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MICROFINANCE WEEK 2013  
THE FUTURE OF MICROFINANCE:  
INVESTING IN INCLUSIVE GROWTH

## New models and experiences for linking informal savings groups to formal financial services:

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with support from  
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 DGRV

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### INTRODUCTION:

We would like to share our experiences with **establishing NOT individual** savings groups but a **country-wide network** of savings and loan associations, here

- within a **grown** NGO, the **Catholic Workers Movement (CWM) Uganda**

Only the initial set up is supported by the DGRV since this 3-graded network follows the cooperative ideas.

This **network structure** plus the invention of a **regular internal audit process from the base to the top** allowed developing a **new linkage banking product**.

## Catholic Workers Savings & Loan Association (CW-SLAs)

- A **SLA** is a savings group of **self-selected** members to **regularly save & take loans from the savings** + retained earnings
  - A **CW-SLA** is a sub group of a *Base Group* within the *CW Movement*
  - It follows strict rules similar to Village SLAs ([www.vsla.net](http://www.vsla.net))
  - Trained (1<sup>st</sup> yr) by a CW-certified trainer belonging to CWM
- We adjusted and enhanced the VSLA method to establish a country-wide **network of CW-SLAs** within the NGO *CWM Uganda*



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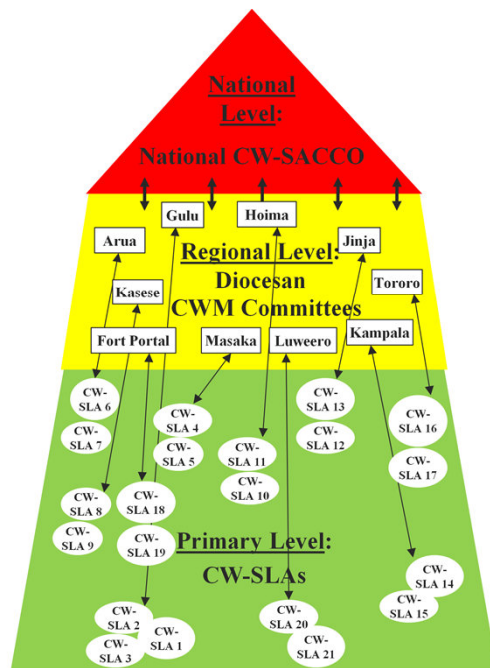
Picture 1:

- The group of 10 – 20 people follows the 3 **cooperative principles** of **Self-help, Self-administration, Self-responsibility**
- The groups follows **strict rules** to govern the regular savings and loan meetings.
- A **cash box** is used to manage the funds.

Picture 2:

- In a CW-SLA, a **deputy record-keeper** copies the numbers recorded in the members' passbooks into a template that is send for **internal audit** to the diocesan = regional level of the CWM structure.

## CW-SLAs are strengthened via a 3-graded network



In analogy to the existing [German Cooperative and Raiffeisen System \(DGRV\)](#), the existing CWM structure is used to establish a [3-graded network of CW-SLAs](#):

### National Level = National CW-SACCO

- supports work on regional level
  - [National Audit](#) and [Representation](#)

### Regional-Level = Diocesan CWM Committees

- supports work on primary level
  - [Regional Analysis- & Audit Tool](#) for
    - [Internal Audit](#)
    - [comparative analysis](#) of CW-SLAs
  - field visits based on findings

### Primary Level = Primary CW-SLAs

- operate independently but [gain strength](#) via the [CW-SACCO network](#)
  - being audited on regional level
  - sharing specific [business knowledge](#), in particular [financial projections](#)

Within the national level we established the [CW Cooperative Savings & Credit Society \(Group\)](#) abbreviated [CW-SACCO](#)

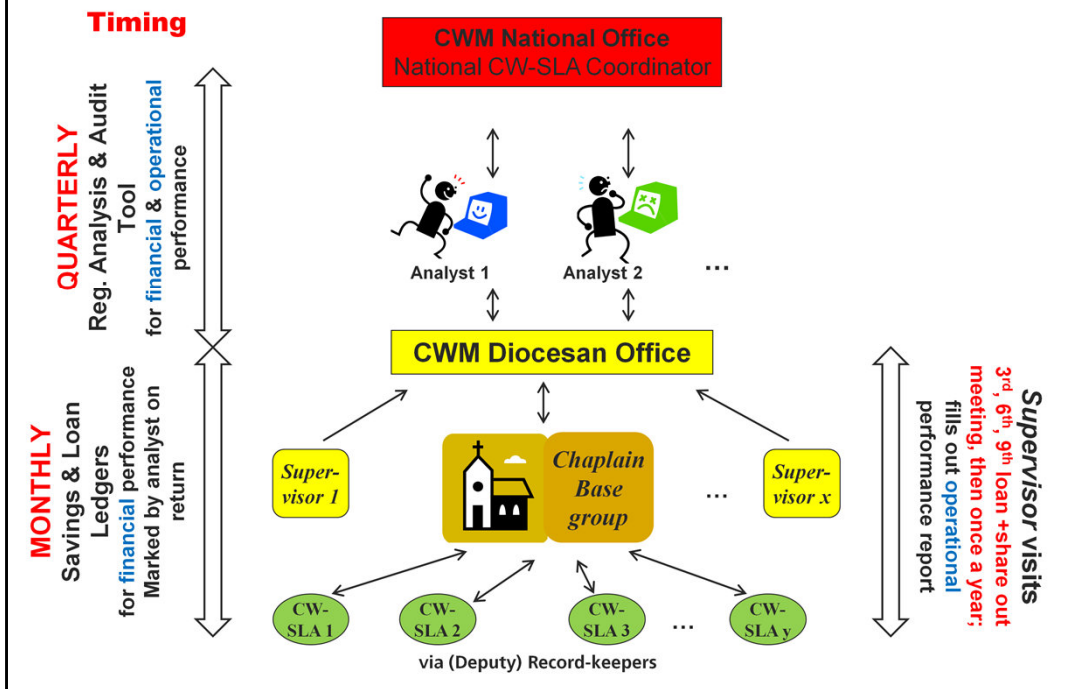
This is merely a registered federation NOT a financial institution.

## Regional Audit performed by members of Young CWM

- Deputy record keeper of CW-SLA copies transaction data from pass books into a hard copy template
- Analyst inputs data into regional MS Excel based Audit Tool,
- analyses the automatically reported errors and financial performance indicators
- returns template with corrections as well as – the monthly performance report



# Audit Process for financial & operational performance





## National Representation of groups

- **National CW-SACCO** is a registered **society**

If a CW-SLA adheres to all internal rules  
(audit!) it will be

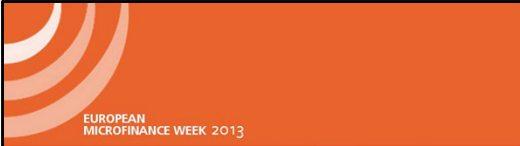
- i. **Registered** through the National CW-SACCO
- ii. **Linked to the formal Banking sector**
  - **Contract** between **CW-SACCO** and **Centenary Bank**,
    - member of the *Global Alliance for Banking on Values*,
    - branch network (81) in each diocese across the country
  - Linkage is needed due to **additional** rules:
    - **Cap on level of cash** in box to avoid theft
    - During last 3 months before annual share out, all outstanding loans have to be repaid
    - **Seed Capital** for **next cycle** is not shared out

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## New Linkage Banking product

- **Favourable** operational & financial **conditions** for this 3-graded country-wide network of CW-SLAs since
  - Bank only needs to set up **one contract** and to follow up **with one body on national level** for hundreds of groups
  - **No costs** for **mobilization** and **monitoring**:
    - The network mobilizes savings country-wide on village level
  - **No costs** - especially for the bank's field officers - **to upraise** a group's **performance on grass root level**:
    - Each group follows the same unique method
    - **electronic records** of any group member **transaction**
    - **performance indicators** on **group**, **regional** and **national** level

➡ Extensive personal negotiations to deepen understanding of the full scope and potential of these innovations



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## Constraints of Individual CW-SLAs in linkage banking



All these are **overcome** through the **National CW-SACCO** which **strengthens** them to attain linkage banking **at favourable rates**.

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## Stories of achievement of CW-SLAs in Uganda SAVING CULTURE

The **saving culture** has been **introduced and practiced**



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With these savings groups in place, members are enabled to save regularly hence gradually developing this culture. Here a member checks the record made in her passbook after saving.

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## Stories of achievement of CW-SLAs in Uganda SELF REALISATION

People have realised they can raise a reasonable fund by themselves



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Members have been surprised by the total amount saved in such a short period of time which was at an average of Ush.123.000 (about €40,00) per member in a period of half a year in the first cycle! (*National Audit Report - Sep13*)



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## Stories of achievement of CW-SLAs in Uganda

### Continued

- The idea of **LOCAL CONTRIBUTION** has been **practiced** and **appreciated**
- The idea of **AUDITING** is **practiced** and has been **appreciated**
- **BANKING** has been **made possible** especially for members **in rural areas**
- A **HEALTHY COMPETITION** has been **created** through **comparison of individual/group performance**

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- **The idea of local contribution has been practiced and appreciated**

In order to get a loan from the group, a member must have at least a third of the loan amount requested. This has helped wash away the common thinking that for one to invest in a business, 100% capital has to be acquired as a loan from a loaning institution.

- **The idea of Auditing is practiced and has been appreciated**

In Uganda, auditing is only heard of in big businesses and institutions and never had the people on the grass-root dreamt of having their small funds audited; neither did they understand its value any way.

With the CW-SLA audit system, members have appreciated the 'magic' that someone elsewhere can tell the errors and miscalculations that all the 20 members of the group could not realise.

- **Banking has been made possible especially for members in rural areas**

Access to formal banking institutions is a challenge especially in rural areas but the CW-SLAs can easily open accounts being assisted by the National CW-SACCO. In the long term future members will have matured to become individual customers of the bank.

- **A healthy competition has been created through comparison of individual/group performance**

Through the internal audit and Analysis at regional and National level, members are able

to assess their performance as individuals within the group, as a group within the Region (Diocese) and as a Region (Diocese) within Uganda. This creates a competitive spirit which improves the entire group performance and in the end benefits the individual members themselves.



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## Stories of achievement of CW-SLAs in Uganda

### SOLIDARITY

- **Solidarity** has been enriched in practical economic terms




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• **Solidarity has been enriched in practical economic terms**

In Uganda, every business person keeps his/her plans a secret so as to emerge rich alone. This does not take place in CW-SLAs!

Before one takes a loan from our savings group, it is compulsory to present ones business plan to the group and the group enriches it and approves it. Then the money collected by the group is given to this member. This is what we call solidarity in practical economic terms.

*Picture on the left:*

A member presents his business projections to the group

*Picture on the right:*

Another member receives her loan from the group.

A sample Unit Cost & Income Template					
Cost - Income for <i>Mushroom production</i>				Explanations	
Unit type of operating period	months			Projecting local businesses, first for a single op. period	
Number of units in a single op. period	3	Insert a whole number e.g. 1, 2, 8, ...			
Resulting Length of a single op. period	3 month(s)				
Resulting length in weeks:	13,0000	...in months:	3,0000		
MAX. quantity produced per single op. period	Unit type	No. of units	Unit Price	Income	Assumptions made (the price should be an average one)
bags of 5 kg mushrooms	kg	30,00	25.000	750.000	1 polythen bag produces 5 kg of mushrooms at end of 3 mths
composed out of the following items per 1 unit:					
5 kg per polythen bag	kg	5,00	5.000		this is just an addition of the existing production
Average price per 1 unit				25.000	existing business produces 300 kg per quarter
Variable OP. EXPENSES per single op. period	Unit type	No. of units	Unit Price	Cost	Assumptions made
Labour	month	3,00	20.000	60.000	4 hrs per day, 30 days per mth, i.e. 120 hrs p mth (= 167 UGS per hr)
Seeds	bag	3,00	30.000	90.000	
Chuff	bag	1,00	40.000	40.000	
Polythen bags	bag	30,00	300	9.000	
Water	jerrycan	270,00	50	13.500	3 per day, 30 days p mth, 3 mth in period
Maintenance of bicycle	quarter	1,00	10.000	10.000	
Owners sallary	month	3,00	27.000	81.000	1 hr morning + 1 hr in evening
TOTAL				303.500	
FIXED OP. EXPENSES per single op. period	Unit type	No. of units	Unit Price	Cost	Assumptions made
				0	
TOTAL				0	
Op. profit per single op. period assuming production at maximal capacity (A-B-C)				446.500	Available cash per single op. period, e.g. for interest and repayments of a potential loan
Accumulated op. profit for N op. Periods: N =	2,0		D*N =	893.000	Available accumulated assets for investment in future business enhancement / interest and lump sum payments of a potential loan
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### •A sample Unit Cost & Income Template

Talking about the business plan, it is not as complicated as you may think because we developed a simple **Unit Cost & Income Template** which the members use and here is the sample.

This template is used to project local businesses over a single operating period. Fixing a single operating period (e.g. a day, week, 3 months) for which the business is easiest understood, allows determining the expected inputs and outputs during this average period.

Over this period one has to determine the variable and the fixed costs and one has to price them by unit. (Especially a salary for the owner needs to be taken into account.)

The same has to be done for the expected income.

The resulting profit, i.e. income minus costs is the available cash during the period that can be used to cover interest and instalment payments of a potential loan.

Otherwise the profits could be accumulated over several periods to be invested into further enhancement of the business.

Here a member presents the fill out cost income template and the group discusses if the assumptions made are realistic knowing very well what takes place in their neighbourhood.

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## Stories of achievement of CW-SLAs in Uganda

### PROFESSIONALISM

- **Individual Members' / Group businesses are run and managed in more professional ways**




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• **Individual Members' / Group businesses are run and managed in more professional ways**

Through the above stated continuous sharing and teaching of each other about Basic Business Knowledge guided by the Unit Cost & Income Template, members have been helped to run their businesses in a more professional way.

*Photo on the left*

This group in Northern Uganda was producing bricks to make a bee house without thinking about the costs involved in its construction and they were helped.

*Photo on the right*

This lady was helped to realize that in twenty one days she could save enough money to double her stock, hence avoiding taking a an unnecessary loan from the bank.



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## Stories of achievement of CW-SLAs in Uganda

### CAPACITY BUILDING

- **Trainers** are identified from within the base groups
- They empower the groups in one cycle to operate on their own afterwards.
- Best performing trainers are empowered to do the training of trainers (TOTs) in order to maintain the original spirit




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*Photo on the left*

Drilling a Trainer to practice the calculations that are done in the CW-SLAs in one T.o.T.

*Photo on the right*

Guiding trainers through the CW-SLA money counting procedures.



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## Stories of achievement of CW-SLAs in Uganda SUSTAINABILITY

- No foreign money is given to the groups; the groups raise all the money by themselves.
- The groups are taught from the start to pay a measurable fee for all services and materials they need



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*Photo*

A Trainer receiving her transport refund from the group she trains.

## Summary of key messages

- Work with a **grown local structure** (here CWM)
- Strengthen the individual savings groups through a **three-graded network** delivering services:
  - a) **continued audit process**, b) **linkage banking**, c) **registration**
- Empower of people at the grass root based on short trainings (1<sup>st</sup> yr) in **financial** and **business affairs**
  - **feasible to be continued** and practiced **by the group itself**
- Ensure **sustainability** through
  - **Measurable services** that are paid for by the groups
  - **Local people** empowered **to do the training of trainers** (TOTs) so that the original spirit is kept
  - Identification of **additional trainers from within** existing **well functioning groups** (audit)



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Thank you for listening