**VSLA Methodology**

*94 Frequent Asked Questions*

**I. Basic Information**

**1. What is a Savings Group?**

A Savings Group is a self-managed group of 15-25 individual members from within a community who meet regularly (weekly, biweekly, or monthly) to save their money in a safe space, access small loans and obtain emergency insurance.

**2. How does a Savings Group work?**

The Savings Group members meet regularly (weekly, biweekly, or monthly), create a group fund (or cash deposit) by accumulating their savings from which they can borrow as needed and repay with interest. At the end of a set operating cycle (of generally about one year), the entire fund with interest earned is distributed to members according to the amount each has saved in the group. Groups typically then begin the cycle again.

**3. What are the benefits of participating in a Savings Group**

Savings Groups help members to

* Save regularly in small, flexible amounts;
* Access loans to invest in their businesses or pay for big expenses like agricultural inputs;
* Access emergency support through a basic insurance fund;
* Access periodic lump sums to pay for school fees, farm activities or other home expenses like repairs and renovation

**4. What makes Savings Groups work successfully?**

Savings Groups work successfully when members adopt a few core elements relating to group formation and management. These are:

* Self-selection – Groups choose their own members. (These should be people member’s trust).
* Democratic governance – Group leaders (management committee) are selected each cycle via an open election process. Anyone can be voted to be on the management committee.
* Transparent and inclusive decision making – Group decisions are made by voting. No one person can make the rules.
* Accurate record keeping – Groups record every transaction during each meeting and all members know how much money has been saved.
* Shared goals and commitments – Groups focus on shared objectives and support one another to achieve their objectives.

**5. How do members save through a Savings Group?**

Savings are made by purchasing shares. The share price is determined by the group at the beginning of each cycle. The cost of one share should be set low enough to ensure that every member can buy at least one share every meeting. Members can then purchase between 1-5 shares at each meeting. Some groups require members to purchase a fixed amount at every meeting. Others allow members to purchase more shares when they have more to save. All members must strive to buy at least one share every meeting.

**6. How do members borrow from a Savings Group?**

Once each month, groups hold a lending meeting. Any member can request to borrow funds and is asked to present their reason for borrowing and how they will repay the loan.

**7. Is there a limit to how much someone can borrow?**

A member can borrow up to three times the amount they have saved, for a period of up to three months. Setting this limit ensures that members do not borrow more than they can repay. It also helps ensure there are funds available for other group members to borrow.

**8. Who defines the rules of operation of the Savings Group**

Each Savings Group determines its share price, loan interest rate, loan duration options, social fund contribution, and a system of fines for violations of group policies. These are defined, agreed by all members and documented in the group’s constitution. The elected management committee of the group ensures these policies are adhered to.

**9. What are the limitations when borrowing from a Savings Group?**

* Members can only borrow up to three times the value of their total savings in the group
* When approaching the end of the cycle, Savings Group collect outstanding loans and stop distributing new loans. This typically happens 1-2 months before the end of the cycle.
* Varying demand for loans creates limitations on the cash available in the Savings Group
* Savings Group typically do not offer long term loans

**10. Can women form a Savings Group?**

Yes! Savings Groups can be women only or a mixed group of men and women. It is however recommended to have women only groups to ensure that women have a safe space for their activities and are able to build a support network through the self- selection process for group formation.

**11. Can men be in a savings group?**

Yes! Membership to a Savings Group is open to both women and men. In most cultures, forming mixed savings groups with male and female members is accepted. However, in some mixed groups, men can dominate decision-making and leadership positions. Hence in mixed savings groups, it is required that at least three of the five elected committee members are women.

**12. My community is very poor, would it still be possible for me and my community members to form and use a Savings Group?**

Yes! The savings in a Savings Group can be as small or as large as the group decides. Not everyone needs to save the same amount every week.

**13. What is the amount a Savings Group member must save at each meeting?**

As savings are made by purchase of shares, the Group sets the price per share and the minimum/maximum number of shares a member can purchase during a meeting. Members can save different amounts at each meeting.

**14. What happens if I or another member decides to leave our Savings Group?**

When a member decides to leave the group at the end of a cycle, the member receives her/his savings and her/his share of the interest earnings. When a member has a situation that forces her/him to leave the group in the middle of a cycle, s/he gets her savings back in full but is not eligible to access any of the group’s profits.

**15. Who decides whether a member gets a loan from the Savings Group?**

In the Savings Group meeting, the group discusses each loan request and decides together whether to approve it. If the available funds are less than the demand for loans, the group also decides which loans have highest priority.

**16. What is the maximum amount a member can borrow from the Savings Group?**

The group decides the maximum loan amount. Normally, groups allow a member to borrow no more than three times the amount the member has saved with the group.

**17. What is the rate of interest that a member must pay when taking a loan from the Savings Group?**

At the beginning of a cycle, the group decides the service fee (interest rate) on loans.

**18. When and where are Savings Group meetings held?**

Savings Groups need to decide and agree a time, date and place for meetings. Meetings can be at a local mosque or church, school or other public building; at the home of a member of the group, or even under a tree that provides some privacy. It is important that the location is big enough for all the members to be seated comfortably and that it provides some protection from sun, cold and rain.

**19. How do members keep track of their transactions in a Savings Group?**

All members have an individual passbook to note and track individual savings, loan information. This also helps prevent confusion and quarrels regarding transactions among Savings Group members.

**20. How can the Savings Groups ensure safe storage of cash collected in every meeting?**

All cash collected at the Savings Group meeting is kept locked in a cash box, with three locks, that can only be opened in meetings when all key holders and at least two-thirds of the members are present.

**21. Do all members of the Savings Group have the same rights?**

Yes, all members have the same rights in the Savings Groups, all members have the right to be elected to the management committee, have the right to propose an issue for discussion in a meeting and in voting the rule of “one person, one vote” applies.

**22. Are all members required to borrow from the Savings Group?**

While the group’s asset will grow rapidly through loans issued, members are not required to borrow. For that matter, no member should feel pressured to take a loan that they do not need.

**23. Can a Savings Group lend to non-members?**

Loans from the group are only for members of the group. Lending to non-members can be very risky because non-members, who have nothing invested in the group, are likely to default on loans. Savings Groups should never lend to non-members.

**24. Why is it important for Savings Group to charge service fee on the loans provided to members?**

Service fees charged by group’s on loans –

* Discourage borrowing without an important need or purpose;
* Increase the group’s moneys (assets);
* Reward members for contributing to the loan fund.

**25. For members taking a loan from the Savings Group, how is the interest paid to the group different from paying to moneylenders or financial institution?**

The main difference for the member paying interest on the loan taken from the group is the fact that the interest paid to group becomes an asset of the group which the member can get back (at least some portion) at the end of the cycle when the money is shared out.

**26. Who manages and organizes the operations of the Savings Group?**

Every Savings Group is self-managed by a five-member management committee comprised of a Chairperson, Treasurer/Box Keeper, Secretary/Record Keeper and two Money Counters. These positions are elected at the beginning of every cycle by the group, but in case of underperformance, members have the power to replace a position.

**27. How are Savings Groups beneficial for women?**

For women who have never before worked for an income, earning money from their savings increases their independence, and supports them in decisions regarding their family expenses. As they manage and grow their money, women earn the respect from men, neighbors and community members.

**28. How can the Savings Group ensure that no transactions happen outside group meetings?**

To ensure that transactions do not take place outside the Savings Group meetings, cash and passbooks are locked in a cash box which is secured with padlocks. Standard practice is for the cash box to be secured with three padlocks, with three group members each holding one of the keys. All members have an individual passbook where all their shares and loans are recorded during each meeting.

**29. How does the Savings Group keep track of its activities?**

Every Savings Group should set-up a procedure for record keeping. In general, record keeping can be done using one of three basic approaches-

* Memorization (usually for groups whose literacy level is very low);
* Passbooks and recording of ending fund balances of the group;
* Central ledgers to track financial activity of the members of the group.

**II. Forming a Savings Group and meeting procedures**

**30. How do I form a Savings Group?**

You must bring together a group of 15-25 people to form a Savings Group. Members of a Savings Group are self-selected, which means they choose who can participate in their group. It is important that members select:

* People who they already know, are trustworthy and dependable;
* People who can attend weekly meetings and participate in weekly savings;
* People who live in the same community or village

**31. What are the aspects to keep in mind when deciding a location for Savings Group meetings?**

Some aspects to consider when deciding a location for the Savings Group meetings are-

* Distance of the location from member’s homes;
* The privacy and safety of the proposed location;
* The availability of a sheltered structure if the location is outdoors.

**32. What are the seating arrangements that might be needed for Savings Group meetings?**

Typically, members will be asked to arrange seating mats or chairs and, if possible, a low table to use for share-purchase/savings and loan transactions. To support clear and transparent operations, members should sit in a circle or semicircle, such that the transactions are visible to all members of the group.

**33. Why can’t I or another member change where we sit or next to who we sit in every meeting?**

In the meeting where the group decides the seating arrangements, the general assembly members form a semi-circle to sit and decide their position in the semi- circle which becomes their permanent spot. The management committee joins this semi- circle to form a complete a circle. It is important to maintain the seating position to ensure orderly and efficient savings and lending process as well as to make it is easier for the record-keepers to enter information in members’ passbooks.

**34. What is the process for a group to start a second cycle of savings?**

After a cycle is completed, members who wish to continue with the group into the next cycle should indicate this, and those who don’t should tell the group as well. If some members decide to leave the group, other people can be allowed join at the start of this new cycle. Once the composition of the group’s membership is settled (stay as is or invite new members to join), the group should decide on the value of a share for the new cycle. It can increase if the members want to increase the size of their loan fund, or it can decrease if members found it hard in the first cycle to meet the minimum share purchase requirement.

**35. What are the activities that take place in very first savings meeting of the Group?**

In general, the main activities of the very first savings meeting of the group are:

1. Calling the meeting to order by the chairperson;
2. Calling of the attendance register by the record-keeper;
3. Share purchase (savings) by the members;
4. Collection of fines (if any);
5. Calculating the loan fund balance by the money counters;
6. Disbursement of loans to members who have requested for a loan (approved by the group);
7. Closing balances and the cash box;
8. Discussion of any other issues important to group and closing remarks.

**36. What are the activities that take place in the subsequent meetings after the first savings meeting of the Group?**

In general, the main activities in meetings after the first savings meeting of the group are:

1. Calling the meeting to order by the chairperson;
2. Calling of the attendance register by the record-keeper;
3. Share purchase (savings) by the members;
4. Review of group expenses;
5. Loan repayment by members who have taken a loan from the group;
6. Collection of fines (if any);
7. Calculation of Loan Fund balance;
8. Disbursement of loans to members who have requested for a loan (approved by the group);
9. Review of social fund balance and new requests from the social fund;
10. Closing balances and the cash box;
11. Discussion of any other issues important to group and closing remarks.

**37. What is procedure for the ‘meeting opening’ in the first savings meeting of the Group?**

The first meeting of the group involving purchasing of shares and loan disbursement starts with the below steps.

* The chairperson calls the meeting to order and counts the number of members to ensure at least two-thirds are present;
* The key holders open the box, which remains in front of the box-keeper;
* The fines bowl is placed in front of the chairperson, so that fines (if any) can be collected during the meeting;
* The record-keeper performs a roll call and gives the members their passbooks

**38. What is the procedure for the group to start share purchase/savings?**

After the group is formed and set-up and the meeting opening is done,

* The chairperson announces that members will make their first share purchase/savings. The record-keeper calls each member to the front by name, following numerical order.
* Each member buys between –one and five shares, giving the money to the money counters and their passbook to the record-keeper.
* The money counters count the money, place it in the money counting bowl and announce the number of shares that have been purchased.
* The record-keeper stamps the correct number of shares into the passbook and crosses out any unused blocks. The member then checks and confirms that the stamp in the passbook is correct.

**39. What is the procedure pertaining to review of expenses in the group meeting?**

In every group meeting, for past expenses pending review, the member who made the expenditure gives an account and returns any change to the money counters, who place it in the money-counting bowl.

For new expenses (approved by all members), the chairperson instructs the money counters to remove the necessary amount from the money-counting bowl and give it to the member who is responsible for paying the expense.

**40. What is the procedure for issuing loans to members in the group meeting?**

The loan issuing process of Savings Groups is as below:

1. The chairperson invites loan requests, reminding members of the loan term and maximum loan amount (three times the member’s savings);
2. Each member who wants a loan then makes a request out loud to the group, announcing the amount requested and the purpose of the loan;
3. The Record-keeper checks the number of shares that the member has already saved, to ensure the member is eligible for the amount requested;
4. The Record-keeper then calculates the total value of the requests and announces it;
5. If the total value of loans requested is more than the money available in the loan fund, the group must discuss adjustments to the individual loan amounts until all members are satisfied;
6. Once it is decided how much each borrowing member will receive, the record-keeper calls each borrowing member to the front;
7. The record-keeper then enters the loan number, loan amount and service charge due in the member’s passbook;
8. The record-keeper instructs the money counters to give the borrowing member the loan amount from the money-counting bowl;
9. The borrowing member counts the money and signs the passbook;
10. The record-keeper then instructs the borrowing member to announce to the group the total amount and payment date of the loan.

**41. How does the group collect social fund contributions from members and make pay-outs in the Savings Group meeting?**

The Group follows the below process to collect social fund contributions and make pay-outs

1. The chairperson announces that contributions will be made to the social fund. All members must contribute the same amount;
2. The record-keeper calls each member by name to give his or her social fund contribution to the money counters. The money counters confirm the amount and place it in the money-counting bowl, while the record-keeper records the amount in the central register;
3. The record-keeper then asks for new requests from the social fund. Members in need make their request to the group. If approved, the money is provided to the member according to the constitution;
4. After all pay-outs have been done, the money counters count the remaining social fund money;
5. The record-keeper confirms the balance of the social fund and notes the amount in the central register;
6. The social-fund money is then placed in its cloth bag and put back in the cash box.

**42. What are the procedures pertaining to loan repayment in Savings Group meetings?**

The process starts with the chairperson asking members who have to repay loans to identify themselves, then-

1. The record-keeper verifies the amount due by referring to their passbooks;
2. Each borrowing member is then called to the front in numerical order to give his or her payment amount to the money counters;
3. The money counters count the payment, announce the amount and place it in the money-counting bowl;
4. The record-keeper enters the payment in the member’s passbook under ‘Amount Paid’;
5. The record-keeper then calculates the remaining balance due (if any) and enters it under ‘Loan Amount’ in the member’s passbook;
6. If the remaining balance due is zero, the record-keeper signs the passbook and announces that the loan is repaid, cancelling the loan with a diagonal red line drawn through the transactions

**43. What is the procedure for groups to settle outstanding loans in the ‘share out’ meeting of the Savings group?**

If any member owes the group at the time of ‘share-out’, the shares equal in value to the debt will be cancelled in the passbook, and this can be done in two ways:

1. Cancel shares equivalent to the outstanding loan at their original value;
2. Cancel shares equivalent to the outstanding loan at their new value, which includes the interest earned.

In the first option, the defaulting member is penalized, because the cancellation of the shares means that he/she will not receive the profit on those shares. Either case, this procedure must be clearly defined in the group’s constitution and followed accordingly.

**44. How is the loan fund balance calculated in the Savings Group meeting?**

The loan fund balance is calculated in the group meeting through the below process:

1. The money counters combine the money in the fines bowl and add them to the money-counting bowl;
2. The money counters count the money in the money-counting bowl and the record-keeper announces the total amount to the group;
3. The record-keeper also informs and confirms that this money constitutes their loan fund.

**III. Managing a Savings Group**

**45. What is the governance structure of the Savings Group?**

The ‘General Assembly’ and ‘Management Committee’ are the core of the governance structure of the Savings Group. The General Assembly is just a formal name for the entire group which elects the Management Committee who is responsible for ensuring the functioning of the group as per the rules defined by the General Assembly.

**46. What is the role of the management committee?**

A management committee is a team of people elected by the Savings Group members (General Assembly) from within the group and is responsible for ensuring the proper functioning of the group. The management committee enforces the rules established by the General Assembly and takes responsibility for running meetings and representing the group to external parties.

**47. What is the main difference between the General Assembly and Management Committee of the Savings Group?**

All members of the Savings Group are members of the General Assembly. The General Assembly, not the management committee, is responsible for setting the rules and regulations of the group in a written constitution. The General Assembly elects the management committee who is responsible for ensuring the functioning of the group as per the rules defined by the General Assembly.

**48. What are the different positions in the Management Committee of the Savings Group?**

The management committee comprises of

* 1 chairperson
* 1 record-keeper
* 1 box-keeper
* 2 money counters
* 3 key holders (one for each of the three keys used to lock the box)

**49. What is the role of the chairperson in a Management Committee of the Savings Group?**

The chairperson:

* Calls the meetings to order, announces the agenda and leads discussions;
* Ensures that the meetings follow proper procedure and that the constitution is adhered;
* Maintains discipline and charges fines as needed;
* Facilitates discussions and ensures that all members views are considered;
* Resolves conflicts;
* Represents the group to outsiders and non-members, including local government officials.

**50. What is the role of the record-keeper in a Management Committee of the Savings Group?**

The record-keeper:

* Ensures that all financial transactions concerning social fund, share-purchase/savings and lending take place according to procedure;
* Makes all passbook entries for shares and loans;
* Maintains and provides a verbal summary and update of the financial state of group at every meeting.
* In some cases, the record-keeper helps document the group constitution.

**51. What is the role of the ‘box-keeper’ in a Management Committee of the Savings Group?**

The box-keeper:

* Keeps the cash-box safe and secure in between meetings;
* Brings the cash box to and from each meeting.

**52. What is the role of the ‘money counter’ in a Management Committee of the Savings Group?**

The two money counters:

* Track and validate all movements of money both in and out of the cash-box;
* Count the money during each cash-box operation;
* Inform the record-keeper of each transaction;
* Assist the record-keeper in resolving any cash discrepancies.

**53. What is the role of the ‘key holder’ in a Management Committee of the Savings Group?**

The three key holders:

* Bring the key to each meeting;
* Open the cash box at the beginning of meeting;
* Close cash box at the end of the meeting once all the cash and material has been placed back inside.

**54. How do members nominate other members for the positions in the management committee?**

Any member of the Savings Group can nominate a person from the group for the various management committee positions provided the person nominated accepts to participate in the elections and is willing to take-up the tasks of the position, if s/he wins the election. If a member does not want to be nominated, he or she can refuse to stand for the election.

**55. How does a Savings Group ensure representation of women in the management committee in a group that has both men and women?**

For a Savings Group with both male and female members, at least four members of the management committee should be female, and it is suggested that at least one female member occupy the post of chairperson, record-keeper or box-keeper (rather than simply the money counter or key holder positions).

**56. What is the election process for the management committee in a Savings Group?**

The election process for the positions in the management committee should be transparent, with the votes of members being kept confidential.

1. Members first nominate at minimum 2 and up to four candidates for the chairperson position;
2. Each nominated candidate is given a colored card;
3. Colored ballot boxes (or bags) that match the candidates colored cards should be made available in a separate and private area for members to cast their votes;
4. One by one, members go to the area with the colored boxes and cast their votes, anonymously;
5. Votes are then counted and winner announced;

The same process is repeated until all positions are filled. The key holders can be selected by a show of hands at the end of the elections.

**57. How frequently are elections held for the management committee positions in a Savings Group?**

Management committee elections are generally held at least once a year, usually at the beginning of a new cycle. By having regular elections, the group is able to select members best capable of taking up the tasks and re-elected members of the management committee feel acknowledged for their work and remain motivated to perform in their roles.

**58. What is the need and purpose of a constitution for a Savings Group?**

A constitution is defined by the general assembly (members of the group) and documents:

* The policies or rules that relate to the purchase of shares/savings, lending practices and the social fund;
* How the group will share out its money at the end of the cycle;
* The structure of the Group’s management committee

**59. What are the key sections of the constitution?**

The Savings Group constitution has two main parts (or sections) –

1. Governance Structure;
2. Services offered by the Group (such as savings, loans and the social fund).

**60. What is described in the ‘Governance Structure’ section of the Savings Group constitution?**

The governance of the group relates to the group’s operation and hence the section covers:

* The purpose of the group;
* Membership guidelines;
* Management committee election and removal procedures;
* Frequency of group meetings;
* Procedures governing the exit or death of members;
* Rules pertaining to imposition of fines.

**61. What is described in the ‘Services offered’ section of the Savings Group constitution?**

The services section of the Savings Group’s constitution describes:

* How members save;
* How members borrow;
* Rules concerning social fund contribution and benefits.

**62. What is the process that members should follow when writing the Constitution for their Savings Group?**

The group should to go through each of the aspects of the governance structure and services section of the constitution in detail, discuss and decide the rules and regulations they would like to adopt. The groups should spend time and not rush through this process because the rules adopted will need to be adhered. The group record-keeper (if literate) can document the agreed rules and regulations, thereby completing the process of writing the Constitution.

**63. In what situations can the group constitution be amended?**

Any member of the General Assembly of the group can propose a change to the constitution and two-thirds of members must agree before the constitution can be altered.

**64. What are the examples of scenarios where a member is charged a fine by the group?**

There are different reasons for which the group might decide to charge members a fine, but the main purpose is to encourage members to maintain discipline and follow the rules set by the group. It is important that the scenarios which call for a fine and the respective fine amounts are clearly defined in the Governance structure section of the group’s constitution. Some examples of scenarios can be:

* Non-attendance;
* Arriving late to meetings;
* Chatting through proceedings of the meetings;
* Disrespecting a fellow member;
* Failure of a management committee person to perform his or her duties.

**65. How can a Savings Group ensure that there are no late-comers to meetings?**

On-time arrival by all members keeps the meetings on schedule, allowing members to return to their daily tasks without delay. Savings Groups can decide to fine late-comers thereby incentivizing people to be on time. The fine amount should be decided by the group, be a reasonable amount that is not too low or too high and documented in the group constitution.

**66. What are the potential situations the group must consider pertaining to members leaving the group?**

It is important that while defining the Governance structure section of the group’s constitution the group clearly defines potential situations and corresponding measures pertaining to members leaving the group in between a cycle, this includes: If a member leaves the group

* Because he or she has no alternative (such as moving out of the village/ community);
* Before the end of the cycle for no legitimate reason;
* Because the member is expelled for failing to make regular share-purchase/savings;
* Because the member is expelled for failing to repay a loan;
* Because of death of the member;

For each situation such as the above and others the group should clearly define how to calculate the amount the member should be paid.

**67. What are the ways by which a group can evaluate its own performance?**

A savings group can evaluate its own performance using questions which cover important aspects necessary for the successful functioning of the group. Some of the questions can also be used mid-way through the cycle.

* Attendance – Did at least 80% of the members attend meetings?
* Reliability – Did at least 3/4th of the members arrive on time?
* Ability – Did the Management committee play its role well?
* Discipline – Was the Constitution followed?
* Involvement – Did the members of the group participate in the discussions?
* Understanding of process – Were share-purchase/savings and lending procedures followed correctly?
* Commitment – Did at least 80% of the members save regularly since the start of the cycle?
* Being organized – Were passbook share-purchase/savings records up to date and accurate? Were passbook loan records up to date and accurate?
* Transparency and Accuracy – Did the Record-keeper accurately summarize the financial position of the group at the end of the meeting?
* Were returns on savings achieved? (if end of cycle evaluation)
* How many members indicated interest to continue for a second cycle (if end of cycle evaluation)
* Was 100% loan recovery achieved prior to share-out? (if end of cycle evaluation)

**68. What are the main responsibilities of members of the Savings Group?**

The main responsibilities of the members include:

* Attend all meetings and be on time;
* Pay attention in meetings and participate;
* Contribute at least the minimum share-purchase/savings at each meeting;
* Repay loans (if any) on time;
* Co-operate to approve other member’s loan requests and support requests from the social fund;
* Co-operate to resolve disagreements and conflicts that may arise among group members.

**IV. Savings**

**69. How does a Savings Group determine the value of one share?**

A share is the minimum amount that each Savings Group member is required to save at every meeting during the cycle. Hence, the value of a share should be an amount everyone in the group can afford to save at every meeting throughout the entire cycle, including periods when members may have very little cash to save. The group can facilitate a discussion to help members choose a savings value that satisfies everyone. The group should set its share amount at a value which accommodates the lower value preference of members. For members with a higher share value preference, they can always purchase additional shares, up to a maximum of five shares.

**70. Why is it important to limit the share purchase of members of Savings Groups to five shares in every meeting?**

The minimum savings of one share per meeting ensures that everyone is committed to the group and that money is available for loans. The upper limit of five shares prevents certain members from dominating the group by contributing disproportionately a lot of money. The range of one to five shares gives members flexibility to save an amount they can afford and takes into account the varying cash flow of members over time.

**71. What are the disadvantages for the Savings Group caused by irregular savings by members?**

Main disadvantages of irregular savings by members are

* The loan fund will not grow fast enough and there will be less money for members to borrow;
* Fewer and smaller loans mean that the members will earn less return on their savings at the end of the cycle.

**72. What are the measures a Savings Group can take to keep members motivated and committed to save regularly?**

The Savings Group can take different measures to prevent irregular savings by members.

For example, the group can decide that:

* A member who fails to save regularly will have lower chances of receiving a loan;
* A member who fails to save for ‘X number’ of consecutive meetings can be expelled from the group unless the member has an acceptable reason for missing the payments.

Such decisions of the Group must be clearly documented in the Group constitution before beginning of the cycle.

**73. Can a member sell back shares to the Group?**

Yes, this is possible in case of emergencies. When members face personal problems, being able to sell back shares gives members access to their savings. But it is important for members to understand that they will lose future earnings when profits are shared out.

**74. How is the new share value calculated in the ‘share out’ meeting of the Savings group?**

The process starts with the record-keeper totaling all shares saved by the Group. This is followed by the money counters counting all the money available in the cash box (excluding the social fund). The record-keeper then divides the total money available by the total number of shares, which gives the new value of the single share. The record-keeper announces this new value to the group.

**75. How does the Savings Group calculate share-out value for each member at the end of a cycle?**

The record-keeper multiplies the new value of one share by the total number of shares saved by a member, as indicated in their respective passbook, which defines the total share-out value that the member will receive. This calculation process is done for all members.

**76. How is the ‘share out’ value distributed to all members of the Savings group at the end of a cycle?**

The below process is followed to distribute ‘share out’ value to members of the Savings group at the end of a cycle.

1. The Money counter takes out money from the cash box for each member (based on their share-out value) and places it in the member’s passbook;
2. This procedure is repeated until all the money (excluding the social fund) has been distributed;
3. If a small amount of money remains (because the share-out value sums were rounded down) the cash can be put back in the loan fund bag;
4. If there is not enough money to pay everyone, that is an indication that an error has occurred and the money must be recombined, recounted, and the procedure repeated.

**V. Loans**

**77. What are the main conditions a Savings Group must define pertaining to loans?**

For loans, the Group must evaluate and establish clear guidelines and conditions (documented in the Group constitution) pertaining to:

* The loan period;
* The maximum loan size;
* The service fee;
* Purpose of the loan – as a consideration for approving the loan

This is important to ensure smooth functioning of the group and prevent favoritism or disagreements regarding loans.

**78. What is the ‘loan period’ in a Savings Group?**

Generally, a loan is given to members (who have requested and qualify) for a period of four weeks during the first cycle. In Savings Groups, loans tend to be short term to allow everyone a chance to borrow. The group decides the loan period, the maximum being up to three months.

**79. Why is it that Savings Group members cannot borrow more than three times their total savings?**

To safe-guard member interests and protect them from the risk of getting into high debt there is a restriction on the amount members can borrow from the Savings Group, which is, maximum three times their total savings. Importantly,

* Small loans prevent members from borrowing more than they can afford to repay comfortably;
* In case a member is unable to repay the loan (defaults), small loans keep the group risk to a minimum;
* Small loans help prevent unequal distribution of limited funds.

**80. What is the service charge a Savings Group must set for loans?**

As a point of reference, Savings Groups commonly charge a 10 percent service charge. However, some groups charge as high as 20 percent and as little as 5 percent. A rate of 10 percent might be easier for groups to work with, for calculation purposes. A group can decide on the rate by discussing with the group on members past experience with service charges and understanding how much member who borrows can afford to pay.

**VI. Social Fund**

**81. What is the social fund contribution?**

Savings Group members pay a fee to the social fund to cover emergencies like illness, funeral expenses, house repairs, and other urgencies, or school fees for orphans of deceased relatives. Kept in a specific bag in the cash box, the social fund is managed separately from the savings and loan fund, no interest is charged for social fund loans, it is not shared out at the end of the year and can be carried over to the next year.

**82. When can members request support from the social fund?**

Members can make requests for support from the social fund at regular group meetings, but in case of emergencies they can also seek access to this fund outside of the regular meetings.

**83. What types of emergencies could be covered by a social fund of the Savings Group?**

Events usually covered by a social fund include:

* Funerals;
* Births;
* Marriages;
* Major disasters (e.g. a house fire);

Or any other emergency situation defined by the group in the group constitution.

**84. How is the social fund different from the loan fund?**

Social fund is unconnected to the loan fund. Every member contributes an equal amount to the social fund, which is kept separate from the loan fund and is never used for loans. This is mainly because emergencies cannot be predicted and some money must remain available with the group (and accessible to members) for such situations.

**85. How should a Savings Group decide on an amount for regular contributions to the social fund?**

Typically, Savings Groups require social fund contributions to be ¼ to ½ of the value of a single share. It is up to the group to decide on a suitable contribution, but some steps to consider are – determine and list events that qualify for support from the social fund and define an amount for each of the events, taking into account collective contributions and an estimate of chances of the occurrence of the event.

**86. Is the Social Fund distributed in ‘share out’ meeting of the Savings group?**

The social fund is not distributed in the ‘share out’ meeting of the group. The reason being, that the social fund belongs to the group and it may be distributed at any time in equal amounts to all members (because they have all contributed the same amount). However, this is separate and must not be confused with the share-out of group’s loan fund.

**VII. Cash Box and Safety measures**

**87. What are the safety measures used by Savings Groups to keep the money safe?**

The key safety measures implemented by Savings Groups include:

* A lockable heavy-duty cash box is used to keep the money safe from the elements of fire and from theft;
* The three locks on the cash box ensure that all transactions take place in front of the group;
* Security is improved by members own efforts to remain cautious and avoid telling non-members about the whereabouts of the cash box, which helps in reducing the risk of theft;
* Cash box is held by the box-keeper, who safeguards it between meetings. When the box is locked at the end of the meeting the box-keeper cannot open it because s/he does not have the keys;
* During the cycle, most of the savings is distributed in the form of loans. In which case, there is usually very little money left in the cash box between meetings, which lowers the safety risk.

**88. Why is it important for Savings Groups to use lockable cash boxes?**

It is important that Savings Groups use lockable cash boxes as it promotes and helps maintain confidence in the system. Groups that did not use lockable cash boxes have experienced losses (and reduced trust in the group leadership, who are often suspected of making private use of the money, between meetings). The lockable cash box guarantees that transactions can only be carried out only when all members are present, and that records cannot be altered except with the consent of all members.

**89. What should the cash box contain to be used in Savings Group Meetings?**

The lockable cash-box must contain the below,

* 3 good-quality padlocks, each with two keys
* 1 central register to track financial activity
* 25 Passbooks (one for every member of the group)
* 25 Numbered Cards (one for each member of the group)
* Rubber stamp and ink pad
* 2 pens: one black or blue, the other red
* Corrector pens/ alternatives like corrector ink
* Calculator
* 2 plastic bowls (one for fines, and one for managing the social fund, share-purchase/savings and loan repayments)
* 2 cloth money bags (one for the social fund, one for the savings/loan fund)
* Copy of the group constitution

**VIII. Record Keeping**

**90. What is a passbook and how can it be used by Savings Groups for record keeping?**

Each group member is provided an individual passbook. All savings and loan transactions of the member is maintained in that passbook. During every meeting, the member’s savings are recorded using stamps (on the savings page of the book) for the number of shares saved and at the back of the same passbook the report of loan liability details of the member is kept updated.

**91. What are the records centrally maintained by the Savings Group?**

In addition to the individual passbook provided to every member, the group maintains a central register with separate sections to track attendance and closing cash balances in the loan fund and the social fund.

**92. How is the entry to the member’s passbook updated when the member makes a saving with the Group?**

When members save with the group by purchasing shares, the record-keeper will stamp the number of shares purchased in the savings page of their passbooks, while ensuring that the member watch and confirm that the number of shares stamped is correct. Empty spaces are then crossed out on the respective meeting line to prevent fraudulent entry of shares at a later date.

**93. What is documented in the loan record of the member’s passbook?**

The loan record in the passbook documents the following details for every loan taken by the member, which is also updated in every meeting

* Loan number (to indicate whether this is first, second or nth loan of the member);
* Loan amount – received by member/ remaining balance due;
* Service charge on the loan;
* Amount paid by the member;
* Total amount owed by the member;
* Signature of the member for every entry

When the member pays back the full amount of the loan, a red diagonal line is drawn through the respective loan record, and the record-keeper signs in the signature column.

**94. In what situations is a red pen used in a member’s passbook?**

A red pen is only used in the member’s passbook either to indicate cancellation of a member’s shares or to closure of a completed loan.

Document elaborated by CARE International