

# Capitalization sheet

## Organizations of credit and savings groups



- **Implementation and operation of the groups**
- **Tools used for the management of savings and credit groups**
- **Results**

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## Organization of credit/savings groups

The credit/savings groups were originally created to financially support the producers of Agrisud network.

Their objective is to allow producers to borrow and save money under more favorable administrative and financial conditions than provided by traditional banking or micro-credit institutions.

They more specifically fulfill the following roles:

- ⇒ contribute to the sustainability of producers' activities by reducing financial risk and allowing them to borrow at more affordable rates
- ⇒ provide flexible, simple and fast lending services, including by reducing the administrative burden of banking procedures
- ⇒ help the creation of a privileged space of exchange between the producers of the village

### Implementation and operation of the groups

#### Protocol for the creation of credit/saving groups

From the awareness/information phase (step1) to the formation of the group (step 6), it takes on average 2 to 3 months. During all the creation process, a group mediator (staff from Agrisud) is there to help out.

| Steps   | Description   | Human Resources  | Time    |
|---|---|--|---------|
| ⇒ Step 1: Information / Awareness Meeting                                     | Organize a meeting to present the objectives and advantages of the group on the one hand, and to explain the procedure of creation, the functioning and the role of leaders on the other hand. Fix the next meeting date for the second step. This date is set for about 1 month later.   | Farmers of the village, and savings group mediator/ interlocutor | 1/2 day |
| ⇒ Step 2: Reflection phase  | Period of reflection allowing producers to think over what has been discussed and position themselves on the project.   | -  | 1 month |
| ⇒ Step 3: Election of leaders<br><br>1st round : president and vice-president | In total 3 leaders are elected according to the following rules:<br><br>On a pre-selection of 10 volunteer candidates, each participant (member of GF) present vote (1 participant = 1 vote) and, the 2 outgoing candidates are elected leaders. The one with the most votes is appointed president, and the second vice-president. However, the division of roles can be negotiated between elected members. | Farmers of the village, and savings group mediator/ interlocutor | 1/2 day |

|  |  |   |               |
|--|--|---|---------------|
| 2nd round : election of treasurer            | A second round is organised to elect the treasurer. In this case, 5 volunteer pre-selected on their skills (ability to write, read and count) are candidates. The one with the most votes is then elected by the other persons as treasurer. |   |               |
| ⇒ Step 4: Status and internal rules drafting | The mediator is responsible for drafting the statutes and internal rules after brainstorming with the producers.   | Savings group mediator/ interlocutor                                    | 1 month       |
| ⇒ Step 5: Information Meeting                | This third meeting is organized to inform the participants of the internal rules. The articles are read one by one to allow producers to acquire full knowledge and thus decide whether they want to become a member.                        | Farmers of the village, leaders and saving group mediator/ interlocutor | 1/2 day       |
| ⇒ Step 6: Membership                         | Producers who want to join, pay the fee of 10usd. This fee is only paid once. They have up to 15 days after the information meeting to pay the fees.   | Farmers of the village, leaders, group mediator                         | Up to 15 days |



### Analysis elements

- > Leaders are re-elected every 3 years.
- > A technical staff from Agrisud monitors both creation and monthly follow-up of the savings group
- > Producers with a "poor" ID pay only 1.25usd of membership fee instead of 10usd.
- > The loan allocation also depends on the payment history of the producer. If he has kept his reimbursements up to date (good payer), he will be granted a loan more easily.
- > These groups are particularly important for animal raisers because of the often higher costs they face (animal feed and vet. treatments).

### Operating of the group

At the end of each month, during the last week, there is a morning meeting between producers and leaders. This date is agreed on during the creation of the group. That morning is dedicated to the financial operations of producers who can, at any time, credit their savings account, pay interest and/or pay back their loan. The end of the morning is nevertheless dedicated to loan applications. Indeed, the number of loan applications granted and their amounts depend on the number of people wishing to borrow and the total amount requested. Therefore, it is necessary that all applicants come together at the same time to discuss and evaluate the group's ability to respond to individual requests.

If the total value of the borrowings requested exceeds the group's financing capacity, then the loans are adjusted equitably according to the funds available, so as to allow each participant to borrow.

Below 125usd, the debtor is solely responsible for the loan, but beyond this sum, another person must act as guarantor for the debtor.

The loans must be repaid within 6 months according to the conditions defined by the loan proposal signed at the opening of the latter, and before the end of the accounting year. If the request is made for example in early September and the end of the year is in late December, then the debtor has 4 months to pay back both the loan and interest.

For the same reason and in order to limit the risk of non-repayment, the value of loans granted in the last 3 months of the financial year are limited. Similarly deposits on savings accounts are staggered and can not be made only at the end of the year.



### Analysis elements

> In the event of an irremediable loss of the breeding (despite the vetos treatments carried out), the producer is not held to refund the loan, on the other hand if no action has been taken, he is responsible and must refund the costs advanced by the group.

> Some groups are members of Green Farmer and, as such, receive a portion of the profit at the end of the year, that adds up to the group own funds.

> The leaders are volunteers.

The funds of the group consist of the capital contribution of Agrisud (200usd given at the creation of the group), the membership fee of each member of 10usd/participant and interest on loans (approx 2%).

At the end of the accounting year, 25% of the interest is distributed to the leaders, 5% to each member and the dividend reinvested in the group as working capital. In addition, savings are paid back to members.

Villagers can also use the services of the group without being a member. Nevertheless, the interest rates granted are not the same as for the members (3% vs. 2%).

Moreover, according to the rules defined in the internal rules document, group funds can also be used for certain emergency situations, for example for medical care, burials, etc. In this case, the sum lent is free of interest charges. The allocation and the reason for using these emergency funds are defined by the members in the internal rules while the amount is decided by the leaders.

### Tools used for the management of savings and credit groups

A certain number of monitoring tools are used by the group. We distinguish those intended for members to those intended for leaders. Moreover, it is possible to classify these documents into three broad categories: loans, savings and balance sheets.

| Category of document            | Name of document                              | Content  | Persons concerned |
|---------------------------------|---|--|-------------------|
| Saving services follow-up tools | Monthly biannual monitoring (6 months period) | - name and sex of the saver<br>- date of savings operation<br>- amount deposited<br>- total savings over 6 months  | leaders           |
|                                 | Monthly biannual monitoring (6 months period) | - date of the operation<br>- amount of savings before operation<br>- amount of withdrawal<br>- balance after withdrawal<br>- total savings of the group<br>- total savings over 6 months of the saver<br>- signatures of the saver and the treasurer | saver             |

| Category of document          | Name of document                          | Content   | Persons concerned    |
|-------------------------------|---|---|----------------------|
| Loan services follow-up tools | Loan proposal (in duplicate)              | <ul style="list-style-type: none"> <li>- name and identity card</li> <li>- amount and date of the loan</li> <li>- interest rate</li> <li>- duration and closing date of the loan</li> <li>- object of the loan</li> <li>- refund rule</li> </ul>  | Leaders and borrower |
|                               | Loans repayment follow-up (over 6 months) | <ul style="list-style-type: none"> <li>- name</li> <li>- amount and date of the loan</li> <li>- date (for each month) with amount of interest and loan repayment</li> <li>- remaining debt at the end of each month</li> <li>- total interest repaid over the 6 months</li> </ul>   | Leaders              |
|                               | Loans repayment follow-up (over 6 months) | <ul style="list-style-type: none"> <li>- interest rate and loan amount</li> <li>- loan amount paid back (per month)</li> <li>- total amount of interest and amount refunded (per month)</li> <li>- remaining debt (per month)</li> </ul>  | Borrower             |
|                               | Loan closing certificate (in duplicate)   |   | Leaders and borrower |
| Global monitoring tools       | Annual report (per member)                | <ul style="list-style-type: none"> <li>- year</li> <li>- name of the member</li> <li>- total savings</li> <li>- total remaining debt</li> <li>- amount of interest paid</li> <li>- signatures of the member / treasurer / president</li> </ul>  | Leaders              |
|                               | Annual report (global)                    | <ul style="list-style-type: none"> <li>- number of members</li> <li>- savings activity (total savings)</li> <li>- credit activity</li> <li>- income statement</li> <li>- balance of expenditure</li> <li>- distribution of interest and savings (balance sheet)</li> </ul>  |                      |
|                               | Monthly biannual report                   | <ul style="list-style-type: none"> <li>Income</li> <li>- remaining capital of the past month</li> <li>- number and amount of savings</li> <li>- number of animals (pigs / chickens) reimbursed and amounts for each</li> <li>- amount of penalties</li> <li>- number of loans paid back and amount</li> <li>- number of interest paid and amount</li> <li>- total income</li> </ul> |                      |

|                         |                         |  |         |
|-------------------------|-------------------------|--|---------|
| Global monitoring tools | Monthly biannual report | Expenses:<br>- number of loans granted and amount<br>- admin and other expenses<br>- total of expenses | leaders |
|-------------------------|-------------------------|--|---------|



### Analysis elements

> Agrisud provides the producer at the beginning of the project with the tools and materials he needs in his activities for an overall value of 125-150usd. However, animal raisers perceive more (pigs and chickens are more expensive) and therefore have to pay back the difference directly to the saving groups, which is the reason why the number of animals and their amount are included in the monthly biannual report.

In order to inform the members and for the sake of transparency, each month after the balance sheet has been drafted, the leaders write on a table, the summary of the activities. This includes the number of accounts saved and the total amount saved, the number of loans requested and the total amount, the number of loans paid back and the total amount, the number of interest funded and the total amount, the number of new members, and the balance sheet total.



### To remember...

A non-profit organization that provides financial support to producers in their activity while facilitating financial and logistical access to loans.

Informal groups created at the initiative of the producers.

A team of 3 volunteer leaders who ensure the operating of the group.

## Results

- ⇒ The first groups were created in 2012 by Agrisud for the producers supported by the project, and now extends to other non-member villagers.
- ⇒ In 2018 there were 17 groups and 504 members
- ⇒ The interest rates of the loan and savings are respectively 2% and 5%.
- ⇒ The 7 savings groups, created in 2012, had totalized savings amount of 18 596 usd (without the interest rate) for the year 2018 for 271 savers.
- ⇒ 1/4 of the savers has saved between 25 and 38 usd in the year 2018 and 1/3 below 25 usd over the same year (without the interest rate).
- ⇒ The number of loans attributed to these 271 members in 2018 was 362, for a total amount of 75 370 usd.
- ⇒ Common reason to request a loan is for agricultural purpose (to buy seeds, machines, materials).

Capitalization sheets produced by Agrisud International



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