections, the facilitator should congratulate all those elected, remind them of their roles, and wish them good luck in their work.
- Inform the successful candidates that training will be organised later on management of a savings and credit group.

#### **5.3.2 Exercise on roles of members and office bearers**

- Divide the members into four groups, each representing chairperson, secretary, treasurer, and members.
- Read randomly the roles of office bearers outlined above, one at a time, and ask the relevant group to stand up or to raise their hands if they feel the responsibility belongs to their group. If more than two groups claim the same responsibility, the groups should discuss it and agree where it should be placed. The four groups should then write the responsibility on a flip chart, which should be kept by the group.

#### **5.3.3 Summary**

- Congratulate all the members for the new committee and thank them for participating in the elections.
- Ask members if they have any questions
- Invite participants to make savings deposits
- Inform them that they will discuss the groups' constitution in the next meeting

## MODULE SIX: MANAGING GROUP LOANS

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### 6 MANAGING GROUP LOANS

#### 6.1 Facilitator's summary

Energiser	<ul style="list-style-type: none"> <li>Tell the story of the hyena and discuss it (refer to trainer's notes)</li> </ul>
Objectives	<ul style="list-style-type: none"> <li>Participants will be able to explain steps in the loan cycle (from application through recovery)</li> <li>Participants will be able to identify the issues that should be considered before giving loans to members of a group.</li> </ul>
Duration:	3 hours (divide into sub-sessions)
Materials	Flip chart stands, hand-outs, notebooks, ballpoint pens, pencils, marker pens.
<b>Content</b>	
a) Introduction	<ul style="list-style-type: none"> <li>Explain to the participants why proper management of loans is important to a group (lecture)</li> </ul>
b) Who qualifies for loan?	<ul style="list-style-type: none"> <li>Ask participants to mention the requirements that one must fulfil to qualify for a loan from a group.</li> <li>Briefly discuss the importance of establishing the requirements.</li> </ul>
c) Loan application and assessment	<ul style="list-style-type: none"> <li>Conduct a role play on loan application and assessment</li> </ul>
d) Disbursing loans	<ul style="list-style-type: none"> <li>Explain the steps that should be followed at the time of giving out loans</li> </ul>
e) Managing loan default	<ul style="list-style-type: none"> <li>Ask the participants to mention the main causes of loan defaults in the group. List the causes in a flip chart.</li> <li>Discuss what the group needs to do to minimise the occurrence of loan default in the group.</li> </ul>
f) Summary	<ul style="list-style-type: none"> <li>Ask the participants to mention what they have learned in today's training session.</li> <li>Invite them to make savings deposits.</li> <li>Inform them that the next topic is record keeping in savings and credit groups.</li> <li>Thank them for attending the training, collect savings, and close the meeting.</li> </ul>

## 6.2 Facilitator's Notes

### 6.2.1 Energiser: The story of a hyena

Once upon a time in a village called Tema, there lived a hyena that had killed many people and wild animals. One day, it attempted to kill a man but failed. The village then decided to hunt it down. On realising that she was in danger, the panting hyena pleaded with Akello, a mother of four, to hide her under her bed. Soon, some men came to Akello's home carrying spears and asked if she had seen the hyena. She said she had not and the men quickly left. After some time, the hyena came out swinging its tail in appreciation to Akello for saving her life. But the hyena told her that she was very hungry, since she had not eaten for a week.

- What do you think the hyena did to Akello and her children?
- What could Akello have done to the hyena?
- How will the group avoid giving loans to hyenas (inform participants that later in the session, they will discuss issues to consider before giving loans to members)

## 6.3 Introduction

Groups normally fail when members do not repay their loans or when repayments are made late. This discourages savings as loans are made from members' savings. Quite often, members fail to repay loans borrowed from groups because of the poor process in place for giving loans.

This topic provides guidelines on how a group can effectively manage its lending activity so as to minimise loss of members' savings deposited with the group.

### 6.3.1 Who qualifies for a loan?

A member should answer the following questions before applying for a loan from his/her savings and credit group—

- Do I always attend group meetings regularly? Members who attend regularly should be preferred to those that seldom attend.
- Do I always pay my contributions to the group on time? It is good practice for groups to give priority to members who save regularly and make other contributions such as to the welfare fund.
- How am I going to use the loan? Misuse of loan funds, for example, diversion to unproductive activities such as entertainment, often results in failure to pay loans. The loan funds must therefore be invested in activities that can generate money.
- Will the activity bring me money to repay it, or do I have another way to repay it? The intending borrower should have in mind alternative sources of fund for repayment in case the intended activity fails.
- Am I using the loan for a new business? If it fails, how will I repay the loan?
- Do I have another loan? Borrowers of multiple loans have repayment problems and may fail in their businesses.
- Do I really need the money or do I need to improve my marketing, business knowledge, or technical skills instead?

### 6.3.2 Loan application and assessment (role play)

Request for volunteers to play the part of treasurer and four loan applicants. The rest of the participants will act as other members. Brief the volunteers and members on their roles in the play based on the information provided below.

- The group's chairperson announces to the members present that they have applicants who would like to borrow funds from the group and that they are going to discuss each of them and agree whether to give them loans or not.
- Each intending borrower is asked to address the group (one at a time) and explain to others the following:
  - a) The loan amount
  - b) His/her current savings balance
  - c) The purpose of the loan, if possible with a breakdown of how he/she intends to use the loan funds (e.g. procure fertiliser and seed)
  - d) His/her intent to use the loan funds (e.g. in a drug shop) in which the money will be invested.
  - e) Alternative source(s) of fund for repayment (including income from other sources) if the investment does not perform as expected.

Group members assess each application as follows:

The chairperson reads to the members the questions in Tables 1 and 2 below. Members by consensus answer yes or no to each question. One point is given for a yes response while zero is given for a no response.

**Table 1: Loan assessment questions (1)**

#	ISSUE	Points
1.	Is the member borrowing the loan for the first time?	
2.	If the member is borrowing for the second or third time, were the previous loans fully paid on time?	
3.	Does the member follow the constitution of the group always?	
4.	Does the member make contributions as required by the group?	
5.	Does the member attend the group meetings regularly?	
6.	Has the member provided any means of recovery in case of any misfortune like death, illness? This could be by informing her/his relatives about the loans so that in case of misfortune, the relatives are able to repay the loan, or has the member provided security.	
	<b>Total</b>	

From the above, if a member gets fewer than 3 points, the member will not get a loan. If the member gets more than 3 points use table 2 below to assess the member further.

**Table 2: Loan assessment questions (2)**

#	Issues	Points
1.	Is the amount to be given to the member as a loan acceptable to all members of the group?	
2.	Has the member finished paying back any previous loans?	
3.	Is the member able to make a contribution to pay the loan plus interest at every meeting?	
4.	Is the activity that a member wants to use the loan for well timed?	
5.	Do members of the group agree with the time frame for repaying the loan?	
6.	Is the amount to be borrowed sufficient to meet all financial needs (like cost and expenses) of the activity?	
	<b>Total</b>	

The group can use the following point system when deciding to give a loan:

- 0-4 points: the member should not be given the loan.
- 4-6 points: the member qualifies for a loan.

Members should use the available information while assessing loan requests so that they avoid giving out loans that are not only not likely to be repaid, but also cause problems to their member borrowers.

#### **6.4 Disbursing group loans**

After approving loans to successful applicants, the funds are disbursed as follows:

- The borrower and his/her guarantor(s) sign the agreement.
- The loan is recorded in the members' passbook, the loan disbursement register, and the cashbook.
- The borrower receives the money from the treasure.

#### **6.5 Managing loan defaulters**

Brainstorm on the reasons why group members do not repay their loans. Record this on a flip chart.

For groups that are operational, members should know the members who have loans and the amount of outstanding loans. If they do not know this, they should refer to their records.

Once a loan is in default, the group should use the rule of managing default outlined in the group constitution or bylaws.

Below are some of the likely causes of loan default and the actions that the group can take.

**Table 3:** Summary of some of the causes of loan default and how the group can handle them

<b>Reason for non-payment</b>	<b>Action to be taken</b>	<b>Documents to be used</b>
Member does not understand he/she is required to pay	Inform member that group funds should be paid back. If they are not, other members will be refunded their savings	The member must sign the loan agreement after understanding the loan terms
<b>A member borrowed a loan but is unable to repay. This could be due to:</b>		
Poor business performance	Member should understand that the loan is repayable irrespective of whether the business is performing well or poorly	Use rule for giving loans to members.
The loan is too big	Refund the excess amount borrowed	Use rule for giving money to members and determine the maximum size of loan any one member can receive at a time
The member has other loans from the group	Group should give one loan at a time	Provide for only one loan at a time in the constitution. Use rule for giving loan to members
The member has a loan from other sources	Explain that this will over burden the member	Discourage dual membership and use rule for giving loans
The loan is too small	Receive the loan and give the member(s) the right amount of loans if there are funds in the group	Use rule for giving loans to members
Diversion of loan fund to other uses	Members should pay despite the diversion. Members should ensure they use the loan for the original purpose.	The loan applications show the purpose of the loan. The group should agree on how the loan should be used and this should be highlighted in the constitution. The group should carry out checks to ensure that loans are used for the intended purpose.

## 6.6 Other points

- A group can motivate its members to repay their loans by providing incentives such as a higher loan amount to those who pay on time.
- For the purpose of streamlining loans operations, the group should establish a loan committee consisting of 3-5 members who will be responsible for monitoring borrowers.
- A group should determine the duration in which a loan should be considered unrecoverable. This is usually after implementing all the loan recovery procedures stipulated in the constitution. Loans deemed to be unrecoverable should be written off.

## 6.7 Summary

- Ask participants to mention what they have learned today
- Invite them to make savings deposits
- Inform them that the next topic is record keeping in savings and credit groups
- Thank them for attending the training and close the meeting

## MODULE SEVEN: GROUP RECORDS

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### 7. GROUP RECORDS

#### 7.1 Facilitator's summary

Energiser	<ul style="list-style-type: none"> <li>Start the topic with the Energiser provided in the trainer's notes</li> </ul>
Objectives	<ul style="list-style-type: none"> <li>Participant will be able to explain the importance of keeping the various records in a savings and credit association.</li> <li>Participant will be able to outline the main contents of each of the records</li> </ul>
Duration	2 hours
Materials	Flip charts stand, flip chart, notebook, ballpoint pens, pencils, marker pens.
<b>Content</b>	
a) Importance of group records	<ul style="list-style-type: none"> <li>Organise participants to do the exercise provided in the trainer's notes</li> </ul>
b) Types of group records	<ul style="list-style-type: none"> <li>Ask participants what records they think a savings and credit group should keep</li> <li>Discuss what should be recorded in each of them</li> <li>Write the key points on a flipchart</li> </ul>
c) Summary	<ul style="list-style-type: none"> <li>Ask volunteers to tell the rest of the members what they have learned in this session.</li> <li>Invite members to make savings deposits.</li> <li>Thank them for attending the meeting and close the meeting.</li> </ul>

#### 7.2 Trainer's notes

##### 7.2.1 Energiser

Ask participants to stand in pairs. The facilitator starts by imitating an action. His/her opposite partner asks, "What are you doing?" The facilitator gives the answer that does not correspond to the action. For example, he/she may imitate a runner, and when asked what he/she is doing, the facilitator may reply, "I am taking tea." Every participant should be allowed to do an action and give an answer that does not correspond to the action.

### 7.2.2 After the exercise, ask the following questions

- What have you learned from the exercise in relation to a group? (One of the likely answers is that group leaders may not report accurate information to the members.) Emphasise that people forget if they don't take notes on events. Imagine if within this very short time one can forget, how much more can be forgotten after a period of 3 months, 6 months, or one year.
- Based on this experience, how do we ensure that group members give true information about the group? (A likely answer is to ensure that the group keeps up-to-date and accurate records.)

### 7.3 Importance of group records

Group records are documents kept to help track whatever has been done in the group and inform members and outsiders what is happening in the group.

The group leaders are meant to write the records. Ideally, group members should know how to write and what is written in each record because one day they will be elected as office bearers. There will be times when one or two of the office bearers will be absent and members will be needed to support in writing the records.

#### 7.3.1 Role play exercise

##### *Step 1*

Divide participants into two groups; one that keeps records and the other that does not. Assume that the groups are engaged in savings and credit activities

##### *Step 2*

The group that keeps records should list all the records they need to record their activities and the importance of each record. The group that doesn't keep records should write the reasons why they do not keep records.

##### *Step 3*

Ask the group to come together. Invite a representative of the group that does not keep records to give their reasons for not keeping records.

##### *Step 4*

Ask a representative of the group that keeps records to explain the importance of records and the type of records they need to keep

##### *Step 5*

Wrap up by giving a brief explanation on the importance of records in a savings and credit group.

### 7.4 Types of group records

### 7.4.1 Attendance register

This is used to record attendance of meetings. Below is an example of an attendance sheet.

Date	Name of the member	Attendance	Remarks/Additional information
	Akello Joan	NO	Absent due to sickness/illness
	Bbale Francis	YES	Came late for meeting
	Mundia James	NO	Absent due to a sick child
	Isabirye Moses	YES	

### 7.4.2 Minutes book

Record group discussions and activities, It also records important group decision and resolutions. The secretary of the group keeps it. It is good practice if all group members are familiar with the key resolutions made during their meetings.

### 7.4.3 Visitors' book

A visitors' book is used to remember people who visited the group and to follow up with them. It can be written in the following suggested format:

Date of visit	Name of visitor	Address/Telephone	Comments	Signature

### 7.4.4 Member passbooks

These are records of each member's savings, savings withdrawals, loans, and fines paid. They should be updated by the group leaders, preferably the secretary and treasurer. Each member should keep his/her own passbook.

a) **Cover page**

<b>MEMBER PASSBOOK</b>	
Record of member's savings, withdrawals, and loans	
Member's	
Name.....	Number.....
Name of group.....	
Village.....	
Sub-county.....	

b) **Inside page** (double page)

Date	Savings deposits	Savings Withdrawals	Balance	Date	Loan	Repayment	Bal	Treasurer's signature

**7.4.5 Group savings records**

Member Number	Name	Date	Amount saved
1	Akello	12/10/2013	5,000
2	Bbale	12/10/2013	20,000
3	Mundia	12/10/2013	40,000
4	Isabirye	12/10/2013	7,000

**7.4.6 Group savings withdrawal records**

Member Number	Name	Date	Amount withdrawn
1	Akello	12/10/2013	5,000
2	Bbale	12/10/2013	10,000
3	Mundia	12/10/2013	20,000
4	Isabirye	12/10/2013	6,000

### 7.4.7 Group loans record

Member Number	Name	Loan (principal + interest)	Loan repayment dates	Amount paid	Outstanding balance
1	Akello	500,000	12/10/2013	250,000	250,000
2	Bbale	1,000,000	12/10/2013	150,000	850,000
3	Mundia	200,000	12/10/2013	130,000	70,000
4	Isabirye	600,000	12/10/2013	350,000	250,000

## 7.5 Notes on recording transactions

### 7.5.1 Savings deposits/withdrawals

- When a member makes a savings deposit in the group, the amount should be recorded in the “savings deposits” column of his/her passbook as well as in the group savings record.
- When a member makes a savings withdrawal, the amount should be recorded in the “savings withdrawals” column of his passbook as well as in the group savings withdrawals record.
- The balance of a member’s savings is shown in the “balance” column in both the passbook and group savings record. The balance is calculated as the balance from the previous meeting plus deposits made in the current meeting minus withdrawals made in the current meeting.

### 7.5.2 Loans

- When a member takes a loan, the amount should be recorded in the passbook, the loan disbursement register, and the group loans record.
- Once a member makes a payment for a loan, the amount is recorded in the passbook and the group loans record against the date of the payment.
- The balance of the loan that a member has is calculated as the balance from the previous meeting plus loans given during the current meeting minus loans paid during the current meeting.

### 7.5.3 Other funds

Most groups ask members to make contributions for group projects, welfare, and funerals. These are referred to as other funds.

- When a member makes a contribution, the amount should be recorded in the group project book and the cash summary book/cashbook.
- Once the group decides that the project funds will be used, this is treated as a withdrawal in the cashbook and the project book.

- The balance a group has for “other funds” is shown in the project book and is calculated as the money from the previous meeting, plus money paid during the current meeting, minus money paid out during the current meeting.
- The group may have funds that are not in the above category such as membership fees, loan application fees, and fines. These are recorded in the cashbook and where possible, a separate book is opened for each of them.

Note: All group financial transactions should be consolidated/summarised in the cashbook.

#### **7.5.4 Bank book**

This is a record of the group bank account status, dates, and amount of deposits and or withdrawals, bank charges, and interest earned. The bankbook should be kept by the group treasurer and produced at every group meeting so that members can verify the bank transactions.

a) **Below is a sample bankbook**

<b>Date</b>	<b>Particulars</b>	<b>DR (Debit )</b>	<b>CR (Credit)</b>	<b>Balance</b>
20/12/2012	P/B		100,000	100,000
22/12/2012	DEP	500,000	400,000	950,000

The DR column contains all transactions that reduce the balance such as savings withdrawals, ledger fees, withdrawing tax, and the cost of a passbook.

The CR column contains all transactions that increase the balance such as savings deposited and interest earned.

#### **7.5.5 Constitution**

This is a record of the purpose and general rules of the group. It contains among other things: principles, rules on savings and loans, meeting details, membership criteria, responsibilities of group leaders and all group members. The secretary of the group should keep it.

#### **7.5.6 Loan application/agreements**

This is a contract between a member and the group. It specifies: loan terms, penalties, dates of the loan, amount of the loan, purpose of the loan, and names of guarantors. The secretary of the group keeps these contracts.

#### **7.5.7 Registration certificate**

This is for legal identification and recognition by relevant bodies. The contents of a registration certificate include: name of the group, address of the group, date of registration, registration number, signature of an authorised officer and the stamp/seal. The secretary is responsible for custody of the group’s registration certificate.

#### **7.5.8 Other activities/welfare book**

In case the group is engaged in other activities for which members make contributions, it is necessary to have a record of the activities, especially the following: date and amount of contribution and amount of contribution used. The treasurer should keep this record. However, all group members should be familiar with the record.

## 8. APPENDIX

### 8.1 Suggested procedure for group meetings

Activity	Meeting procedure
Opening	<ul style="list-style-type: none"> <li>• The chairperson calls the meeting to order</li> <li>• Chairperson announces the agenda</li> <li>• Members are asked if they have any other items they would like discussed; if so, these are noted.</li> </ul>
Roll call	<ul style="list-style-type: none"> <li>• The secretary takes the roll call</li> <li>• The treasurer presents any cash balance from the previous meeting to members for verification.</li> </ul>
Finance	<p>Savings deposits</p> <ul style="list-style-type: none"> <li>• The chairperson invites members to make their savings deposits</li> <li>• The secretary then calls each member to the front by his or her name The member gives his/her savings deposits to the money counter. The money counter confirms the amount and places it in one bag. Once all members have made their deposits, the money counter counts the total and announces this to the secretary, who then announces the total savings deposited in the meeting.</li> <li>• The transactions are recorded in the relevant books: members' passbooks, group savings record, and cashbook.</li> </ul> <p>Loans</p> <ul style="list-style-type: none"> <li>• The secretary invites borrowers to pay back their loan instalments. Each borrower gives the money to the money counter, who verifies the amount and announces the total amount to the members. Those who are unable to pay during the meeting should be treated as per the group constitution.</li> <li>• The secretary then asks for new request for loans. Members in need make their requests to the meeting.</li> <li>• The treasurer confirms if they have enough money to cater to the loan request. If the available funds are not enough, the loan requests are prioritised or each applicant is asked to reduce his/her amounts.</li> <li>• If approved, the money is provided according to the conditions laid out in the association's constitution and handed over to the applicants by the secretary.</li> </ul> <p>Savings withdrawals</p> <ul style="list-style-type: none"> <li>• Members who would like to withdraw their savings are invited to forward their request to the treasurer.</li> <li>• Approved savings withdrawals are deducted; the cash balance is announced to the group members.</li> </ul>

<b>Other group projects</b>	<ul style="list-style-type: none"> <li>The chairperson leads a discussion on issues regarding other projects the group may be engaged in such as poultry keeping, grain milling, and handicrafts.</li> </ul>
<b>Closing</b>	<p>The chairperson may close by—</p> <ul style="list-style-type: none"> <li>Reminding members of the key resolutions made in the meeting.</li> <li>Requesting the treasurer to give a report on finances: savings deposits in the meeting, withdrawals, loans given, loans repaid, and the cash balance.</li> <li>Thanking the members for attending the meeting and then closing the meeting.</li> </ul>

## 8.2 Group records

### 8.2.1 Members' register

S/N	Name	Sex	Age	Village	Date joined group	Next of kin	Membership fee	Member signature
1								
<b>TOTAL</b>								

### 8.2.2 Loan disbursement register

This is a record of all loans given out by the group. It details the names of the borrowers, amount given, interest to be repaid, the loan period, and regular instalments (for example, the expected monthly loan repayment). Successful loan applicants should sign this register before they are given funds. Below is a sample loan disbursement register.

	Name of borrower	Date of loan disbursement	Principal amount (P)	Interest (I)	Total loan (P+I)	Monthly instalment	Signature of member	Name of guarantor		Signature of guarantor
1								1		
								2		
								3		
2								1		
								2		
								3		
	TOTAL									

**8.3 Group monitoring forms**

**8.3.1 Group health diagnosis form**

Name of group.....

Name of community.....

Name of field extension officer.....

Date of visit.....

	<b>ISSUE</b>	<b>SCORE</b>												
1	Did at least 75% of the members attend the meeting?													
2	Did at least ¾ of the members arrive on time?													
3	Did the management committee members play their role well?													
4	Did the members participate in the discussion?													
5	Did at least 90% of the members save during the meeting?													
6	Were the savings and credit procedures followed correctly?													
7	Were the savings and loan records up-to-date and accurate?													
8	Were the members' passbooks up-to-date and accurate?													
9	Were the minutes of each meeting recorded and do they contain a summary of the group's finances?													
10	Did members who came late for the meeting and those who were absent from meeting pay fines?													
	Total													
	<table border="0" style="width: 100%;"> <tr> <td style="width: 30%;">Points Key</td> <td style="width: 30%;"></td> <td style="width: 40%; text-align: right;">Group condition</td> </tr> <tr> <td>1=poor</td> <td>Good</td> <td style="text-align: right;">20-30</td> </tr> <tr> <td>2=fair</td> <td>Fair</td> <td style="text-align: right;">11-19</td> </tr> <tr> <td>3=good</td> <td>Sick</td> <td style="text-align: right;">0-10</td> </tr> </table>	Points Key		Group condition	1=poor	Good	20-30	2=fair	Fair	11-19	3=good	Sick	0-10	
Points Key		Group condition												
1=poor	Good	20-30												
2=fair	Fair	11-19												
3=good	Sick	0-10												
	Signature of group chairperson:													
	Signature of project M&E officer													

**Other observations**

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a. Group monthly form (completed by field extension officer)

Name of group: \_\_\_\_\_ Date of visit: \_\_\_\_\_

Name of field extension officer: \_\_\_\_\_

Number of meeting held in the month (if no meetings were held, explain why)

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Topics covered during the meetings

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What problems are the group currently facing?

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What has the group done to solve the problems mentioned above?

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What additional support do you recommend for the group?

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### 8.3.2 Group financial performance indicators

Financial information/ratio	Value computed	Importance
Total group assets at the end of the quarter minus total assets at the beginning of the quarter		This is important for members to see if they are growing or shrinking the group assets.
Total amount of loans outstanding/total assets for the group		The ratio is important in identifying if the group is using its funds for income generation.
Total saving/total assets for the group		This ratio helps members to know how much of the group funds are internally generated and gives an idea of how much has been borrowed or donated. It also gives an idea on the level of self-sufficiency of the group
Balance of loans and advances with any amount due but not paid/total loans outstanding		This shows the portfolio at risk. If it is high, it undermines the ability of the group to make money from loans, avail loans to other members, and the faith that members have in the group
Income/total assets for the group		This is an indicator of the profit on what members have contributed

## 8.4 Best practices in management of savings and credit groups

### 8.4.1 Loans

#### Practices that should be promoted:

- All loan applications should be addressed to the group and should be analysed, approved/modified during group meetings, only. The group's decision should be recorded in the group's minutes book.
- Interest charges on loans should be cleared to borrow at the time the loans are given.
- Repayments schedule must be finalised and recorded when the loans are disbursed.
- Agreement on loan should be between the borrower and the group.
- Loan should be disbursed during group meetings.
- The practices of giving a second loan to a member with an outstanding loan should be carefully assessed.

**Practices that should be discouraged:**

- Giving loans to persons who are not group members.
- Giving large loans to single members when the group is not financially strong and able to impose sanctions for deviant behaviours.
- Few members monopolising all loans

**8.4.2 Savings****Practices that should be promoted:**

- Saving as a value not just a means of increasing the group's fund position. This helps control unnecessary assumptions.
- A group should fix a minimum amount that each member should save regularly; for example, each month. While deciding on the minimum amount saved each period, the group should consider seasonal variations in income and expenditures of members.
- A group should have in its constitution guidelines for members who leave the group voluntarily or are asked to leave for some reason.
- An agreed upon portion of interest earned and proceeds from other groups' portions of interest earned, and proceeds from other group investments should be shared regularly among members.

**Practices that should be discouraged:**

- The practice in some groups of requiring equal savings by all members each month, regardless of the fact that some members may at times be in a position to save more.
- Withholding savings of members who leave the group forcefully or voluntarily should be discouraged as it may lead to a drop in savings—other members will fear the same consequences.

**8.4.3 Bookkeeping****Practices that should be promoted:**

- Group should be trained to keep basic records and documents; all records must be kept in a safe box with the group, either in the meeting or with one of the executive members.
- All records must be kept up-to-date, with transactions recorded as soon as they occur.
- Group must be helped to develop and maintain their own systems and records for bookkeeping.

**Practices that should be discouraged:**

- The practice of keeping books with the implementing NGO staff or in the NGO's office.
- Money for purchase of books and stationery may initially be provided by the implementing NGO, but not on a permanent basis.
- If a group retains a person on a honorarium/wage basis to keep accounts/minutes, the money should be generated by the group but not provided by the implementing NGO.

**8.4.4 Monitoring group finances****Practices that should be promoted:**

- Group accounts should be audited at least once a year.

- Concerned group representatives should be present during the audits.
- Audit report must be presented in a language that can be understood by group members.
- Audit findings should be taken note of for immediate and appropriate follow-up action.

#### **Practices that should be discouraged:**

- Disposal of group assets without prior approval of members.

#### **Practices that should be promoted:**

- The implementing NGOs should periodically assess the needs of group and provide appropriate training.
- Field extension officer must give priority to training group members in maintaining their own books and documents.

#### **Practices that should be discouraged:**

- Payment of compensatory wages for group members attending training programmes provided by the promoting NGO. Instead, if necessary, a contribution can be made to that group common fund to which the member belongs.

### **8.5 List of items to be kept in a group bag**

- Members' register
- Attendance register
- Loan application and agreement file
- Loan disbursement book/register
- Pens, ruler, and calculator
- Receipt book
- Stamp and stamp pad
- Register of savings deposits, withdrawals, and repayments
- Group constitution
- Bank book
- Visitors' book

### **8.6 Glossary**

<b>Expenses</b>	Costs that the group has incurred and paid for in cash
<b>Saving withdrawals</b>	Savings taken by a member during a meeting
<b>Loan disbursed</b>	Loans issue during a meeting
<b>Loan period</b>	The agreed time within which a borrower must pay the loan
<b>Loan application fees</b>	The amount a group charges for loans issued to members.
<b>Cashbook</b>	An accounting book that records the transaction of a business, a group, or an organisation
<b>Principal</b>	This is the loan amount given to a member excluding interest or service charges
<b>Interest</b>	The charge that borrowers pay for loan funds. It is usually an agreed upon percentage per period; for example, 3% per month

<b>Outstanding loans</b>	The amount of loan that has not yet been paid at a given time
<b>Promoter</b>	A community worker responsible for formation, training, and development of groups
<b>Savings</b>	An insurance against hard times and unforeseen circumstances. In a savings group, it is the amount of money contributed by members.
<b>Fines</b>	A sanction paid in cash or in kind after having committed an act that is forbidden by the groups regulations/constitution
<b>Loan</b>	A transaction whereby one person puts goods in cash or in kind at the disposition of another, according to pre-set rules; for example, for a given repayment period with interest.