PN-ABZ-408

92038

A FINANCIAL PLANNING GUIDE

FOR

SAVINGS AND CREDIT GROUP ORGANIZERS

September 1996

Prepared by

Anthony Scoggins
Coady International Institute

For
Indo-US Housing Finance Expansion Program

Abt Associates Inc.
Management Support Services Contractor
B2/13 (2nd Floor)
Vasant Vihar
New Delhi 110 057

USAID Project No. 386-0526-00-C-2295-00

PART-I

BACKGROUND

TABLE OF CONTENTS

Part I: Background

* * *

Part II: A Guide to Financial Planning for Savings and Credit Group Organizers

PART I: BACKGROUND

1. Background to the Technical Assistance Assignment

1.1 TA Objectives:

Under the auspices of the Indo-US Housing Finance Expansion Program, Abt Associates began offering in 1995 technical assistance support to a selected network of community-based financial institutions (CBFIs). In early 1996, SEWA Co-operative Bank approached Abt Associates for technical assistance in elaborating a systematic approach to financial planning for its emerging rural savings and credit groups (SCGs).

A preliminary Scope of Work was drafted in February, 1996 (see Appendix 1), that focused upon the elaboration of a financial planning guide for SCG organizers that would address basic operational procedures, as well as issues of SCG monitoring and viability.

Upon arrival of the Consultant in Ahmedabad, discussions with SEWA management led to a dis-aggregating of the tasks into a set of separate issues,- one of which would be a simple cash flow planning guide for SCG organizers. Issues to be dealt with separately were to include monitoring and supervision of SCGs; viability of the rural savings and credit system as a whole; and training implications of this strategy. (See Appendix 2.)

1.2 Purpose of This Document:

The purose of this document is to present the SCG Planning Guide component of the original Scope of Work. Discussion with SEWA management lead to the agreement that the guide should not attempt to provide a single, prescriptive procedure, but instead present a set of models (both in form and process) that could be reviewed by SEWA management and field staff. They shall then select the model and elaborate the specifics as appropriate.

The document is presented in two parts. Part I provides background information on the TA assignment and the rural savings and credit program of SEWA, and the Consultant's general findings and recommendations. Part II presents the Planning Guide.

1.3 TA Program:

The Consultant spent the week of June 9-14, 1996 in Ahmedabad (see Appendix 3 for the program), interviewing SEWA staff and conducting field visits. The report itself was written in Canada and submitted to Abt Associates in September, 1996.

2. Background on SEWA Bank

The remarkable history of the Self Employed Women's Association (SEWA) has been recounted and analysed at length in the development literature. For the purpose of this report, a brief summary of SEWA's history will suffice to place the assignment in context.

SEWA had its origins in the Ahmedabad branch of the Textile Workers Union. Women leaders of the TWU were concerned that so many of their sister workers were unable to access union services and benefits because they were employed in the so-called "informal" sector. This group of women, lead by Ms. Ela Bhatt, decided to help these self-employed women form their own union, and in 1972 SEWA was formed with 100 members. Two years later, the members of the Union agreed to establish the SEWA Co-operative Bank. This was followed by program initiatives in the area of social services (health and child care), training, housing, insurance, and legal aid.

Out of the original group of 100 women has grown a complex system of eight inter-linked organizations and a grasssroots membership of 200,000 low-income women. SEWA has established itself as a credible and active promoter of the rights of women and has lead state and national campaigns for the legal protection of women workers, reform of minimum wage legislation, and recognition of the rights of street vendors. In recent years, SEWA has been recognized internationally for its distinguished record of service by and for disadvantaged women.

Although SEWA Bank is by legal registration an <u>urban</u> co-operative bank, the membership of SEWA Union extends into the rural areas surounding Ahmedabad and beyond. The Union provided various organizing, educational and support activities for its rural members. A survey of these members revealed that 80% of the women's families had mortgaged their land to local moneylenders. The terms of these mortgage agreements were highly restrictive: in effect, the borrowers were required to pay off the loan and interest in one lump sum payment within a five year term,- or lose their land.

The Union therefore decided to address this problem through the SEWA Bank. The goal of the initial pilot program was to improve the economic situation of SEWA members by providing loans that enabled families to redeem their land from moneylenders. A second, significant element of the project was to enhance women's ownershop of assets by ensuring that the woman's name was placed on the land deed once it was redeemed.

This initial pilot project ran into major operational difficulties. The size of the loan was often so large that repayment became a problem for many women. Further, there were droughts in the surrounding rural areas, which had an adverse effect upon the capacity of many women to earn income and meet their loan payments. The Bank's management team recognized that the SEWA faced distinctive operational difficulties in providing financial services to rural women, in particular issues of irregular income, limited investment opportunities and geographic dispersion.

The Bank therefore began to re-think its rural extension strategy. Two key elements of that strategy were re-designed: the organization of the rural women, and the role of SEWA Bank itself.

On the first issue, SEWA Bank would no longer interact directly with individual rural women, but would provide services through organised groups. A set of operational procedures and staff training materials were elaborated that outline how rural women are to form a group, give it a name, select their leaders and elaborate a set of operating rules. Procedures are also provided for the opening of group accounts at the SEWA Bank, and for groups to apply for a loan after savings have accumulated for one year. (The group can apply for credit up to the amount of 300% of its savings.)

Furthermore, the management of SEWA Bank determined that given the history, by-laws and capacities of the Bank, its role should be that of a catalyst and promoter, rather than that of a rural banker. In other words, the SEWA Bank now defines its role as facilitating the process by which rural women of Gujarat State form their own distinct and unique savings and credit organization(s), i.e. legally separated from but functionally linked to the SEWA Urban Co-operative Bank. This was a significant shift from the earlier thinking of the rural extension program being a subsidiary of, or department within, SEWA Bank.

3. Definition and Discussion of the Problem Situation:

At the current time, the rural program of the SEWA Bank is in a dilemma. Although the vision of the bank is to promote an independent, rural financial system owned and controlled by rural women, its operational procedures serve to increase the dependence of the rural women upon the Urban Bank.

One of the key dimensions of this relationship is the demands for credit that are coming from the rural groups. These demands are fo rwarded from the groups to the BAnks district offices by their field staff. These demands are then consolidated at the district office and forwarded to the central office of the Bank.

The volume and timing of these credit demands are placing a major strain upon the financial resources of the SEWA Bank. At an operational level, there are major cash flow implications for the Bank's operations that are not yet built into its regular financial planning program. And at the strategic level, there is also the concern that the process of having the rural groups simply compile and forward their loan applications to the central office does not address the key issue of how to build a sustainable rural-based financial system.

For that reason the Consultant was directed to look at possible mechanisms for enabling SEWA's rural field staff to put in place a simple system for projecting savings and credit operations at group level. This mechanism should be designed in such a manner that it contributes to:

i) SEWA Bank's financial planning process by providing accurate and timely projections of loan demand from the rural program;

ii) the process of moving the rural-based program towards self-sufficiency and independence; and

iii) SEWA's priority concern for retaining member confidence in the financial reliability (security and soundness) of the Bank.

Within this framework, the Consultant's visits to the field with both management and field staff highlighted certain key issues:

i) the education and skill levels of the rural groups and their leaders is very low. This is a major problem as regards basic record-keeping. As a result, SEWA field staff maintain a parallel (duplicate) set of group-level records at the district office.

ii) the vision of SEWA management to foster the emergence of an independent rural savings and credit system is not widely shared or underst ood in the field, either by group members of field staff. While they speak favourably of decentralising resources and decision-making from head office to district-level, this does

does not translate into any stated desire to promote an independent "SEWA Rural Bank". Quite the opposite: the staff and members express a strong affinity for continued close integration with the SEWA Urban Bank.

4. Consultant Analysis and Output

With the above factors in mind, the Consultant had elaborated a simple framework for assisting SEWA's rural field staff to begin the process of planning the main cash flows into and out of the SCGs. It attempts to build upon the operational and training materials already available, including SEWA's Staff Manual on Rural Savings and Credit and FWWB's related Field Manual on Organising Savings and Credit Groups for Poor Women.

In effect, the Planning Guide presents a procedure for projecting savings inflows, loan outflows, loan repayments and external infusions (presumably from SEWA Bank, through the District-level offices/ associations). Four sets of planning procedures at SCG level are presented, from the simplest to the more complex. Each is presented first in a simple schematic form with an accompanying format for the field organizer. The second section of the manual discusses some of the operational issues involved in projecting savings and credit operations, such as the effect of loan arrears on cash flow.

The Consultant attempts to link the operational imperatives of the SCG planning process (i.e. fundamentally, more effective cash flow management at district and Bank level) with the strategic orientation to developing the SCGs as self-managed, if not self-financed community organizations. In that regard, a model process of integrating savings and credit planning into a comprehensive organizational development framework is described, based on work being done on a rural credit program in Nepal.

As noted above, the related concerns regarding program sustainability did not comfortably fit within the framework of this planning manual. Although the original Scope of Work referred to the viability of the SCGs themselves, in discussion with Bank management and field staff there were widely different understandings of which level of the system was to be promoted as the core self-sustaining unit: the SCGs, clusters of SCGs, district-wide associations of SCGs, or even district-level branch of the Bank.

The financial data that would be generated by a system of SCG-level financial plannning as described below, would certainly feed into and inform the discussion about system sustainability. That issue and related concerns (such as SCG monitoring) will be addressed under separate cover.

Appendix 1

SCOPE OF WORK:

Development of Planning Guide for Organizers of Savings and Credit Groups

(Under RFS No. 24)

Objective:

A planning system will be developed to improve organizers' ability to support formation and optimal expansion of informal savings and credit groups. SEWA Bank's savings and credit groups will be the focus for development of the planning system.

Scope of Work:

A consultant with extensive experience in micro-finance will develop a Planning Guide for use by savings and credit group organizers. The Planning Guide will provide organizers with detailed planning techniques and worksheets for:

- forecasting savings inflows
- forecasting loan demand and loan repayment
- forecasting cash flow
- developing necessary reporting and monitoring systems
- planning for long-term viability.

Reporting:

A draft planning guide will be submitted to Abt Associates within 120 days of inception of work. Abt will gather the comments of SEWA Bank, USAID and NHB. The consultant will incorporate the comments in the final product within 30 days of receipt.

Appendix 2

Proposed Reformulation of TA Terms of Reference

To provide SEWA Bank management with proposals to improve the effectiveness of the Bank's rural savings and credit program.

Specifically, in his report the consultant shall elaborate:

i) a draft planning guide for savings and credit group organizers;

ii) a proposed system (procedures and formats) for bank monitoriing of SCG activities;

iii) an improved mechanism for the supervision and auditing of SCG accounts;

iv) the basic components of a Mobile Trainng Unit for the rural SCG Program;

v) a preliminary assessment of the functional and financial viability of district-level associations of SCGs.

(As formulated by the consultant and Jayeshree Vyas on June 14, 1996.)

Consultant Itinerary

The consultant spent the week of June 9 -14, 1996 in Ahmedabad with the following program.

June 9: - Arrive in Ahmedabad, check in at hotel, orientation meeting with R. Genz of Abt Associates.

June 10: - Orientation meeting with Jayeshree Vyas, Managing Director, SEWA Bank.
- Briefing sessions with Reema Nanavaty, Co-ordinator of SEWA Union Rural Program and Vijaylakshmi Das, Chief Executive of Friends of Women's World Banking (re available resources on SCG organizing and planning)

June 11: - Field visit with J. Vyas and field staff to SCGs in Ahmedabad District.

June 12: - Field visit to District Office and SCGs in Kheda District with Manarama Thakkar, SEWA District Co-ordinator and field staff.

June 13: - Review of field notes, draft report outline.
- meet with staff of SEWA Academy re SEWA training programs in savings and credit
- meet with Mihir Bhatt and staff of the Foundation for Public Institute regarding their research exercise/ project proposal on expanding SEWA's rural savings and credit program in Banaskantha District.

June 14: - Consultation meeting with J. Vyas; re-formulation of terms of reference for the planning guide and setting of priorities within revised TOR.
- Depart Ahmedabad.

PART-II

A GUIDE TO FINANCIAL PLANNING FOR SAVINGS AND CREDIT GROUP ORGANIZERS

TABLE OF CONTENTS

11

1. INTRODUCTION

1.1 Purpose of this Guide:

The purpose of this guide is to present a set of alternative methods by which field level organizers of community-based savings and credit groups (SCGs) can prepare simple cash flow projections of the savings and credit operations of these groups. The material was prepared at the request of the rural savings and credit program of SEWA Bank, Ahmedabad. However, the models and materials are sufficiently generic to be adaptable to a wide variety of savings and credit organizatios (SCOs).

1.2 Outline of the Guide:

Following a brief introduction to the topic of financial planning in SCOs, the Guide presents a procedure for projecting savings inflows, loan outflows, loan repayments and external infusions. Four sets of planning procedures at SCG level are presented, from the simplest to the more complex. Each is presented in schematic form with an accompanying format for the field organizer.

The second section of the manual discusses some of the operational issues involved in projecting savings and credit operations, such as the effect of loan arrears on cash flow. In the third and final section, a model process of integrating savings and credit planning into a comprehensive organizational development framework is described, based on the experience of a rural credit program in Nepal.

1.3 Cash Flow Planning and Management of SCOs

The management of åll organizations that provide financial services to the public must have a clear picture of future cash flows. This requires a system for projecting the inflows and outflows of both savings and credit, since savings are generally the major <u>source</u> of funds on the liability side of the balance sheet, and loans are usually the major <u>application</u> of these funds on the asset side of the balance sheet.

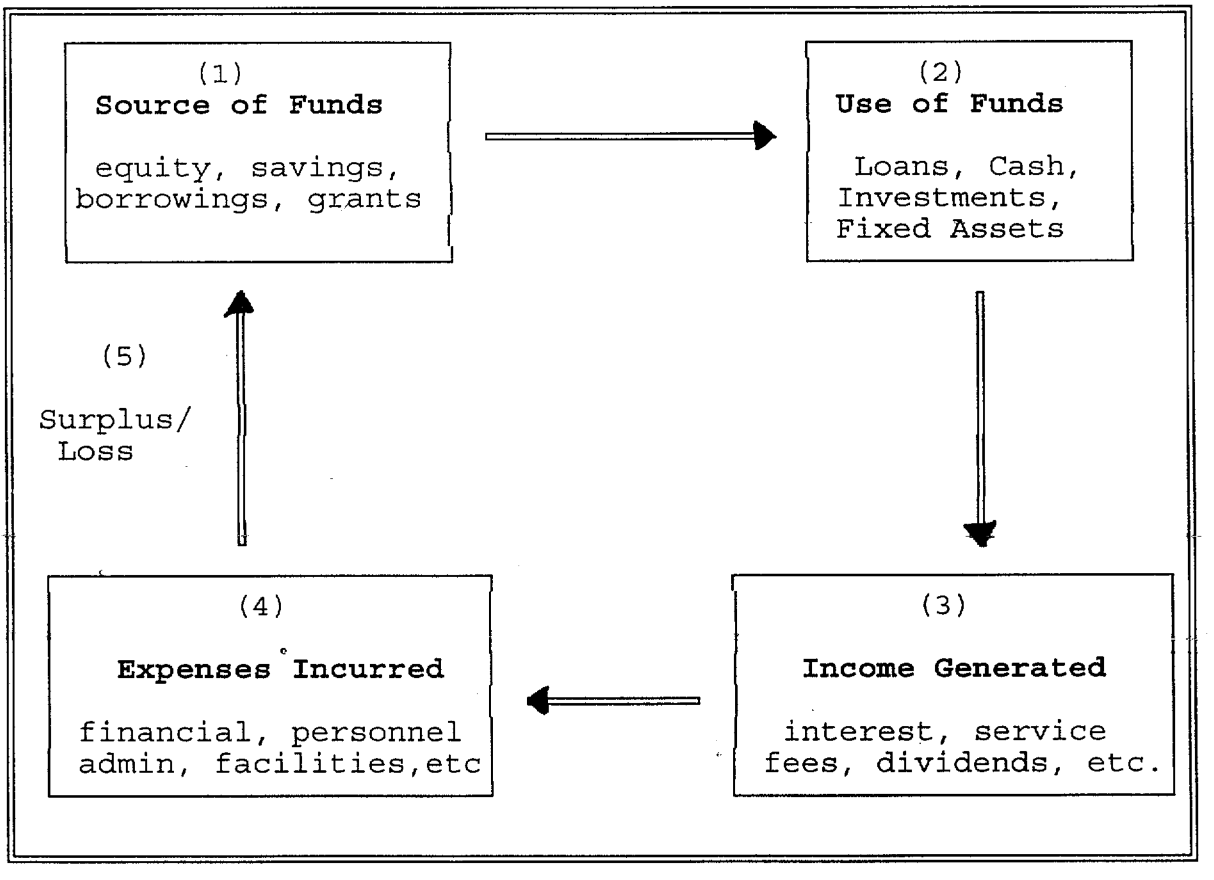
The projecting of these flows of cash is particularly complicated in a decentralised organizational structure such as a community-based savings and credit organization which operates through a system of operationally independent and geographically scattered savings and credit groups (SCGs). In order to enable the central SCO to do the planning required for efficient allocation of its (usually limited) resources, a mechanism must be put in place by which information for, or about, members savings and credit plans is collected and organised.

14

1.4 Overview of Financial Flows in an SCO:

Effective management of savings and credit organizations requires the projection of its financial operations. The financial flows within an SCO are illustrated in Figure 1, below.

Figure 1: Financial Flows in an SCO



This simple model is "comprehensive" in the sense that it links the mobilisation and application of funds (i.e. Steps 1 and 2) which make up the SCO Balance Sheet with the generation of income, incurring of expenses, and resulting profit or loss (i.e. Steps 3, 4 and 5) that make up its Income/Expense Statement.

1.5 Defining the Financial Planning Process for an SCO

The sophistication of the planning method to be used by an SCO is a function of two variables: its breadth and its depth.

i) Breadth of Financial Planning: Financial plans for SCOs can range from simple cash inflow/outflow forecasts to fully comprehensive budgets incorporating all five of the steps outlined in Figure 1, and producing projected Balance Sheets and Income Statements.

ii) Depth of Financial Planning: Financial plans for SCOs also vary in terms of the quality and detail of information upon which the projections are made. At the 'simple' end of the scale, the projections are based on macro-level trends (for e.g., a membership growth rate of 6%, an inflation rate of 12%, etc.). At the more complex end of the scale, the projections are derived from collecting and consolidating more precise micro-level information (for e.g., the actual projections of local SCGs).

One useful way of describing these different levels of analysis and detail is to view the SCO as a box, and the depth of analysis as a measure of the transparency of that box. For example,-

> **A black box** approach to planning means that while the planner knows the basic inputs to the SCO (e.g. number of members, past savings rates, etc.) and its outputs (e.g. past number and volume of loans), there is no analysis of the internal operations or factors that link these two together. A set of simple, often arithmetical relationships are identified and used for planning purposes. For example, 50% of all members will borrow each year; savings will increase at a rate of 10%; loan repayment will be at a ratef 90%, etc.

> **A white box** approach to planning means that the internal operations of the SCO are entirely transparent to the planner. Rather than work with macro-level ratios or historical trends, the financial plan for the SCO is in fact a consolidation of a set of component plans, coming from its member units. In its most comprehensive form, this could involve engaging individual members in planning their savings and credit activities for the year, consolidating these into group level projections, then cluster level, and on to district and bank level.

> **A grey box** approach is a compromise between the other models. It usually involves applying some degree of macro-level, "top-down" planning (in the style of the black box approach) but modifying the data through selective sampling of micro-level factors. In the case of an SCO, this might involve undertaking a group-level planning exercise with a representative sample of SCGs, and then using the information derived from this process as the basis for the macro-level projections for the district as a whole.

14

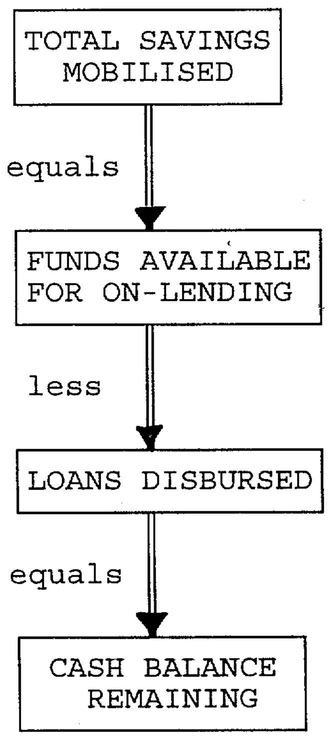
1.6 Models of Financial Planning for Savings and Credit Operations

The purpose of this document is to provide SCOs with a mechanism by which field-level organizers can contribute to the financial planning of the organization as a whole. SCO Management must estimate the respective costs and benefits associated with such a mechanism. Below are identified four models of financial planning at savings and credit group level, in order of increasing sophistication.

A sample format for each model is provided in the Appendices, and a brief elaboration of each of the component steps is provided in the following section.

a) Simple Interlending Model:

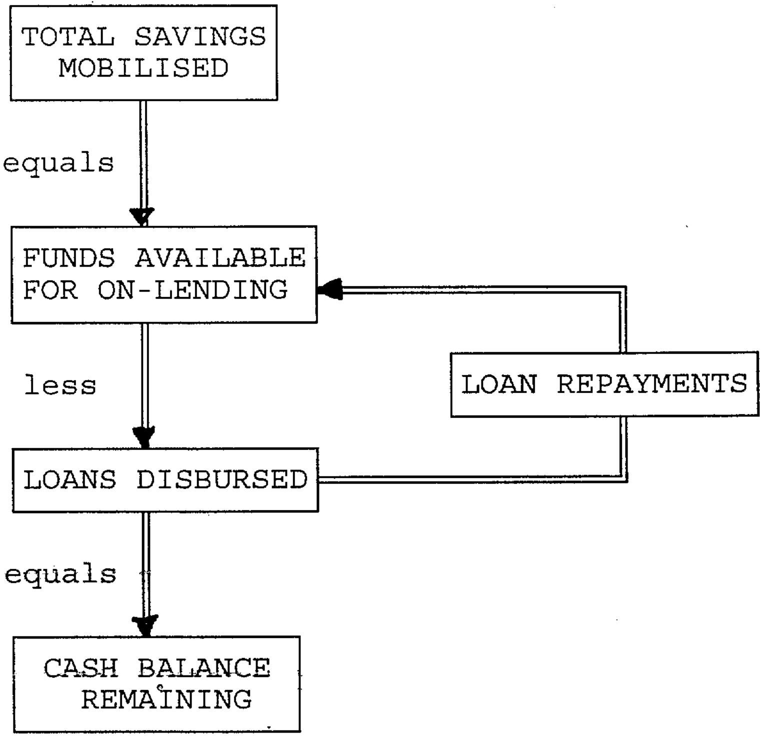
The simplest financial projection for SCGs is based on the inter-lending model, wherein the funds available for lending to group members is limited to the savings mobilised within the group itself.



See Format #1, as a guide.

b) Revolving Interlending Model:

The second model includes the factor of loan repayment in the projection, i.e. as an additional source of funds for on-lending. In that sense it is a more realistic modeling of reality, but it also adds greater complication to the calculations and greater uncertainty to the exercise (given that the loan repayment rate is often a less predictable variable).



See Format #2, as a guide.

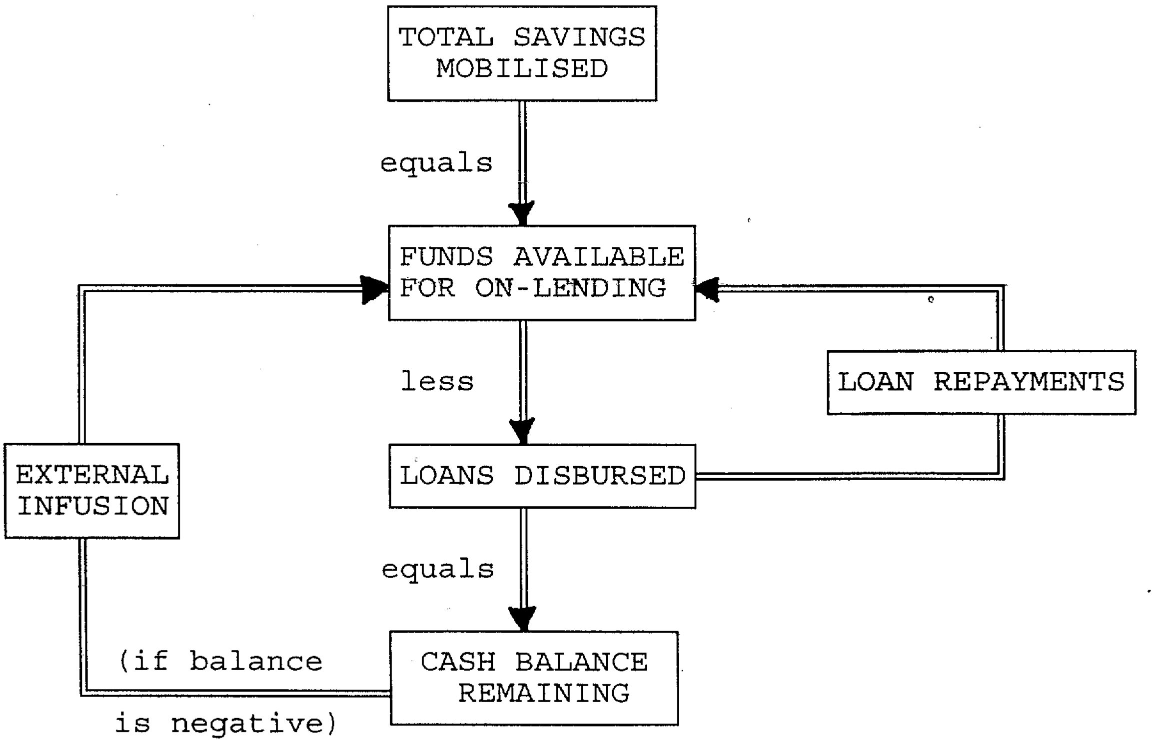
16

c) External Funding Model:

The third model adds in another potential source of funds for on-lending: the infusion of external funds. These funds may take the form of matching funds from a donor/partner or a loan facility with the sponsoring NGO or a formal lending institution. This adds a further level of complexity to the model but in many cases, such external funds are a significant portion of the total funds available for on-lending, and far exceed the savings mobilised by group members.

In terms of financial planning, the key issue is whether these external funds are considered "supply-led", that is to say, freely available to borrowers much like member's savings,- or "demand driven" in the sense that they are only accessed once the groups' own savings are exhausted.

For SCOs which are attempting to build within local SCGs some degree of financial autonomy and self-sufficiency, the latter approach is generally considered most appropriate. For that reason, in this model (and the accompanying format) the external infusion of funds is considered a residual amount, representing that volume of loan demand that the SCG cannot meet from its own resources.

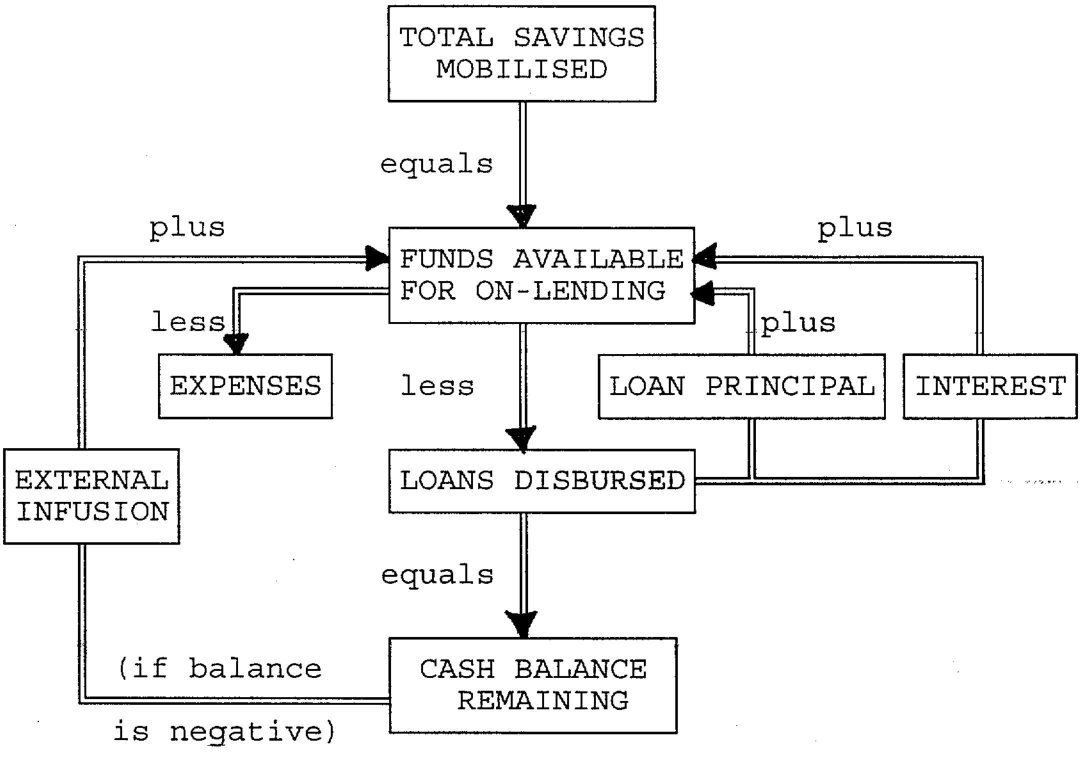


See Format #3, as a guide.

Note: It is the application of this model that will be elaborated in the following section.

d) Comprehensive Model:

The fourth and most comprehensive model extends beyond the direct mobilisation and on-lending of funds to include the income and expense dimension of SCG operations. Effectively, it incorporates all the elements in the financial operations of an SCO (as per Figure 1, above). This model is provided for illustration only.



2. The Methodology of Projecting Savings and Credit Operations

In this section each of the four steps in projecting savings and credit operations of SCGs are briefly explained and described: forecasting savings inflows, credit outflows, loan repayment, and external infusions.

2.1 Forecasting Savings Inflows

Of the various elements of the financial planning process for SCGs, the projection of savings tends to be the simplest and most reliable. That is because most (albeit not all) SCGs tends to have fairly restrictive policies in this regard.

i) <u>regular savings</u>: most SCGs tend to combine a relatively stable number of members with a fixed rate of savings. This makes projection of savings due over a set period a fairly straight forward calculation. Furthermore, given that most SCGs exercise considerable discipline in the collection of members savings, any discrepancy between "savings due" and "savings received" tends to be small.

ii) <u>other savings</u>: some SCGs mobilise savings above and beyond the compulsory requirement. These can include discretionary individual savings as well as group funds of various forms. These amounts tend to be less easily projected, and forecasts must rely upon a mix of projecting historic trends and educated guesswork.

iii) <u>savings withdrawals</u>: this does not tend to be a significant factor in projecting savings flows in SCGs as most groups tightly restrict withdrawals of member savings. The general practice is to oblige the member to borrow the required amount instead. Two exceptions to this trend are the occasion of members leaving the group, and SCGs in which members are encouraged to contribute discretionary savings (i.e. above and beyond their compulsory amount). Many SCGs have policies that allow withdrawals under these circumstances.

2.2 Forecasting Credit Outflows:

The forecasting of credit outflows is a combination of two activities: the generation of loan applications and the calculation of effective demand from those requests.

i) <u>forecasting loan requests</u>: as noted earlier, there are different methods of projecting the volume and nature of loan requests forthcoming from a network of SCGs. The direct method is to oblige SCGs and their members to plan their credit requirements in advance and submit a statement of planned credit requirements at the beginning of the year or season. The indirect method is to apply aggregate level trends or ratios to the calculation (for e.g. average loan requested per borrowing member x borrowing members as a % of total members).

19

ii) estimating effective loan demand: "effective" loan demand is that portion of loan applications received that constitute eligible loans under the terms of the SCO's lending policy. In some situations, the differences between the two amounts are not great. Members know their individual credit limits, SCGs responsibly apply the appropriate ratios when preparing their loan requests (i.e. maximum loan size and term, no. of borrowers per group, etc.), and field staff guide borrowers in preparing loan proposals that meet with the actual requirements of the loan purpose.

In other circumstances, however, group members view loan applications as a sort of open-ended "wish list" that are not realistic requests but the basis for future negotiations. Clearly, in this latter case, considerable culling of the applications is required and this further complicates the projection process.

2.3 Loan Repayments:

The two key variables involved in projecting loan repayment are firstly, the terms and conditions under which the loans are granted; and secondly, the actual repayment performance.

i) Loan Size and Term: The fact that loan repayments are a major source of funds for on-lending is quickly understood by those SCGs which manage their own pool of savings. The result tends to be lending policies that favour quick turnover in the form of small and short term loans.

Similar principles operate at the level of the SCO, for the sooner loans are repaid, or the shorter the loan term, the sooner the SCO will be able to disburse more loans. Smaller and shorter term loans can also be helpful in establishing financial discipline with new borrowers.

However, SCO field staff and management should recognize that certain trade-offs must be made when considering loan term and size. By making a greater number of shorter, smaller loans the SCO increases its outreach but also increases its administrative and supervision costs.

ii) Repayment and Arrears: The quality of a loan portfolio is defined by the level and aging of arrears, that is, what portion of the principal amounts due are repaid late. Obviously, arrears will mean a slower rate of repayment and a slower rotation of the lending funds. In addition, those loans in arrears are vulnerable to not being recovered.

Given that SCOs grant loans to SCGs on the assumption that they will be repaid, the projecting of the loan repayment rate is often more of an art than a science. Although technically a loan is in arrears when it is one day past due, practice more usually defines it in terms of 30 days or more past due. Once a historical measure of arrears is calculated, then the repayment rate is simply calculated as 1 - the arrears rate. The repayment rate can then be applied to the projected repayments due, in order to yield a realistic estimate of cash to be received.

2.4 External Infusions:

Infusions are new funds that increase the amount available for on-lending. In the case of SCGs, these new funds can come from a variety of sources: a commercial bank, the SCG's sponsoring NGO, or even a federation of SCGs.

As noted earlier, from a financial planning perspective, infusions tend to be estimated as the final step in the process, i.e. to meet the remaining demand after the internally generated savings have already been applied. This is not true, however, in supply-led credit programs, where access to credit is offered to SCGs effectively independent of their internal savings capacities and record.

While a strong case can be made for accessing external funds to provide a temporary boost to SCGs and their members', a further distorting factor in this regard is often the issue of interest rates. Many SCOs provide credit to SCG members at a rate of interest lower than that charged by the group for its own funds. In this situation, there is little incentive for the SCG to build up its own internal capital and efforts to move the SCG along the path towards greater self-financing will likely be problematic.

21

3. A Participatory Approach to Planning SCG Operations

Credit Planning is the process of estimating credit requirements over a set period of time. As such, it is an activity that can be undertaken either by a borrower <u>or</u> a lender.

A **borrower** who undertakes credit planning is attempting to co-ordinate the cash flow of her project with available credit supplies. A **lender** that undertakes credit planning is attempting to co-ordinate its cash flows with the demand for credit by borrowers.

In the case of a community-based savings and credit organization, the credit planning process should attempt to co-ordinate the credit demands of its member-borrowers with the credit supplies of the SCO. The intermediary field staff play a key role in co-ordinating this effort.

In the case of the Micro-Credit Project for Women (MCPW)[1] the credit planning process is integrated into two broader objectives of the program:

> Firstly, - to strengthen the organizational capacities of the SCGs, and transform them from simple agents of credit delivery into the basic "building blocks" of a rural savings and credit co-operative; and
>
> Secondly, - to provide a more rigorous framework for the assessment of enterprise viability and identification of investment opportunities in the rural areas.

The credit planning process in MCPW is facilitated by the field staff of the local NGO. It begins with the individual woman member and builds through the local SCG to cluster level and is then consolidated at district level planning.

An observed risk in a so-called "bottom-up" approach to credit planning is the tendency of SCG members to consider their loan requests as entitlements. In an effort to minimise this distortion, the MCPW credit planning activity is integrated into a comprehensive review and planning process known as ARP (Annual Review and Planning). This exercise involves all SCGs in reviewing their progress over the past year and setting targets for the forthcoming year.

---

1. MCPW is a project of the Government of Nepal funded by the Asian Development Bank that is attempting to develop an alternative financial system for low-income women in Nepal through institutional strengthening of selected NGOs.

While the financial (savings and credit) component is central to the ARP exercise, it is not the focus. A full range of organizational development issues are addressed, such as effectiveness of meetings and leadership, involvement in community projects, training needs, etc.

The output of the credit planning process in MCPW (see Appendix 1) provides the lenders (in this case, commercial banks participating in the project) with a reasonable forecast of the volume and timing of credit demand. At the same time, it obliges the SCGs and their members to reflect and plan their financial needs realistically.

Furthermore, this procedure provides much-needed information to the sponsoring NGOs regarding training needs (for example, in terms of production skills) and other credit related issues that will need to be addressed in the upcoming year regarding proposed investments and enterprises (for example, questions of market, pricing, and viability).

23

Format #1: Simple Inter-lending Model

1. SCG NAME: ____________________ VILLAGE: ____________________

2. NO. OF MEMBERS: Current: ______ Projected:______ (year end)

3. MO. SAVINGS RATE: Current: ______ Projected:______ (year end)

4. ACCUMULATED SAVINGS (CURRENT):

Total Individual Savings: Rs. ________

Plus Group/Special Savings: Rs. ________

Equals Total Savings: Rs. ________

Less Loans Outstanding: Rs. ________

Equals Net Savings Available: Rs. ________

ANNUAL SAVINGS AND CREDIT PROJECTIONS

	1st Qrtr	2nd Qrtr	3rd Qrtr	4th Qrtr
Opening Balance (Savings Available)				
Quarterly Savings: No. of Members X Mo. Savings Rate X 3 months				
Total Regular Savings				
Plus Other Savings				
Less Savings Withdrawals				
Total Savings Available				
Less Loans Disbursed				
Net Savings on Hand				

Format #2: Revolving Interlending Model

ANNUAL SAVINGS AND CREDIT PROJECTIONS

	1st Qrtr	2nd Qrtr	3rd Qrtr	4th Qrtr
Opening Balance (Savings Available)				
Quarterly Savings: No. of Members X Mo. Savings Rate X 3 months				
Total Regular Savings				
Plus Other Savings				
Less Savings Withdrawals				
Plus Loan Repayments Rec'd				
Total Savings Available				
Less Loans Disbursed				
Net Savings on Hand				

Format #3: External Funding Model

ANNUAL SAVINGS AND CREDIT PROJECTIONS

	1st Qrtr	2nd Qrtr	3rd Qrtr	4th Qrtr
Opening Balance (Savings Available)				
Quarterly Savings: No. of Members X Mo. Savings Rate X 3 months				
Total Regular Savings				
Plus Other Savings				
Less Savings Withdrawals				
Plus Loan Repayments Rec'd				
Total Savings Available				
Loan Demand				
Excess Loan Demand over Net Savings				
External Infusion				
Net Cash on Hand				

Annex - 1

Yearly Credit Plan of SHG Members for Year.........

S.N	Name of the Member	Enterprise Information		Amount Required Rs.		Training Required		Month for providing	
		Type	Detail/ Remarks	From savings	From Bank	Basic	Skill (Specify)	Bank Credit	Training

Name of the SHG ....

Plan prepared by (Name) ....

Date: ....

Submitted to Field Staff on (Date) ....