

KRABAN SUPPORT FOUNDATION

COMMUNITY ANIMATION MANUAL

TEACH-LENDING STRATEGY

The Model

✚ The model is known as the *TEACH* lending strategy

✚ **KRABAN SUPPORT FOUNDATION** is the Microfinance Institution which has developed the *TEACH* lending strategy

Collaborators

Technical Service Organisations

- ❖ District Assemblies
- ❖ Rural & Community Banks
- ❖ Freedom From Hunger
- ❖ Department of Community Development
- ❖ Association of Financial NGOs (ASSFIN)
- ❖ Ghana Microfinance Institutions Network (GHAMFIN)
- ❖ Support Programme for Enterprise Empowerment & Development (SPEED) Ghana.

Financial Service Organisations

- ❖ Social Investment Fund (S.I.F)
- ❖ International Alliance for Women (T.I.AW)
- ❖ Microfinance and Small Loans Centre (MASLOC)/ASSFIN
- ❖ EB-ACCION Savings and Loans Company Limited
- ❖ Ghana Commercial Bank Ltd/ASSFIN
- ❖ Energy-in-Common (EIC)
- ❖ MiDA/ACPC
- ❖ Andelskassen J.A.K Slagelse/Nana Ekua Biri II Foundation

Our loan products are:

- **Sika Rose**
- **Agape**
- **Extra Mile**

How the TEACH lending model operates:

Community Credit Animators (CCA)

Duties

- ✚ A key personality in our microfinance service delivery is the CCA. The CCA who resides with you in your community is an appointed agent of the FNGO.
- ✚ Your main contact to the FNGO is therefore the CCA.
- ✚ Assist Loan Officer in all his duties

Loan Officers

Duties

- ✚ **Promoting products**
 - Search potential customers
 - Make contacts (Phone calls/field visits)
 - Use marketing tools
- ✚ **Application**
 - Interview
 - Fill Application Form
 - Input data
- ✚ **Analysis**
 - Review Application
 - Analyse
 - Make decision

Cash handling

- Disbursement
- Data input & documentation
- Cash count

Monitoring

- Field visit
- Supervise repayment

Credit Officers

Duties

Application

- Marketing activities (Promotion/branding & campaigns)
- Completion of Applications
- Appraisal of loans
 - Site visits
 - Agreement signing
 - Loan schedule

Disbursement/Deposit

- Payment to customer/Collection Deposit

Recovery/withdrawal

- **Customer repays/withdraws money**
- **Arrears monitoring (loans)**
 - Reminders/Telephone calls
 - Recovery visits
 - Actions

Social awareness (Mobilisation)

- Survey
- Information meetings
- Initial training

Loan Application process

- Pre-qualification
- Collection of forms
- Review of forms
- Appraisal (Social and Business)

Loan approval and disbursement

- Credit committee meeting
- Approval
- Disbursement documentation
- Disbursement

Monitoring and collection

- Business monitoring
- Loan utilization
- Follow-up
- Collection

Micro Loans/Credit Lines for Enterprise Development

- *General Merchandise loans* for majority of our clients engaged in retailing of goods and services especially buying and selling, petty-trading and operating small kiosks.
- *Marketing loans* which enable women traders to purchase agricultural produce and pay cash to farmers for their produce at the farm gate.
- *Limited production loans* for smallholder farmers to buy farming inputs, prepare their lands meet labour costs, etc.
- *Processing loans* to process farm produce (say cassava to gari) to help keep some food for long periods and also minimize post harvest losses due to spoilage etc, and also for other off farm

income generating activities such as beads production, soap making, pottery, pito brewing etc.

- *Marketing related assets loans* (storage) to enable farmers build cribs and stores to keep their harvest and their inputs such as fertilizer, or buy mobile dryers to dry their grains etc.

Who are the target clientele?

The FNGO targets the following clientele:

- The economically active micro entrepreneurs who buy food crops (such as maize, beans, yams, cassava, rice sorghum, groundnut, tomatoes and the like) from farmers at the farm-gates or village-levels to sell at various markets of communities and urban towns.
- Those engaged in processing of farm produce and other off-farm income generating activities for the purpose of:
 - Supplementing household income
 - Helping to reduce post harvest losses
 - Helping to offset lower prices offered for inferior quality or damaged products
- Those who are engaged in retail activities related to farm inputs sales at the village level

Which areas do we operate?

The FNGO operates in communities within some districts of the operational Regions. The Regions are Central, Western, Greater Accra, Eastern and Ashanti Regions. There are 3 offices including the Head Office located in Accra two branches at Somanya and Takoradi.

Why were these areas chosen?

These districts were chosen because clients in those districts have the resources and ability to retail agricultural produce and engage in other enterprise development activities and are within the bracket of poor regions indicated in the Growth and Poverty Reduction Strategy document (GPRS 2).

What the FNGO can offer to you?

The FNGO provides micro loans and enterprise development lessons to micro/small/medium enterprises:

- To enable clients purchase their production input needs.
- For other income generating activities other than farming such as processing and cottage industries.
- For construction of physical storage facilities such as cribs and depots and also for the purchase of equipment or facilities that facilitate the marketing of farm produce such as donkey carts dryers.
- To enable those who buy and sell foodstuffs produced by the farmers and other products such as palm oil, gari etc. produced processors carry out their activities.
- In order that farming inputs can be timely and adequately supplied at the village levels for farmers, the project also assists traders in farming inputs such as sellers of fertilizer, improved seeds and agrochemicals.

At what interest rate are the FNGOs interest rate offered?

The loans are given at the FNGO's market or going interest rates. The market rates are lower than those of private money lenders. Private money lender's rate can reach about 100% or more per year. The project wants to make it simple for you to obtain credit or loans

from the bank at good rates and also to help you manage such loans well.

What is expected of someone who wants to benefit?

You cannot benefit as a single person from our services. You have to be in a Group whose members have a common aim and engage in the same activity or have common interest. You can only belong to one group.

The people in the group must be of the same social standing i.e. all must feel like equal partners and must be resident in the same community.

Why a group?

Group work has been found to be very important for the organization's micro lending programs to succeed because:

- It is easier for the FNGO to lend you money when you are within a group.

- Any money lender (including the banks) will ask for security before giving you money. The organisation wants to lend you money in a simple way that is why you have to be in groups. When you collect money as a group, it is more difficult for one or two people to waste it or use it for a different purpose if members will check on one another to ensure that monies collected are used for the purpose for which the loans were granted.

Remember that the FNGO is not asking you for security. Every group member serves as group guarantor for the others even though money will be given to you as individually.

What do you call a group?

Here are some guidelines for you.

Under the project, there are four main types of groups. The type of women you do will determine which group you will belong to.

The four groups are:

- PRODUCTION GROUPS
- MARKETING/COMMERCE GROUPS
- PROCESSING GROUPS
- STORAGE / INVENTORY GROUPS

WHAT GROUP CAN YOU BELONG TO?

You can belong to any one of the following four (4) groups depending on the type of activity you are engaged in.

Production Group

If you are a farmer who produces food crops you will belong to a production group. Tree crops (for example cocoa) and livestock (for example cattle) production are not included.

FOODCROPS

Maize, Beans, Rice
Cassava, Sorghum,
Groundnuts, Yams,
Cocoyams, Onions,

Tomatoes, Okro,
Shallots, Pepper,
Garden eggs and the
like.

You should be cultivating not more than 4 acres.

Marketing Group

If you produce and sell or buy any of the food crops listed under the Production activity and sell that same food crop. You qualify to be in a **marketing group**.

Processing Group

If you process farm produce into another form, like cassava a into Gari, you will be in a **Processing group**. The following are all Under processing:

Cassava Processing
Palm oil (Edible oil)
Extraction Shea Butter
Extraction
Pito Brewing
Palm Kernel Oil Extraction
Groundnut Oil Extraction
Pepper Milling
Fish Drying and Smoking
Rice Hulling
Fruit juicing
Straw Weaving into Baskets
Local Pottery Manufacture

Woodlot Cultivation, etc

Storage group.

If you belong to a group which has built a facility to store farm Produce like maize, rice, groundnut, beans etc and hence engage in Stock holding of produce for deferred sales you will belong to

A group which will only like to store their produce and defer sale for consumption loan only during storage shall be referred to as **Inventory group**



WHAT SHOULD BE THE NATURE OF THE GROUP?

The nature of the group is designed to provide an element of security to the FNGO as well as the group members. This is in the form of joint liability for each others debt. So if you join a group with your neighbour, you are **responsible** for his/her debt and he/she is also **responsible** for your debt. Therefore if a group gets credit from the FNGO, unless every one pays, the FNGO will hold all the members of the group **liable**.

The group can be made up of between 25 – 30 persons and members can be either males or females. The people in the group must be of

the same social standing that is they must all feel like equals and its members must be engaged in the same activity.

People should come together to form groups on the basis of mutual trust and friendship.

When you come together to form a group, you should elect your own group leaders:

President
Vice-President
Secretary
Treasurer
Porter



REMEMBER!

You can belong to only ONE group. Members of the group

Who cannot join the group

- Each group should contain no more than one member from the same household (i.e. the nucleus family of father, mother and children).

- The husband cannot be in the same group with the wife.
- Children who are dependents on their parents cannot be in the same group with them.
- Salaried workers cannot join your group.
- Chiefs cannot join your group.
- Local Office holders cannot join your group.
- Anyone known to have an existing credit arrangement elsewhere have defaulted in previous loans from the bank or other or cannot join your group.
- Anyone under age i.e. below 18 years cannot join a group.

Who will work with you?

Once you have formed yourselves into groups the CCA with other staff will work with you as a group and support your efforts

Community Credit Animator (CCA)

The CCA will help you from your group and train you.



Other Partners

Other Partners including Social Investment Fund, MASLOC, International Alliance for Women, EB-ACCION, KIVA Microfunds, Freedom from Hunger and others will help train the groups.

They will also introduce you to:

- Improve technology
- Simple book keeping and,
- Facilitate the you the clients to know how to sustain your activities through proper management.



Other Partners

Other partners including extension agents will train groups in enterprise development and better farming technology and practices e.g.

- use of improved seeds
- application of fertilizer and agrochemicals
- planting in rows and spacing
- post harvest treatment of farm produce



Family Life Education

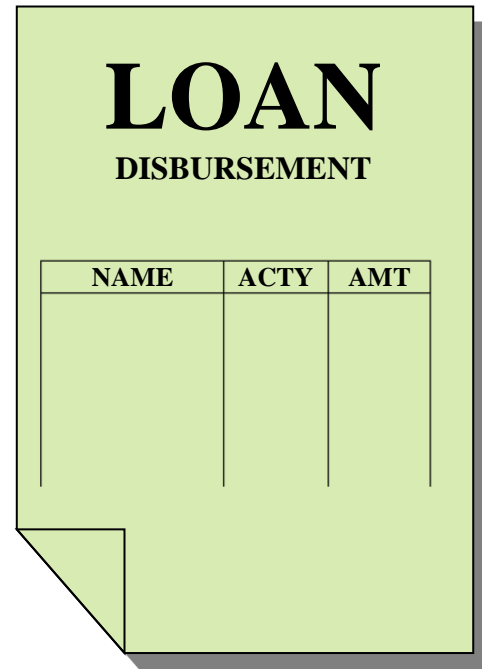
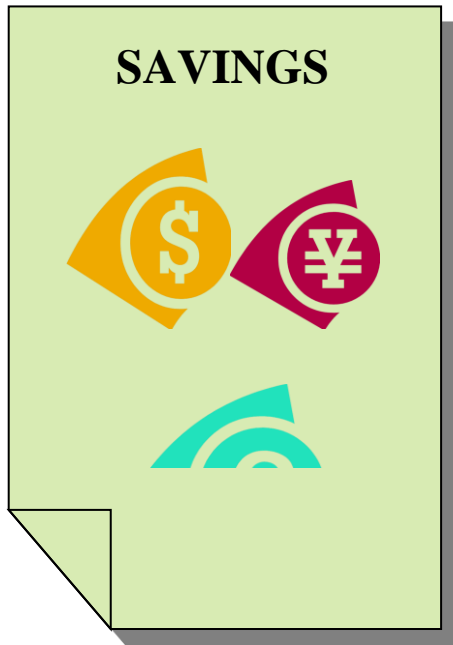
The Project will invite other organizations like the Ministry of Health (MOH) and Department of Community Development (DCD) to facilitate you about how to improve the conditions of your family.



- post harvest treatment of farm produce

FNGO Staff

Staff from the FNGO will train you in credit management.

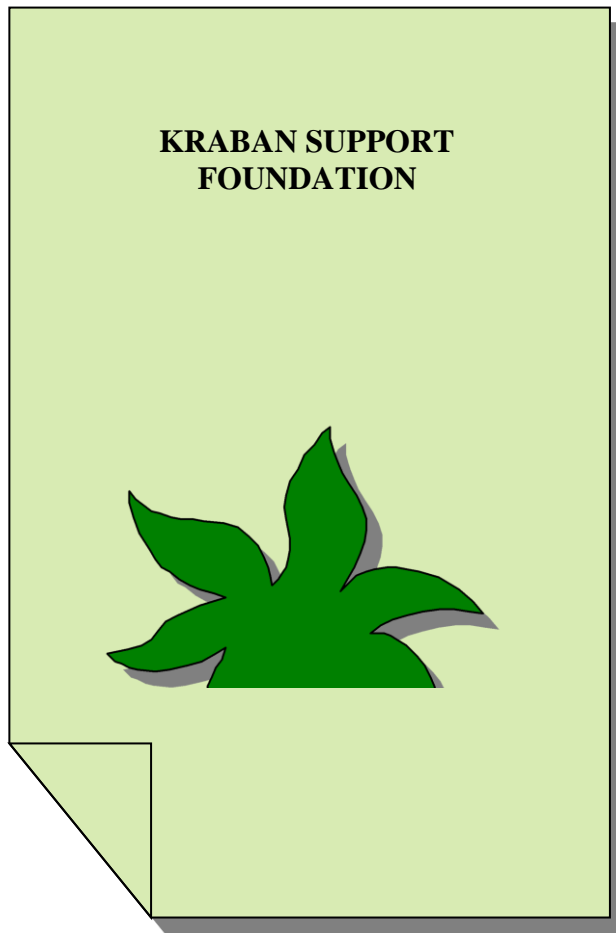


These personnel will visit you at various times during your weekly meetings. You must therefore make time for them and accept them as your friends. Their visits are important because it their duty to help you manage the loan microloan/credit which the FNGO provides you. Now you need to know something about the FNGO.

What is the FNGO?

The FNGO is Kraban Support Foundation represented by the CCA in your community. S/he animates the groups and assists the FNGO to provide microfinance services. The FNGO provide small loans for

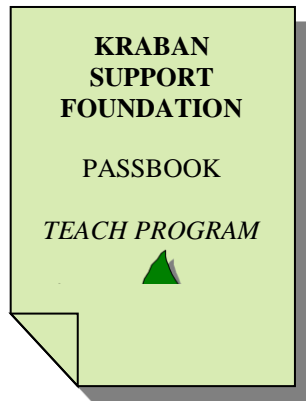
micro entrepreneurs and also collect savings in the form of *Susu*. Clients can collect their savings whenever in need of it later.



How to become a client of the FNGO?

In order for you to become a client of our FNGO, you have to possess a passbook of Kraban Support Foundation which bears the client's name. To benefit from our services, the client/passbook holder must be a **credit and savings member**.

This little book is called a **'Passbook'**



Every client must possess a passbook with the *TEACH* emblem embossed. All clients must thoroughly learn the rules and regulations below through a reinforced recital procedure. This will be facilitated by the Loan Officer.

The rules to be learnt are indicated below:

Rules and Regulations

All clients learn the following 12 rules verbally:

1. Borrowers must be women at least 18 years old who have grouped in a borrower group of four to seven like-minded women to personally guarantee each other's loan from the CSCS.
2. All members must pay a membership fee (to be determined by the CSCS)
3. Each borrower groups must designate its leader who is automatically an officer of the CSCS. From among the officers the whole CSCS membership must elect a chairwoman, a Treasurer who can count accurately and properly safeguard the

money of the CSCS and a Secretary book-keeper who can read, write and do basic arithmetic with ease. If none of the officers have these skills another CSCS member may be hired. The Chairwoman assisted by other member will preside at each CSCS meeting.

4. The CSCS must meet weekly.
5. The CSCS must collect savings from each member each week, the minimum amount to be determined by the FNGO.
6. CSCS members' individual loan request must first be approved by the members of the same borrower group and then presented to the whole CSCS membership for review and approval.
7. The CSCS may authorize loans not exceeding the maximum recommended by the FNGO.
8. The CSCS must charge interest on its loans to members in addition to the FNGO interest. All loans must be repaid to the CSCS within the period agreed with the FNGO.
9. Part of each member's loan principal and interest must be repaid at each weekly meeting.
10. All disbursements and collection of money must be made in full view of all CSCS members at the weekly meeting with public declaration to the full membership of the payment.
11. Each CSCS is expected to apply appropriate sanctions to borrowers groups whose members fail to abide by the rules of the CSCS

12. CSCS members must agree to practice and motivate others to practice the Education practices decided upon by the members.

Individual loan process

1. Market Research

- Design questionnaire
- Distribution of questionnaire
- Collection of questionnaire
- Data Analysis
- Product design

2. Marketing

- Promotion
- Product briefing
- Flyer distribution

3. Loan Process

- Receive loan Application
- Loan analysis on the field
- Credit checking
- Documentation for committee (CoTC)
- Decision/Approval
- Call to clients – Loan Term conditions
- Loan documentation
- Disbursement
- Monitoring

Loan Application Procedure (Summary)

1. **Client selection procedure.** Mapping of communities and selecting potential communities through community visits and investigations to identify viable and economically active

communities with markets for buying and selling. Community members are then sensitised on program concept for interested micro-entrepreneurs to form vibrant but strong and long lasting groups which are animated to access credit from the organisation. Individual members within the groups are screened to ensure their acceptance of program rules based on the solidarity concept of joint and several liability principles.

- 2. Loan approval process.** The potential members of the strong, viable and long-lasting groups known as cooperative savings and credit societies (CSCS) are taken through a pre-disbursement training before accessing initial loans.

The training program imbues in members the fundamental rules and regulations guiding accessing loans as laid down procedures indicated in the passbooks of individual members. They are then prepared for either thumb-printing or signing loan agreement forms by each clientele.

The leaders of the groups are prepared to apply for the loans officially in writing using the organisation's loan application guidelines

- 3. Granting of loans.** The credit officers present all loan applications to the credit committee for final approval and endorsement before monies are released to the loan officers for onward disbursement to the approved groups for disbursement.

Before members receive the approved loans, they sign or thumbprint individually the loan agreement forms to indicate that they jointly and severally accept to repay the loans at the due date, usually 24 weeks with 4 weeks moratorium.

4. **Tracking of repayment.** After disbursement of loans, loan officers attend weekly meetings with the groups. At the meetings they collect part of the loan principal and interest due weekly. Each CSCS have one common book where each member's savings, repayments and other charges are recorded.
5. The attendances of members at these meetings are also noted. This ensures that loan officers are able to track delinquent loans to analyse the aging effect. Those found to be defaulting are followed up to their individual businesses or homes if they are seen not to be attending meetings regularly.

The loan officers' role is to participate in the weekly meetings and facilitate other lessons on good cooperative management, records keeping, business development, health and nutrition and other business advisory services.

