

# Credit Union Microfinance Innovations Methodology (CUMI)

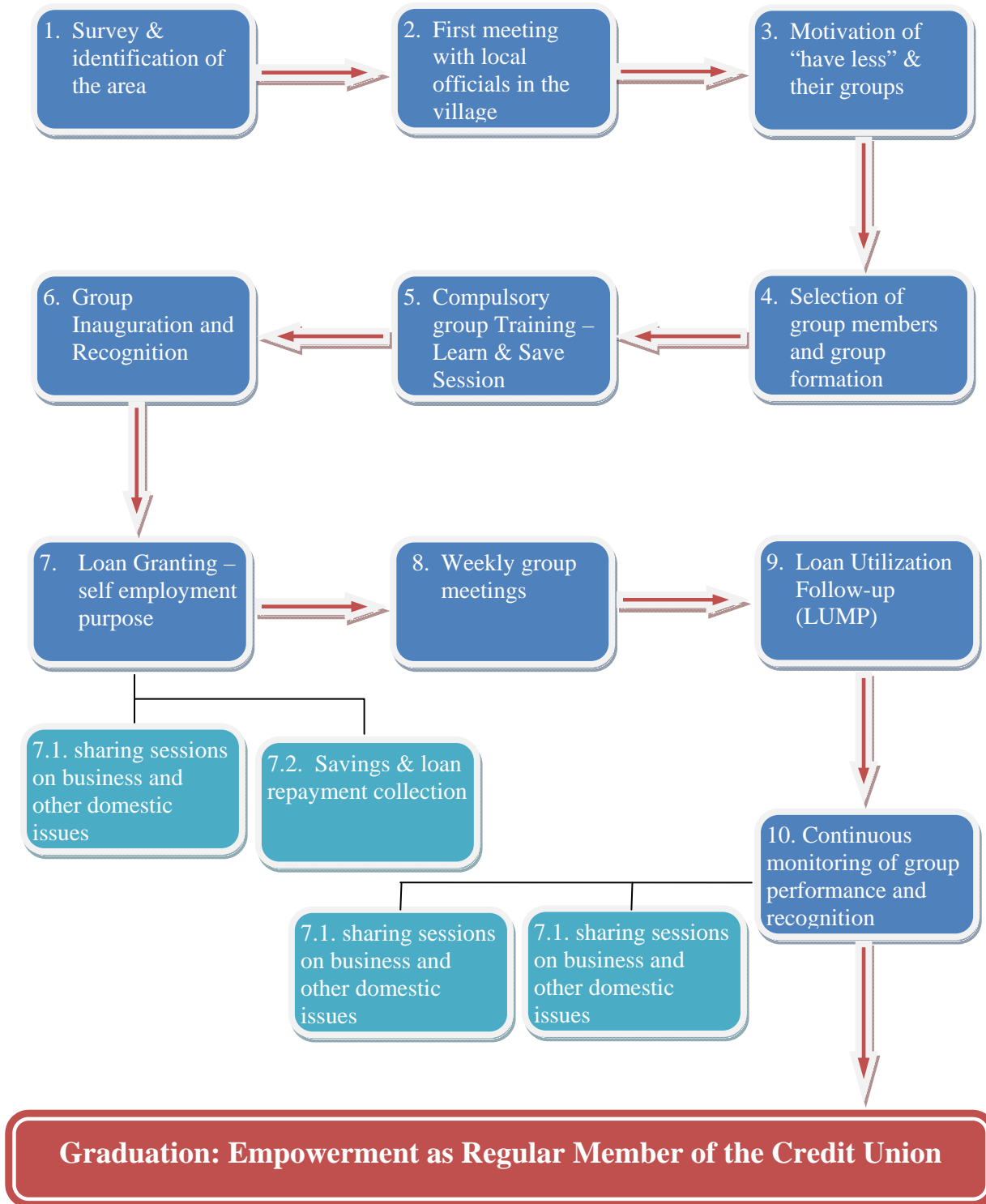
Credit Union Business Solution No. 7

10/4/2009



**ASSOCIATION  
OF ASIAN CONFEDATION OF CREDIT UNIONS**

# Credit Union Microfinance Innovations Methodology



## **METHODOLOGY**

### **CREDIT UNION MICROFINANCE INNOVATION (CUMI)**

#### **1. Area Survey**

The purpose of this activity is to identify the potential area where self-help groups could be introduced. The Field staff of the credit union carries out the area survey. The criteria of the selection of potential areas are as follows:

- Communities within the area of operation of the partner credit union
- The density of poor households is at least minimum of 30% of the total area population or enough to recruit at least 30 'have less' members.
- No other type of credit programs or grants for the poor is being implemented or has been implemented in the area such as that of NGOs or government institutions
- There are potential numbers of individuals who are economically active i.e. have small businesses or capable of carrying out economic activities

*Tools: Guideline for Area Survey*

*Source: Village Administration Office, Municipal Office*

#### **2. Meeting with the Local Village Officials**

This activity could be carried out simultaneously with number one. The Field Staff, representing the credit union explains the objective of the CUMI Program to the head of the village. Emphasis should be given on the benefits of the program to the community. Organizing self-help groups undoubtedly would have impact on improving the economic condition of the poor families, build strong unity and adherence to human and cooperative values. The meeting with the village head should have the following outcomes:

- The Village officials acknowledge and endorse the value of the CUMI program of the credit union
- Based on the information gathered at the survey, the Field Staff and the Village Chief decide on the area where CUMI will be promoted.
- Commitment of the village head to facilitate the potential group members on the first meeting of minimum of 30. The date of the first meeting of the SHG is also set in this meeting.

#### **3. Motivation of the "have less" and groups**

In the form of informal meeting, the Field Officer explains the objectives of CUMI and the benefits to their families. Further, the process of the group formation and management will be explained. The discussions should be motivational and participatory. The meeting is expected to achieve the following outputs:

- Created awareness on the value of the credit union intervention in the community
- Agreed to form SHGs composed of 5 to 8 members

*Tools: Design for the Motivational Meeting (half day), Promotional Materials*

#### **4. Selection of Group Members and Group Formation**

This is carried out simultaneously with number 3. After agreeing to form SHGs, the process of forming the groups should be introduced. The group formation should be based on homogeneity and on the following criteria:

- Residence are close with each other or in the same place of economic activities like market vendors, hawkers, sewers and others
- Only one member from a family is allowed
- No relatives should be in the same group such as daughter, mother-in-law, mother
- Should have same economic situation with family income of less than Pesos/Rs/Tk/Rp/Dong \_\_\_\_\_ per month or based on the poverty line per country
- Economically active or at least has a source of income
- Willing to learn by attending the education programs provided by CUMI

The following should be achieved in this activity:

- Formed the at least 10-12 Self-Help Groups with individual members totaling to minimum of 100

***Tools: The Policy on Microfinance***

**5. Compulsory Group Training and Learn and Save Sessions (LSS)**

The Field Officer trains the members of the SHGs. The training will be delivered to at least 4 self-help groups per time or at least 20 members. The SHGs should attend 5 compulsory group training on the following Modules:

- The Function and Roles of the SHGs and Members Responsibilities. In this training the group will chose their Leader which will be rotated every 6 months.
- Savings for Development – family budgeting – Building family’s financial dream
- Cooperative Values and Principles and Credit Union Services
- Human Values – honesty, integrity, discipline, perseverance, dignity, concern for others, justice
- Small Business Development and the Credit Union Loan products

The five module training should be carried out within one month for at least 2 to 3 hours only per day. The format of the training should be participatory all the time.

**Trainer:** The Field Staff should be well rounded in conducting training programs, if not; appropriate training should be acquired from the federation. Potential trainers from among the SHGs should be identified and developed for replication in other areas.

**Savings:** The savings collection should start from the 2<sup>nd</sup> training module. The amount of Savings should be minimum of Pesos/Rs/\_\_\_\_\_ per day/week collected by the group leader and remitted weekly to the credit union. The group should agree on the minimum amount of savings which will be stipulated in the Association's/SHG's regulation. The Field Staff should be able to suggest the appropriate amount of minimum savings affordable to the members of the group. However, the savings should be made regularly either daily or weekly depending on the situation. Daily is the advisable frequency of savings.

Examination will be given in both oral and written to the association in order for the group to be inaugurated. The SHGs should garner at least average of 85% score with no individual grades lower than 75%. Failure to achieve the required grade would mean refresher course for the whole group.

***Optional: Formation of Association of Self-Help Groups:***

This implementation guideline has no restriction should the credit union form Association of Self-Help Groups. In case the big group would be formalized, rules and regulation in the operation of the Association of Self-Help Groups should be adopted.

**Thus,** management committee of the association in this respect is required:

- President - Takes charge of the activities of the association and calls the meeting
- Treasurer – safeguards the association's money
- Secretary – records and reports activities, assists in distribution, recording and collection of payments
- Education Animator – reports and motivates the use of best practices
- Auditor – double checks the finances of the association

***Tools: Training Design, Training Materials such as Flip Chart, Drawings, Gift Items as incentives and Savings Passbook, Cash Book***

## **6. Group Inauguration and Recognition**

Inauguration of the group should be made simultaneously with the release of the first loan. The inauguration of the SHGs/Association is a credit union activity attended by the credit union Manager and Officers and the Village head.

The inauguration should develop commitment of being responsible credit union member and build self-confidence as part owner of the credit union. This activity is expected to have the following intangible results:

- Strong bonding among the group members
- Build self-confidence
- Commitment to achieve individual's financial goals

## **7. Loan Granting**

Identification of the investments should be made collectively by the group to ensure complementation rather than competition. In the first cycle, loan should be granted to only one

member of the group. The selection of the member is decided by the SHG/Association. With recommendation of SHG/Association, the credit union will review the viability of the business proposal. Upon repayment of the first installment of the first borrower, the second group member will be illegible to apply for loan.

The loan granting is rotated based on the performance of the member such as on on-time loan repayment, regularity of savings and attendance in group meetings. In case one borrower failed to repay the loan on time, it means granting to next members will be delayed for another week.

The graduation for the second loan cycle could be increased based on requirement; however increase is ranging from 25% to 40% of the previous loan.

After 4 or 5 loan cycles, members of the SHG can graduate as ordinary members. The members can continue savings and SHG activities if they wished to do so.

## **8. Weekly Group Meetings**

SHGs shall conduct weekly meetings for one or two hours. The meeting is organized for the following purposes:

- Collection of Savings and loan repayment
- Writing of Loan Application
- Loan evaluation
- Financial Reporting
- Skills Training program coordinated with government agencies or NGOs such as livelihood, health, environment and other relevant community issues
- Sharing sessions
- Activities initiated by the group such launching programs on Clean & Green, Waste Management etc.

### **8.1. Sharing sessions on Business and others**

The weekly meeting is also the venue for other activities of the group like sharing session on problems encountered on business and other issues related to the group members.

The weekly meeting will be moderated by one of the SHG leaders. In each meeting, the big group would appoint the moderator for the next meeting, which should be rotated among the group leaders.

Further, this could be the venue of other training programs coordinated with government agencies: like livelihood, health care and others but not credit or grant programs. The credit union would facilitate and coordinate such skills training with other agencies.

### **8.2. Savings and Loan Repayment Collection**

During the meeting, the leader of each SHG remits the daily collection for the week. The collector of the cooperative should be present at the meeting to receive the loan repayment and savings deposit of the SHGs/Association.

## **9. Loan Utilization Follow-up (LUMP)**

This activity is done one week after the loan release to ensure that the loan is used for the intended purpose. The President of the SHG has the responsibility to check the loan utilization of the member in coordination with the Field Staff. In case the loan is still not utilized, the member will be asked to refund the loan. The credit union can release the loan once the member is ready to start the business. If the loan is utilized for other purpose, the group would be asked to refund the loan on behalf of the member.

## **10. Continuous Monitoring**

### **10.1. Record Management**

The group should maintain the following records:

- Logbook for Attendance and Meeting Notes
- Cash Book
- Pass Books
- Official Receipts
- Disbursement Vouchers

### **10.2 Awards and Incentives**

The group should recognize good performance of its members:

- Highest savings
- No savings withdrawal record
- On time loan repayment
- Early bird in the meeting

Likewise the credit union should also recognize the good performance of the SHG such as:

- Highest depositor for a period of 6 months
- On time loan repayment

The credit union may add other incentive schemes other than stated above. As deem appropriate and applicable, the credit unions are encouraged to be creative and innovative to motivate the groups for excellent performance.

### **Implementation Tools Required:**

1. Area Survey Guideline
2. Training Design for Motivational Training – Half Day
3. Policy on Microfinance – Primary Level as approved by the federation
4. Training Design for the 5 Compulsory Training for Self-Help Groups (2-3 hours training)
5. Member Passbook

6. Cash Book
7. Loan Application
8. Cash Receipt
9. Disbursement Vouchers
10. Logbook for Attendance and Meeting Notes

*\*Review is necessary before implementation*

*Note:*

- *The training materials are in the Training Manual developed by ACCU for CUMI*
- *Items no. 5-9 are available forms of the credit union.*



# Credit Union Microfinance Innovation

## GUIDELINE FOR AREA SURVEY

1. Name of the Area (Village): \_\_\_\_\_
2. Name of Village Head: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 \_\_\_\_\_  
 Contact Phone Nos.: \_\_\_\_\_
3. Distance of Village from the Credit Union's Office: \_\_\_\_\_
4. Number of families in the village: \_\_\_\_\_
5. Approximate number of Poor Families (Pesos/Rs/Rp/Dong \_\_\_\_\_ & below income per month): \_\_\_\_\_
6. Identify 5 areas (streets or zone) where most of the poor are living:

Name of Area (Street or zone)	Approximate number of families	Describe the condition of residence (Whether house is rented, squatters, what is the water system etc.)

7. Is there a Special Credit Program being implemented for the potential clients? \_\_\_\_ yes  
 \_\_\_\_ no, if yes, what organization/s and \_\_\_\_\_ describe the scheme \_\_\_\_\_  
 \_\_\_\_\_
8. Recommendation: \_\_\_\_\_

a. Select the area where the program could be implemented:

Name of Area (Street or zone	Target Number of Membership to be mobilized

b. Others

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Prepared by:

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Note: The Schedule of the meetings should prepared after accomplishing this survey

**Credit Union Microfinance Innovations**

## POTENTIAL MEMBER INFORMATION

### Personal Information

1. Name of the Potential Member: \_\_\_\_\_
2. Date of Birth: \_\_\_\_\_ Female : \_\_\_\_\_ Male : \_\_\_\_\_
3. No of Family members Total \_\_\_\_\_ Adult \_\_\_\_\_ Children \_\_\_\_\_
4. Permanent address: \_\_\_\_\_
5. Number of years residency in the village < 1 Year  1-3 Years  3-5 Years
6. Occupation \_\_\_\_\_ Family Income per month \_\_\_\_\_ Per Year \_\_\_\_\_

### 7. Home Particulars

Home Ownership	Own	Rent	Lease	Unauthorized
Roof Material				
Wall Height				
Wall Materials				
Floor				
Estimated House hold value				
Toilet				

### 8. Living status

Expenses	Per month	Per year		
House rent				
Food				
Children Education				
Social activities				
Health				
Clothing				
Others				
Total				

9. Existing Loan: Yes /No If yes, How much? \_\_\_\_\_
10. Loan from: Organization: \_\_\_\_\_ Moneylender: \_\_\_\_\_  
 Relatives and Friends: \_\_\_\_\_ Others: \_\_\_\_\_

Prepared by: \_\_\_\_\_ Date \_\_\_\_\_

**Credit Union Microfinance Innovations**

**Credit Union** \_\_\_\_\_

**PROCEEDINGS OF THE SELF-HELP GROUP**

Name of SHG: \_\_\_\_\_

Address: \_\_\_\_\_

Members:


Meeting Schedule: When \_\_\_\_\_

What time? \_\_\_\_\_ Venue: \_\_\_\_\_

**Responsibility of Members:**

Attendance at Meeting:

1. Completion of the Learn and Save Sessions
2. Attend the regular weekly meetings on the agreed day, time and venue.
3. Sickness and death in the family are the only reasons that will be considered for excused absence.
4. A fine of Pesos/Rs./Rp/Dong \_\_\_\_\_ will be charged for late attendance at the meeting.
5. \_\_\_\_\_ (how many i.e. Three etc.) unexcused absence would be a ground for the termination of a member after which loan has been fully settled.

Savings and Loans:

1. Regular minimum savings of Pesos/Rs./Rp/Dong \_\_\_\_\_ per day/week
2. Regular and complete payment of loan as stated in the loan contract
3. \_\_\_\_\_ (how many) late payment of loan and savings would be a ground for denial of the next loan cycle or termination after which loan has been fully paid. *(The group with the advice of the Credit Union has the right to act in this circumstance.)*
4. Loan grating would be based on previous group members repayment
5. Utilize the loan proceeds to the purpose applied for. Failure to do such shall mean immediate refund of the loan.

**Training Programs and Credit Union Activities:**

1. Active participation on the training programs

2. Active participation in other activities being introduced by the credit union

**Group Fund Welfare:**

1. Group will maintain Group Fund collected daily/weekly.
2. Group will decide time to time how to use the Group Fund.

Others: (as may deem necessary by the group)

\_\_\_\_\_

Rotation of Group Leaders: every cycle month:\_\_\_\_\_ every two months:\_\_\_\_\_

Responsibilities of the Group Leader:

1. To preside at the weekly meeting and call a meeting if necessary
2. To collect the savings and loan repayment of the members and remit it on the same day to the credit union.
3. To ensure that all the members are fulfilling its obligations and duties
4. To coordinate with the credit union regarding the activities and problems encountered in the group.
5. To facilitate loan evaluation process
6. Other duties that is necessary to strengthen the solidarity of the group

**Signed by the Group Members on this \_\_\_\_\_ day of \_\_\_\_\_, 2002**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

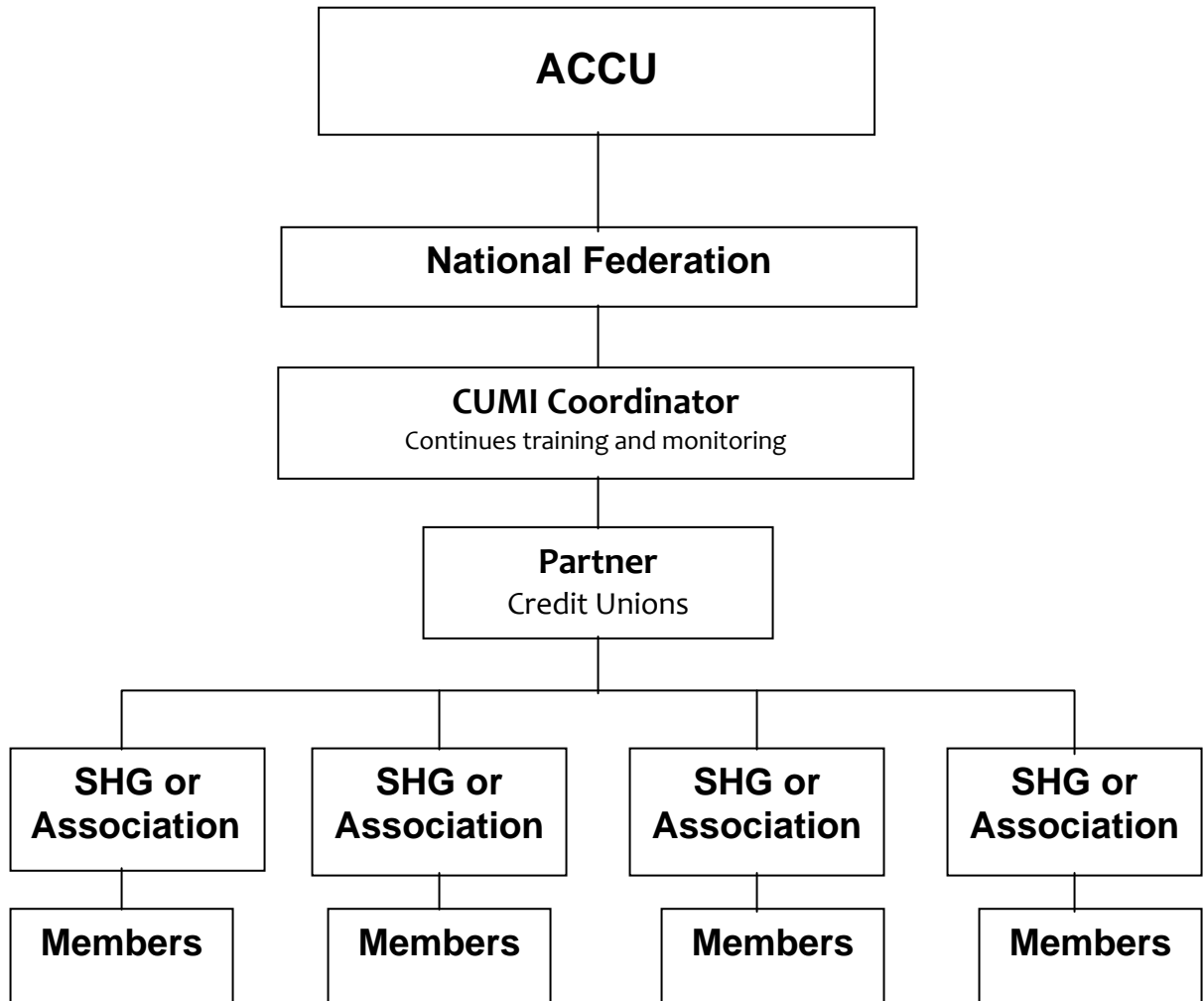
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**Witness:**

\_\_\_\_\_  
Manager of Credit Union

\_\_\_\_\_  
Field Staff

PROGRAM STRUCTURE – CUMI CAMPAIGN 2012



SELF-HELP GROUP LEVEL

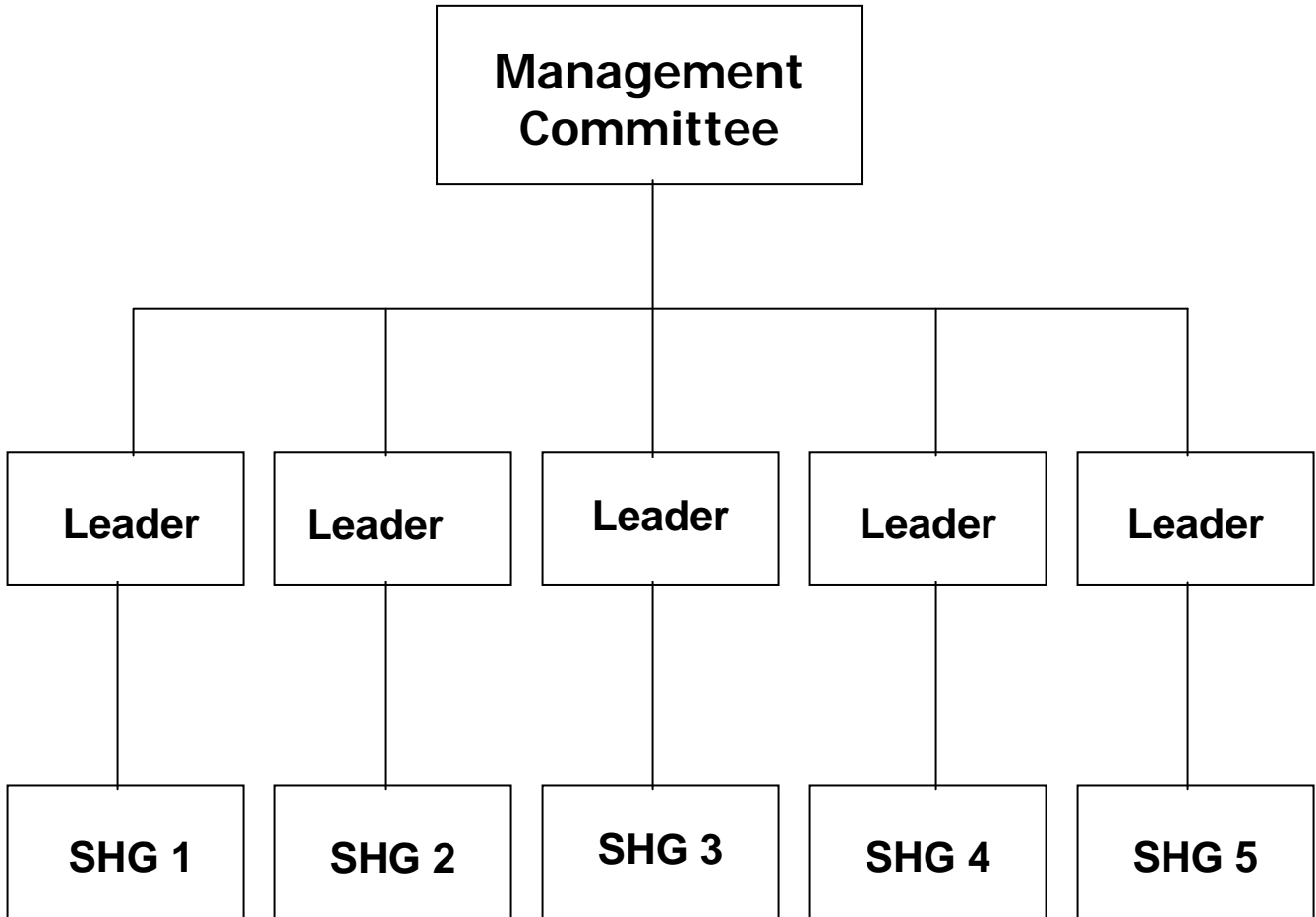
**Group  
Leader**



**5 to 8 Members**

*Optional .....*

**ASSOCIATION OF SELF-HELP GROUP LEVEL**





CREDIT UNION LEVEL

