



Savings Club Practice Guide

Solomon Islands



“No matter how much foreign capital comes into a country, the people will never have the economic freedom they want, until they are capable of managing their own affairs, making their own decisions and taking responsibility for them.”

► Sir Bishop Dudley Tuti

Final Edition
May 9, 2014

Table of Contents

Preface	1
Introduction	2
The Savings Club	3
Structure	3
Products	5
Information System	7
Savings Procedures and Practices	9
Savings Plans	9
Current Savings	17
Balancing: Savings Only	20
Cash Management	24
Lending Procedures and Practices	24
The Lending Decision	24
Operating a Loan Fund	27
Balancing: Savings and Loans	32
Annual Election Meeting (AEM)	34
Annual Election of Officers	34
Distribution of Dividends	35
Action Audits	36
Appendices	41
1. The Balancing Process: Step by Step	41
2. Club Constitution	48
3. Club Forms and Registers	52

Preface

The following is an operating manual for a permanent Savings Club. The manual has been designed for the remote and distinctive village environments in the Solomon Islands. Practitioners may use this manual as a complete guide to operations, without revisions.

This manual is organized so that users can also pick and choose from various components, and integrate them into the many other Savings Club models to be found in the Solomons. The operational system has been designed and is presented in a modular fashion that permits experienced practitioners to adopt specific elements – such as the balancing box, the purpose-based savings account, the current account or the action audit system – without adopting other elements they do not wish to use.

Similarly, while this manual is designed to address the demand for permanent Savings Clubs, practitioners of temporary Savings Clubs can also use it. In fact, the system presented here is fully compatible with use by a temporary Club. Temporary Clubs are particularly encouraged to consider the adoption of the purpose-based and current savings accounts, which can strengthen member confidence, increase the practical usefulness of the Club to its members, and refocus members on the core savings goal of the Club. For practitioners who are concerned that a permanent Savings Club may not work in their project area, they may mix the two systems by following this manual but scheduling action audits in the first few years, until member capabilities and confidence are strong enough to support a permanent Club.

The author would like to thank Osbert Lalahu, Dr. Alice Aruhe'eta Pollard, Osbert Lalahu, Doris Puiahi and the many other hard-working and often remarkable leaders who have clearly shown, in their Savings Clubs and in their practices, their very strong determination to bring financial inclusion to villages across the country. The ideas and practices that they have developed, often in extremely challenging conditions, are an inspiration, and I was privileged to observe many of them, during field work at the end of last year. During a remarkable workshop in February, a group of 40 savings clubs leaders from around the country convened at the Central Bank of Solomon Islands and provided feedback on the initial version of the Manual. The guidance here has drawn on the deep experience and insights of these individuals, and I have tried to consolidate it and supplement it where possible.

This manual is dedicated to them, and to the future they are striving to achieve. The methods and practices presented here also draw heavily on the experience of several excellent global practitioners, particularly Hugh Allen, Stuart Rutherford and Graham Wright; to whom I will be forever indebted.

Finally, a very big 'thank you' to Caroline Kanoko and her team at the Central Bank of the Solomon Islands. Their professionalism offers much hope for the future of Savings Clubs in the Solomon Islands.

Errors and omissions are my responsibility alone.

Brett Hudson Matthews
Savings Club Advisor
Pacific Financial Inclusion Program
May 9th, 2014

Introduction

Savings Clubs in the Solomon Islands have historically tended towards dormancy. There are a number of reasons for this, including the limited economic activity in rural areas, and a concern among promoters that once money has been deposited, it not be removed. The former issue has limited the funds villagers have available to deposit, while the latter issue has limited their trust that they can get access to it when they need, or even get it back at all.

The traditional model also steered too closely to a credit union model designed for urban areas, and that depends for success on urban institutions and capabilities. For example, traditional Savings Clubs in the Solomon Islands have only one meeting of all their members in a year (an 'annual general meeting'). At this meeting they elect committees to manage the Club until the next AGM. These committees are expected to meet monthly. But in practice, members of the committees often feel that they have little to talk about, and most may simply leave the work of the committee to one or two individuals who seem more willing to do it. This encourages a drift towards domination of the Club by one or two individuals, a devaluing of the capabilities of other leaders, and a lack of accountability between active leaders and the membership as a whole.

The central task in building a financial services sector is building trust. Paper money is nothing more than an unsecured promise with no tangible value. This is not simply a matter of getting clients to trust the supplier of services. It is also about suppliers of services learning to trust clients (not in every way, but in certain highly specialized ways that build the financial sector).

It is sometimes argued in the Solomon Islands, as it sometimes argued everywhere, that building a formal financial sector is really about getting people to plan for the future, and getting them to think about the future. Human beings do struggle to plan for the future, and vary widely in their ability and apparent motivation to do it. However, this problem is not unique to the Solomons. Mechanisms like pension plans, automatic payroll deduction, various forms of insurance, taxation at source, etc. seek to overcome precisely this challenge in advanced economies. And conversely, evidence that villagers in the Solomon Islands *actually do* think about the future is visible everywhere in their villages. However, their situation is quite different from that of financial consumers in a developed economy. Not only do they have no access to pension plans or other ways of signalling a preference for illiquidity, they face another big challenge. They are not familiar with the technology of cash – the most high-powered and flexible store of value to be invented before digital money – nor are they practiced in its habits.

For villagers in the Solomon Islands value is not stored in cash. Their parents and earlier ancestors didn't store value in cash, and there are few if any village traditions that teach people how to manage cash. Shell money, while somewhat related, is restricted in its uses by tradition and is a far less flexible and accessible store of value.

Savings Clubs can very directly address several key barriers to financial inclusion – barriers that cannot, for the present at least, be addressed any other way. These include:

- accustoming people to using, managing and planning for stores of cash value;
- helping people to overcome innumeracy; and
- helping people to become familiar with the transactional interface used to process cash.

These skills can help villagers to plan for a future that is very different than that contemplated by their parents or grandparents. And these skills can broadly be thought of as conceptual prerequisites to financial literacy. Without addressing them, more advanced financial literacy initiatives can't succeed.

The Savings Club methods and practices proposed here ask a lot from villagers. Many villagers in each Club – not just one or two, but all – are expected to be able to find entries in their passbooks and eventually to even be able to update their passbooks. At least 7 or 8 people in each Club are expected to keep records, and balance accounts. It could be said that these expectations are unrealistic. However the design of the methods and practices outlined here leverages the internal systems of solidarity existing in both the villages and the Savings Clubs to build these capabilities.

For villagers in remote and traditional environments, financial literacy cannot be acquired through formal training programs. It is acquired, first and foremost, through practice. This manual guides practitioners in building the practices that are required to help prepare villagers to be effective players in the evolving cash economy and modernizing financial sector.

The Savings Club

Structure

Committee

The Committee is composed of 5 individuals:

- a Chairperson,
- a Treasurer/Savings-Plan Record-Keeper,
- a Secretary/Loan and Current Account Record-Keeper, and
- two Money-Counters.

In addition, there are three Key-Holders and a Box-Keeper, who sit among the ordinary members.

The roles of the various office-holders are summarized in **TABLE 1**.

TABLE 1: Roles of the Club Office-Bearers

Committee Members	
Chairperson	<ul style="list-style-type: none"> • conducts meetings in a business-like manner • ensures that rules and procedures are respected • minimizes the time requires for meetings • motivates and guides other Office-Bearers and other Club members
Treasurer/Savings Plan Record-Keeper	<ul style="list-style-type: none"> • manages the Savings Plan product • reconciles Savings Plan cash and records at every meeting • maintains overall responsibility for balancing the cashbox at every meeting
Secretary/Loan and Current Account Record-Keeper	<ul style="list-style-type: none"> • manages the Current Account product or the Social Fund product • keeps records for any current Loan Fund • records important Club decision (taken only during meetings)
Money-Counters (2)	<ul style="list-style-type: none"> • keep counts of sums of cash in the different account pouches • help Record-Keepers with reconciliation • accept and count cash received from members
Other Office-Bearers	
Box-Holder	<ul style="list-style-type: none"> • presents the box to the Club members punctually at the start of each meeting • ensures that no one opens the box between meetings, including members of the Committee • keeps the box safe from loss or theft
Key-Holders (3)	<ul style="list-style-type: none"> • open the box for the Club members punctually at the start of each meeting • ensure that no one opens the box between meetings, including members of the Committee • keep the keys safe from loss or theft

Solidarity Groups

Each member of the Savings Club is also a member of solidarity group within the Club. All members, including the Committee members, must belong to a solidarity group, and these groups will usually have 4-6 members.

The solidarity groups have two main purposes.

1. The members help each other to learn financial literacy. In particular, members who are unable to complete their passbook entries learn how to do it from other members. There are keys to base-10 in the passbooks, and members can also learn using other tools, such as finger math (the Korean *chisanbop* method). The passbooks are held by the members throughout the meeting, so the more numerate and literate members can help the less numerate and literate ones with reference to them at any time during the meeting, before returning them to the cashbox when the meeting closes.
2. The groups also support balancing, by summing totals by Club product within their group and reporting them to the Club at the end of the meeting.

The Club can offer members a chance to select each other, or may simply assign members to groups based on their Club numbers. In either case, solidarity groups should include a mix of individuals with relatively more/less numeracy and literacy skills, as well as a mix by relative wealth.

Solidarity groups should each have a leader. This individual is responsible for the reports to the Club at the end of each meeting. It is better if the leader is someone who is not on the Committee.

Record-Keeping

Record-keeping is a difficult and time-consuming task – and it is an important responsibility. It is very important that the numbers are entered correctly. Errors in the numbers may seem small, but they can lead to serious disputes, especially if they are not noticed quickly enough. They can also undermine member trust, and cause the members of the Club to doubt the usefulness of their work together.

It is helpful if those who have record-keeping responsibilities (treasurer, secretary and chairman) have some education, but their schooling need not be great: if they have finished primary school they can do the job. A natural interest in numbers can be helpful, but more schooling is not very important. What is more important is that the Club members view these individuals as honest, hard-working and reliable.

During the balancing process errors will be found in the records. There is no reason to blame anyone for accidental errors. Bankers around the world estimate that record-keepers enter about one number in every 100 incorrectly; no matter how hard we try to avoid errors, all of us make them because we are all human!

However, errors are never a good thing, and there are ways to reduce them.

All Savings Clubs should round all transactions to the nearest dollar. This means that under normal circumstances it should not be necessary to track any digits *after* the decimal place in a passbook or ledger. In addition, there are other things that record-keepers can do to reduce the number of errors, and make errors easier to find. For example they can:

- write numbers neatly;
- always include commas in the correct locations (for example: "1,200" – not "1200");
- always align numbers to the left, and use the guides in the forms;

420	420.0
145	145
1,267	1267
40	40
1,872	1872.00
CORRECT	INCORRECT

- if using digits after the decimal place, try to be consistent in each column about the number of placeholders used – if recording up to the decimal place in the deposit column of members' passbooks (e.g. "800") don't add a number that tracks 2 digits *past* the decimal place in the same column (for example, "1,200.00");

Products

The list of possible products that the Club may deliver appears in **TABLE 2**.

The core product, which forms the foundation on which the Club is built, is the **Savings Plan** account. This product addresses the main need of most members: to be able to save safely in an account-based format for goals that they set for themselves, according to a schedule that is tailored to their individual and household needs.

All other products in the list are optional, even for a Club that treats this Manual as an operating model.

Table 2: List of Possible Club Products

Product Type	Purpose	Features
Savings Plan	<ul style="list-style-type: none"> • save for specific purposes and over specific time-periods set by individual members • support member acquisition of habits and skills related to account-based savings (e.g. cash-based planning, numeracy) 	<ul style="list-style-type: none"> • Plans feature fixed account opening and closing (maturity) dates • maturity between 1 meeting and several years, depending of member choice and Club rules • pre-committed withdrawal amount • option to deposit any amount at any meeting between account opening date and maturity date • no withdrawals permitted before maturity • mandatory for all members
Investment Shares	<ul style="list-style-type: none"> • save for a fixed term • share values, purchase dates and maturity dates set by the Club in advance 	<ul style="list-style-type: none"> • one fixed share purchase date, set by the Club • one fixed share maturity date, set by the Club • may purchase 1-5 shares on the deposit date • maturity between 6-12 months • profit-sharing based on interest charged on lending operations • mandatory for all members
Loans	<ul style="list-style-type: none"> • borrow for microenterprise or small business 	<ul style="list-style-type: none"> • 3-6 months in duration • interest rate set by the Club, based on 3-month terms • members are not to be forced to borrow
Current Savings	<ul style="list-style-type: none"> • savings that can be withdrawn at any ordinary meeting based on emergency, convenience, etc. 	<ul style="list-style-type: none"> • optional for members – not compulsory • may deposit or withdraw at any meeting • advance notice of withdrawals not required • maximum individual balances to be set by the Club (may start at \$50-\$100)
Social Fund	<ul style="list-style-type: none"> • fund used by the Club to offer emergency support to members (hospitalization, death etc.) • can function as a 'funded' or 'unfunded' service 	<ul style="list-style-type: none"> • death and hospitalization benefits • other benefits, as set by Club constitution • in Clubs with social funds, individual membership is mandatory
ROSCA	<ul style="list-style-type: none"> • fixed contribution at each meeting; one member takes the 'pot' each meeting 	<ul style="list-style-type: none"> • fixed contribution at each meeting • one member takes the total 'pot' at each meeting • members are not required to join – not compulsory

Savings Clubs may offer members the option of holding, at any one time, between one and two Savings Plans. Members *must* maintain at least one Savings Plan, and contribute to at least one Savings Plan at every meeting, as a condition of Club membership. While the amount that they contribute is flexible, the Club may set a reasonable minimum threshold contribution per meeting, such as \$1 or \$5.

This product addresses a compelling member need while helping Club members to learn to manage financial accounts. As a result the Club can build up its capabilities at its own speed, making it easy to deliver other products to its members later.

When the members are very poor, and live in very poor villages, they may also need emergency funds from time to time. Loans are not recommended for this purpose, since additional debt compounds the substantial financial risks that very poor households already carry. Instead, the Club may introduce a **Current Savings** account. Members may save any amount they wish in this account up to a maximum specified by the Club. The funds in this account are kept in a separate pouch, and can be withdrawn by the owner at any full meeting of the Club, without providing advance notice. To avoid an accumulation of too much cash in the Cashbox, the Club members should set a maximum amount that each individual can save in the Current Savings account. This maximum should not be large: for example it might start at \$50 or \$100, and even a very established Club with very strong procedures should not allow individual Current Savings accounts above \$500.

Some Clubs, especially temporary ones, already have a **Social Fund**. A Social Fund provides money, drawn from all the members, to make small pay-outs to members in distress: for example if a child is sick, or if the family has lost a loved one. Most Clubs want to make such offers to members, and may establish rules, with fixed pay-out amounts, to make the process fair and transparent for all members. The Social Fund may be financed by regular member contributions (e.g. \$1 per meeting per member) with the money going in Compartment 1 of the box. However, it may also operate as an 'unfunded' service founded on the collective faith and good will of the members. Members can be asked to provide funds in the event of a crisis, knowing that they too, may need funds in a crisis later. Clubs can also have fundraisers to build up Social Funds. If the Club is offering its members a Current Savings account, any member who faces trouble meeting a payment can take the funds from his or her account there.

ROSCAs (Rotating Savings and Credit Associations) are also easily integrated into a Savings Club, because like the Club, they involve transactions based on regular weekly or bi-weekly meetings. Unlike the Club they do not require records, and a sub-group of members (e.g. 10 or 15) could run one as a supplement to the main activities. The acquisition of financial literacy also involves certain costs: for example many members may wish to purchase a calculator, exercise books etc. A ROSCA is a good mechanism for members to buy these supplies.

Some Clubs may go no further than this. They can distribute equity (composed of fees charged to open Savings Plans, and penalties under the Club's Constitution, net of any incidental expenses) to all members equally, once a year. Other Clubs will want to offer loans, and may also want to offer a supplementary savings product that yields a healthy profit for members on their investment capital. These Clubs can offer a **Loan Fund** financed by time-limited **Investment Share** offering to its members. Since members are also well positioned to finance consumption expenses through Savings Plans and Current Savings accounts, the Loan Fund should only lend to members capable of investing the funds in profitable microenterprises or other business initiatives. The Club can set the interest rate it charges on loans and should only lend to members.

To ensure that members receive maximum benefit from the investment, and to ensure maximum incentive to repay loans, the Loan Fund should be a time-limited one that distributes all shares back to the members, plus profit proportional to shares owned, at the end of a fixed 6-12 month period. To keep the records as simple as possible, no additional share purchase transactions, and no share sale transactions, are permitted during the period of Loan Fund's operation.

Information System

The information system of the permanent Savings Clubs includes the documents in TABLE 3.

TABLE 3: Club Information System

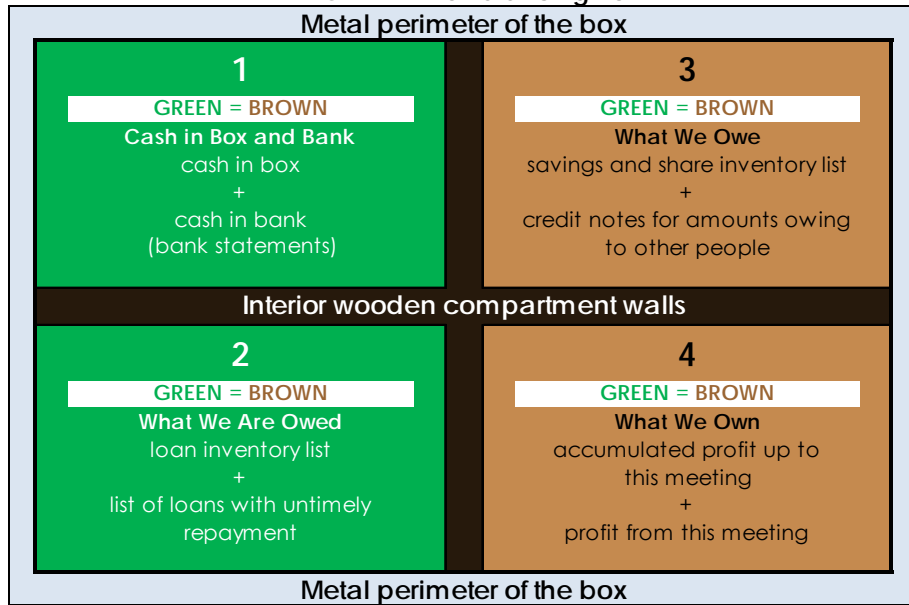
Product	Forms/Ledgers	Other Records and Mechanisms
Savings Plan	<ul style="list-style-type: none"> • Savings Plan • Total Cash • Cash Required • Total Profit 	<ul style="list-style-type: none"> • Savings and Loan passbook that tracks all core savings and loan transactions and contracts between the members and the Club • Balancing box • Solidarity groups • Pouch stored in Compartment #3 of the cashbox (Savings)
Investment Shares	<ul style="list-style-type: none"> • Total Cash 	<ul style="list-style-type: none"> • Savings and Loan passbook. Investment shares are tracked in the passbook as a special purpose Savings Plan • Balancing box • Solidarity groups • Pouch stored in Compartment #2 of the cashbox (Loans)
Loan	<ul style="list-style-type: none"> • Loans Due • Total Cash • Total Profit 	<ul style="list-style-type: none"> • Savings and loan passbook • Balancing box • Solidarity groups
Current Savings	<ul style="list-style-type: none"> • Total Current Savings 	<ul style="list-style-type: none"> • Current account passbook, updated by the Secretary for each transaction. • Solidarity groups • Pouch stored in Compartment #1 of the cashbox (Cash)
Social Fund	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • None. Members observe all transactions and correct errors together. • No balance reconciliation required. • Pouch stored in Compartment #1 of the cashbox.
ROSCA	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • None. Members observe all transactions and correct errors together. No cash is kept between meetings.

The Balancing Box

The steel cash box with 3 locks is an integral part of the Club information system, and is intended to protect savings that are stored by the Club in the village, and to afford easy balancing. The interior contains a wooden divider segmenting the box into 4 equal sized compartments (see **DIAGRAM 1**). The divider, and the wooden floor on which it rests, are not attached to the metal box and can be removed during meetings to help Club members with balancing.

Compartments 1-2 (Uses of Cash) can be painted green after the products of agriculture, and Compartments 3-4 (Sources of Cash) can be painted the colour of earth, from whence these products come. The analogy to the concept of "uses of land = sources of land" can be developed. For example, for every coconut tree or taro crop, there must be land and generative soil.

DIAGRAM 1: The Balancing Box



Passbooks

The savings plan passbook is composed of four sections, appearing in the following order.

1. Savings plan pages or 'contracts' (pages 1-2)
2. Investment savings page (page 3)
3. Savings transaction pages (pages 4-25)
4. Loan pages (pages 26-32)

To keep motivation to meet and keep saving high, it is essential that members receive cash in their hands frequently. The purposed-based savings product is designed as a substitute for a savings account in which withdrawals are restricted.

As a condition of membership, every member is expected to have at least one saving plan underway at all times. This plan is recorded in a separate plan section at the start of the member's passbook. It is a contract (with a small fee such as \$10 or \$20 paid to the Club). It will identify:

- the purpose of the saving,
- a start and maturity date, and
- the target savings amount.

The Deposit Pages track actual transactions by Plan, except that the final withdrawal is transferred back to the Savings Plan page. Each entry in the Deposit pages must begin with a reference to a specific plan on the Savings Plan pages (Plan A, B, C etc.). The Club may restrict members to depositing in only one Savings Plan at a time, or may permit deposits in up to two at once. If members are depositing in more than one Plan, a different column of the passbook should be used for each Plan, to avoid confusion.

If the Savings Club offers a current account to its members, each member who opens one will be assigned a Current Account Passbook which will be stored in Compartment 1 of the cash box. The first time the member makes a deposit, the Club will deduct a fee to pay for her passbook. The remaining cash will be registered as a deposit in the member's passbook by the Current Account Record-Keeper.

All cash deposited in the current account is stored in a special Current Account pouch. This money is never remitted to a bank or lent out; it is only used to meet requests by members to withdraw funds from their current accounts during meetings.

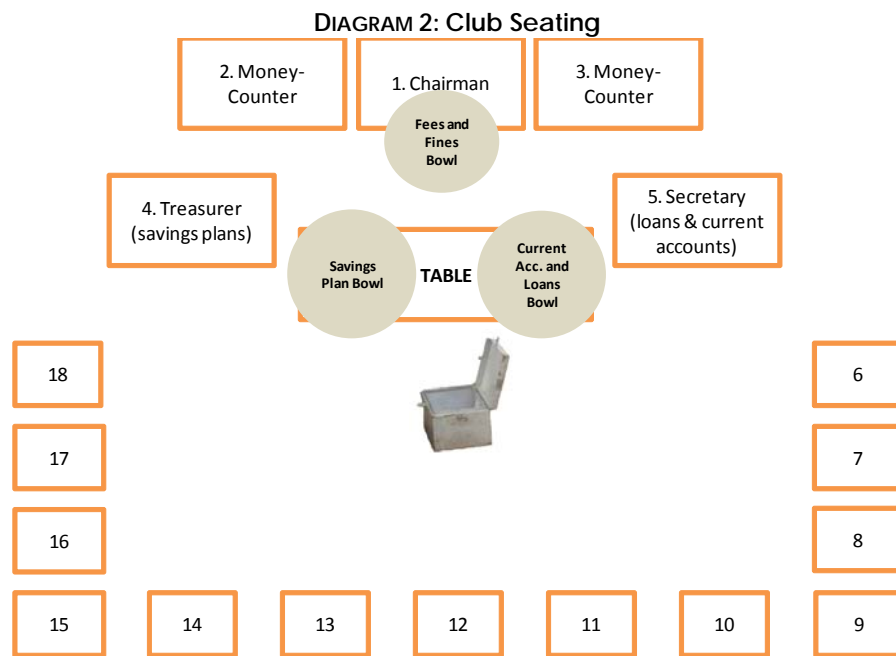
The Club's forms (and one ledger) appear in Appendix 1-6. Examples of their use are included in the discussion of Club process in the next section.

Savings Procedures and Practices

Savings Plans

Meetings should take place every week or two weeks. The seating arrangement for the meetings is in **DIAGRAM 2**.

Each member is assigned a number, which appears on her passbook, and which determines the order in which the member sits in the meeting, and the order in which she is called up to transact.



The agenda of the meetings is as follows.

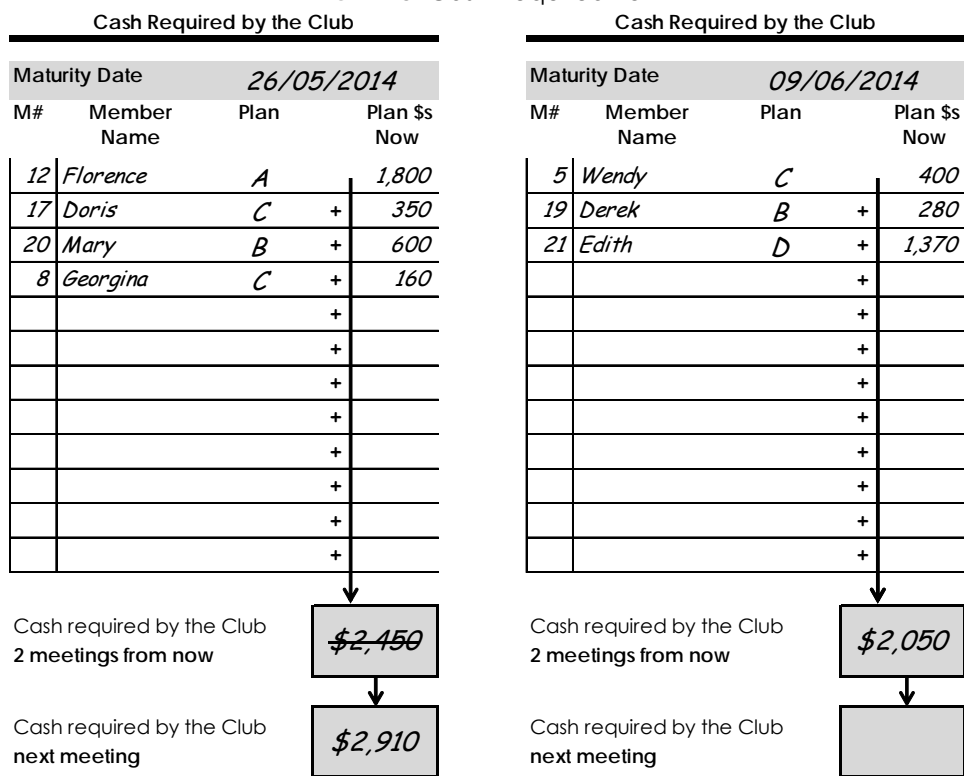
1. Call the meeting to order (Chairperson)
2. Ask for value of the funds -- savings and current (Chairperson)
3. Open the box (Keyholders and Box-keeper)
4. Count the cash in Savings Plan and Current Account funds; announce totals (Money-Counters)
5. Hand out passbooks; recite rules (Committee, Members)
6. Collect penalties
7. Accept contributions to the two savings funds (Treasurer and Secretary)
8. Provide pay-outs from two savings funds (Treasurer and Secretary)
9. Agree to new Savings Plans (Treasurer, Members)
10. [Optional] Credit loan repayments to the Investment Share fund
11. [Optional] Issue new loans
12. Count the cash in the savings [and loan] funds again (Money-Counters)
13. Balance the box (Committee, Solidarity Groups)
14. Other business, if any (Chairperson)
15. Return passbooks; close the meeting (Chairperson)

The procedure outlined below references the example of Lulabona Savings Club, in the fictional village of Lulabona on New Elizabeth Island. The club has 25 members, both men and women, and it formed in January 2014. The examples for savings are drawn from the meeting of May 26, 2014, and the examples for loans from the meeting of July 6, 2015.

The Previous Meeting

At each meeting the Treasurer of the Savings Club should up-date the 'Cash Required by the Club' form for each of the next two meetings. The example in **DIAGRAM 3** was prepared by the Treasurer of Lulabona Savings Club on May 12, 2014. Seven savings plans are expected to mature at the next two meetings, with a total value of \$4,960.

DIAGRAM 3: Cash Required Form



Since the last meeting, the commitments of the Club to those with plans maturing at the next meeting (May 26, 2014) have increased from \$2,450 to \$2,910. Three members have made contributions at this meeting totaling \$300, and Georgina has just opened a very short Saving Plan that will mature at the next meeting. She deposited \$160 in today. The Club also has \$2,050 in commitments for the following meeting, taking place on June 9th.

As the club is 25 kms from the nearest bank and it is only 5 months old, it has given little thought to opening a bank account. But at the May 12th meeting cash stored in the box to meet future Savings Plan commitments crossed \$10,000, and for the first time, members discussed it carefully. They agreed that the Chairman and Treasurer, who are traveling to town a month from now, should open a bank account when they go.

Starting the Meeting

At the appointed time the Chairman will call the meeting to order. Take the example of the meeting of Lulubona Savings Club occurring on May 26, 2014.

As the meeting begins, the Committee leaders must have the forms in **TABLE 4** with them, which they are responsible for up-dating or preparing during the meeting.

TABLE 4: Officer Record-Keeping Duties

Officer	Form	Reference (Appendix 2)
Chairman	Total Club Profit Form	7
Treasurer	Total Club Cash	2
	Cash Required Form	3
	Savings Plan Form	5
	Sources and Uses of Club Cash	8
Secretary	Member Register	1
	Loan Payments Due Form (if applicable)	4
	Current Account Form	6

As the meeting starts Paula, the Chairman, asks all the members to take their places according to their member number, turn off their mobile phones, and pay attention to the proceedings without talking or making unnecessary noises.

Chairman: "Can anyone tell me – how much money is in the Current Account Fund?"

After one or two tries, a member states a figure that sparks general agreement.

Chairman: "Thank you! Can anyone tell me – how much money is in the Savings Plan Fund?"

Again, after one or two tries, a member states a figure that sparks general agreement.

Chairman: "Thank you! Could the Key-Holders please come up, and open the box!"

The Key-Holders bring their keys to the front, and open the box in front of the members. Money-Counters take the two money pouches out of Compartment #1. First they open the Current Account Fund, place the cash in the Money Counting Bowl, count it, and announce the total. Then they open the Savings Plan Fund, place the cash in the Money Counting Bowl, count it, and announce the total.

If there is agreement on these totals, the meeting continues. If there is a difference, it must be resolved on the spot, by recounting or by identifying another source of the difference.

Chairman: "The members will now collect their passbooks." Passbooks are always stored in the box between meetings. During meetings they are circulated and held by the members, and then returned to the box at the end of the meeting.

Each member comes to the front, in numerical order (or in reverse numerical order, or starting with 6 and ending at 5, etc. ...) and collects their Savings Plan passbook from the Treasurer, who is the Savings Plan Record-Keeper.

As each member comes up to collect her passbook, she recites one of the rules of the Constitution in a clear voice so that the whole Club can hear. If she intends to deposit additional cash in her Current Account, she also collects her Current Account passbook from the Secretary, who is the Current Account Record-Keeper.

While the members are collecting their passbooks, the Chairman takes attendance, noting members who are present in an exercise book she maintains for the purpose.

While the members are coming up to collect their passbooks, 2 members arrive late. Then, everyone is seated again, with their passbooks in hand.

Chairman (consulting the attendance list for the previous meeting, on the previous page of her exercise book): "Katherine and Peter, you are listed as absent from our last meeting.

According to our Constitution and the agreement of the members of the Savings Club, you are to pay a fine of \$5 each. Mary and Greg, you were late for this meeting. According to our Constitution and the agreement of our members, you are to pay a fine of \$2 each. Please come forward and pay your fines now."

The members come forward and put their fines in the Fines Bowl, which is in front of the Chairman. She makes a note in her exercise book, so she will be able to up-date the Total Profit Form correctly at the end of the meeting.

Savings Plans

Chairman: "It is now time to build up your savings plans! You may also deposit money in your current accounts!"

Rose, the Treasurer of the Club, announces the order. She has her exercise book open, where she will keep a running tally of up-dates to the passbooks during the meeting.

She also has the Cash Required Forms for the next two meetings open. As members whose plans are maturing during those meetings come up, she will up-date these forms so that the Club knows how much money it needs to meet withdrawals.

Treasurer: "Number 6, please come up ..."

The members each come up in turn, carrying their Savings Plan passbooks and their cash contributions. They give their cash to the Money-Counter sitting next to the Treasurer, announcing the amount they are depositing in a clear and audible voice.

Member # 6 (Erica): "I am depositing \$40 in Plan A and \$60 in Plan B. The total is \$100."

DIAGRAM 4: Savings Plan Passbook, Deposits

Plan	Date	Deposit	Balance		Plan	Date	Deposit	Balance	
A	12/05/2014	4 0	3 2 0	Rose	B	12/05/2014	6 0	1 8 0	Rose
A	26/05/2014	4 0	3 6 0	Rose	B	26/05/2014	6 0	2 4 0	Rose
	/ /					/ /			

The Money-Counter counts the cash and reports the result to Rose, the Treasurer. If there is no dispute about the amount the Money-Counter puts the funds in the Savings Plan bowl.

Erica up-dates her passbook by writing in her new balances. If she has trouble writing, the Treasurer may write the Plan and date, and even help her with the balance information. But the member is expected to try to up-date her balances by herself after a few meetings. The Treasurer may correct an entry if the arithmetic is wrong. Whether the passbook balance is up-dated by the member or by the Treasurer, the Treasurer must sign the right-hand column once the balance has been entered, to indicate that she verifies the accuracy of the entry. The

The Treasurer is also responsible for knowing the total amount that is contributed to savings plans by Savings Club members during the meeting, so she adds \$100 to a list she is compiling in her exercise book. Rose is neat and methodical, and has set aside a special page in her exercise book for today's meeting.

After signing Erica's passbook, Rose returns it to her. Erica is very regular in her savings habits – she deposits \$40 in Plan A and \$60 in Plan B every two weeks.

Treasurer: "Number 7, please come up ..."

Erica returns to her seat, carrying her Savings Plan passbook. Member #7 comes up, followed by the other members; one by one, and make their deposit transactions.

Chairman: "Would the Money-Counters please announce the total cash collected in Savings Plans today?"

Money-Counter (Wendy): "Madam Chairman, today the Club members contributed \$975 to their Savings Plans! The total cash in the Savings Plan bowl is now \$11,480."

Chairman: "Treasurer, do your records agree with the Savings Plan count?"

Treasurer: "Yes, Madam Chairman."





Provide Pay-Outs from Funds

Chairman: "It is now time to close mature Savings Plans."

The Treasurer, referring to her Cash Required Form, calls up each member with a maturing Savings Plan in turn. At this meeting, on May 26, the Treasurer first calls up Florence, who has been saving for a solar panel.

Florence brings her passbook to the front and the Treasurer (Rose) inspects it. First Rose checks the total balance in the Deposit pages of the passbook for the correct Plan. Florence has been saving for this since the Club's first meeting, so it is her 'Plan A'. Rose notes that at the last meeting, Florence's balance was \$1,800, and she contributed \$200 at this meeting, so her goal of saving \$2,000 for a solar power unit has been achieved by her planned date.

DIAGRAM 5: Closing a Savings Plan, Deposit Section

Plan	Date	Deposit	Balance	
				
<i>A</i>	<i>27/01/2014</i>	<i>2 0 0</i>	<i>2 0 0</i>	<i>Rose</i>
<i>A</i>	<i>03/02/2014</i>	<i>2 0 0</i>	<i>4 0 0</i>	<i>Rose</i>
<i>A</i>	<i>17/02/2014</i>	<i>2 0 0</i>	<i>6 0 0</i>	<i>Rose</i>
<i>A</i>	<i>03/03/2014</i>	<i>2 0 0</i>	<i>8 0 0</i>	<i>Rose</i>
<i>A</i>	<i>17/03/2014</i>	<i>2 0 0</i>	<i>1 0 0 0</i>	<i>Rose</i>
<i>A</i>	<i>31/03/2014</i>	<i>2 0 0</i>	<i>1 2 0 0</i>	<i>Rose</i>
<i>A</i>	<i>14/04/2014</i>	<i>2 0 0</i>	<i>1 4 0 0</i>	<i>Rose</i>
<i>A</i>	<i>28/04/2014</i>	<i>2 0 0</i>	<i>1 6 0 0</i>	<i>Rose</i>
<i>A</i>	<i>12/05/2014</i>	<i>2 0 0</i>	<i>1 8 0 0</i>	<i>Rose</i>
<i>A</i>	<i>26/05/2014</i>	<i>2 0 0</i>	<i>2 0 0 0</i>	<i>Rose</i>
<i>X</i>				<i>0</i> <i>Rose</i>
	<i>/ /</i>			

Rose up-dates the balance of Florence's Plan 'A' in her passbook. In the next row she writes 'A' in the Plan column and a '0' in the balance column. She then draws a line through the whole row. This indicates that Florence's Savings Plan 'A' has matured. Future savings plans of Florence' will use later letters in the alphabet: the letter 'A' should not be used again until she has passed savings plan 'Z'.

To avoid any risk of confusion, this column is not used again. When Florence wants to open another Plan, Rose will start it at the top of a new column.

Rose turns to the Saving Plan pages at the start of the passbook and writes the actual pay-out amount, corresponding to the balance accumulated in the Plan in the Deposit page, beside the finishing date.

The Treasurer then gives the passbook to the Money-Counter (Wendy), who counts out \$2,000 in cash from the Money-Counting Bowl and gives it to Florence. Wendy returns Florence's passbook to her. Because Florence is receiving the cash, she counts it as well, and satisfies herself that the count is correct. To complete the transaction, she must accept the cash by signing her passbook in the Savings Plan section in the presence of the Treasurer and Money-Counter.

DIAGRAM 6: Closing a Savings Plan, Plan Section

SAVINGS PLANS							
No.	Target	Date	Cash-Out Amount				
A	Solar panel	Start	27/01/2014	2	0	0	Paula
		Finish	26/05/2014	2	0	0	

This entry effectively closes the first Savings Plan contract between the Club and Florence. Treasurer Rose adds a note to her exercise books under withdrawals for the day: \$2,000.

Today, Mary is also withdrawing from her Savings Plan account. Treasurer Rose is completing the record-keeping to close out Mary's Plan B, and Mary has another Plan C, that is still underway.

DIAGRAM 7: Tracking Two Savings Plans

Plan	Date	Deposit	Balance		Plan	Date	Deposit	Balance	
B	17/03/2014	1 0 0	3 1 0	Rose	C	03/03/2014	3 5	3 5	Rose
B	31/03/2014	6 0	3 7 0	Rose	C	31/03/2014	2 5	6 0	Rose
B	28/04/2014	1 5 0	5 2 0	Rose	C	28/04/2014	8 0	1 4 0	Rose
B	12/05/2014	8 0	6 0 0	Rose	C	26/05/2014	6 0	2 0 0	Rose
B	26/05/2014	2 0	6 2 0	Rose		/ /			
B	/ /		0	Rose		/ /			
	/ /					/ /			

During the savings contributions, Mary deposits \$80, using \$20 to complete her Plan B, and depositing the other \$60 in Plan C. To keep the plans from getting confused, Rose tracks the two plans in different columns of Mary's passbook. Now that Plan 'B' is completed, she will start another column when Mary opens a Plan 'D'.

Treasurer: "I'm pleased to announce that at this meeting we had we able to pay out the highest value of Savings Plans since our Club started five months ago! Lulabona Savings Club made payments to four members totalling \$3,260!"

Chairman: "Excellent Madam Treasurer!"

Formation of New Savings Plans









Chairman: "Any member who wishes to start a new Savings Plan may now stand up and announce their intention to the Savings Club. Remember that to maintain membership in good standing, everyone must have at least one plan open at all times."

Because Florence had only one plan open, and it has just been closed, she stands up.

Florence: "Beginning at the next meeting, I will be saving \$600 to pay Samuel to saw timber for our family housing project. I expect to be able to save the money over the next 5 meetings."

Chairman: "Does anyone have any objection to Florence's plan?"

DIAGRAM 8: Opening a Savings Plan

SAVINGS PLANS							
No.	Target 	Date 	Cash-Out Amount 				
A	Solar panel	Start 	27/01/2014	2	0	0	Paula
		Finish 	26/05/2014	2	0	0	Florence
B	Sawn timber	Start	09/06/2014	6	0	0	Paula
		Finish	04/08/2014				
C		Start 					
		Finish 					

As there are no objections, Florence brings her passbook up to the Chairman. Paula consults the calendar and enters the dates of the next meeting and the 5th meeting from the next, and the amount committed by Florence. She then signs to acknowledge that the Savings Club has accepted the commitment, accepts the Savings Plan contract fee and drops it in the Fees and Fines bowl, and returns Florence's passbook to her.

The Treasurer up-dates the Cash Required form for August 4th by adding Florence's name to it. Amounts will not be added until two meetings before the Plan's maturity date. By updating this form now, the Treasurer will know during the two meetings before August 4th exactly whose plans are maturing on that date, and will be able to track the amount that the Club must pay out to them.

**DIAGRAM 9: Up-Dating a Cash Required Form
Cash Required by the Club**

Maturity Date <i>04/08/2014</i>			
M#	Member Name	Plan	Plan \$s Now
14	Solomon	B	
12	Florence	B	+
			+

Mary also stands up to announce a new Savings Plan.

Mary: "Beginning at the next meeting, I will be saving \$1,200 to buy a sewing machine so I can start a tailoring business."

Chairman: "When do you plan to be able to save up the money?"

Mary (hesitating): "I'm not sure. I haven't looked at the calendar."

Chairman: "How much do you think you can save every meeting, for this Plan?"

Mary (thinking): "Right now I am saving for seeds, but that finishes on July 21st. After that I can save \$100 a meeting."

There is a pause while the chairman and the treasurer consult the calendar and enter numbers into the treasurer's calculator.

Treasurer: "How much will you be able to save for this up to July?"

Mary: "\$40 a meeting, starting today."

Chairman: "If you can keep to that schedule you should have \$1,260 by Dec 22nd."

Mary: "I want the sewing machine earlier than that, so I can earn money for Christmas. I should be able to pay in about \$500 in August."

Chairman: "If you can do that, you will finish by November 10th, but to be safe, why don't we aim for November 24th?"

Mary: "Very good. That is what I will do."

Chairman: "Members, you have all heard Mary's Plan. Do you agree?"

Members: "We agree!"

Chairman: "Very well, Mary! Please bring up your passbook, your contract fee and \$40, and open your new Savings Plan!"

As Mary does this, the Treasurer opens a new Cash Required form for Nov. 24th, 2014 (so far, no one else is scheduled to cash out on this date, so no form has yet been opened for it.) This is Mary's 3rd Savings Plan, so it is denoted Plan 'C'.

As each member completes her Savings Plan transaction, the Treasurer (Rose) makes a note in her exercise book. She also up-dates the Cash Required forms for the next two meetings by transferring the relevant balances onto them.

When all the Savings Plan transactions for the meeting are done, the Treasurer finalizes the daily deposits by summing them all on the Club's calculator. The Money-Counters count the money in the Savings Plan bowl and record the total in their exercise books.

Chairman: "Now that all the transactions are complete, can Rose, Thelma and Wendy update the Club on the status of our Savings Plan accounts?"

The Money-Counters check the total cash contributed to the Savings Plan bowl during this meeting. The Treasurer does not reveal her calculations to the Money-Counters immediately. Instead, Rose waits patiently for them to complete their counting, and to announce their count to the Club.

Money-Counter (Wendy): "We have checked the cash, and we find that there are \$8,220 in the Savings Plan account""

Treasurer: "I have up-dated the Savings Plan passbooks, and agree that there are \$8,220 in the Savings Plan account."

Chairman: "Thank you, Money-Counters and Treasurer!"

Current Savings

The procedures for Current Savings accounts are very similar to the procedures for Savings Plan accounts, with a few differences highlighted below. If the Club has no other products, it is possible to offer both. This is done by giving responsibility for Current Savings to the Secretary, and conducting transactions for this account after the Savings Plan transactions are complete, so that the Money-Counters can devote their full attention to the Current Savings accounts.¹






During the first year at Lulabona Savings Club, a Current Savings account was offered as well as a Savings Plan account. The Club has 10 members who have signed up for these accounts. The member balance limit set by the Club in its Constitution is \$250. The Club agreed when they debated this limit that if 20 members were to sign up, they would have to reduce the balance limit to \$200, so that no more than \$4,000 is kept in the box at once. But since they started operating the account they notice that withdrawal transactions are quite common, and they never seem to have more than about half the maximum actually stored in cash in the box. So they are considering eliminating this restriction.

A few transactions for May 26th, 2014 are described below.

Depositing

Erica (Member #6) has her own Current Savings account and plans to make a deposit today, so she takes her Current Account passbook and cash to the Secretary and Money-Counter on the other side of the table, and gives her cash to the Money-Counter and her passbook to the Secretary, announcing in a clear and audible voice "I am depositing \$15 in my Current Savings today."

DIAGRAM 10: Up-Dating a Current Savings Passbook

Date	Deposit	Withdrawal	Balance	Signed
				
17/02/2014	3 0		3 0	John
20/03/2014	3 3		6 3	John
12/05/2014	1 0		7 3	John
26/05/2014	1 5		8 8	John

The Money-Counter counts the cash, and reports the result to John, the Secretary. Since the amount is agreed, the Money-Counter drops the cash in the Current Savings bowl.

¹ To save time, an experienced Club may recruit two more Money-Counters and attempt to process both Savings Plans and Current Accounts together. However, this should not be tried until a Club has been operating well for at least six months.






Erica up-dates her passbook; entering the new balances in the correct locations. The Secretary helps her with this, if she needs help. Secretary John checks that the entries and the announced count agree, and signs Erica's passbook to signify agreement. He also makes a note of the deposit amount in his exercise book, as he must announce the day's deposits and withdrawals in the Current Account to all the Club members at the end of the meeting.

John returns Erica's Current Savings passbook, and Erica returns to her seat, taking the passbook with her. The other members come up, one by one, and make their deposit transactions.

Withdrawing

Florence is a very active member, and she also has a Current Account. Her third-born daughter, 12 years old, has been infected with malaria, and she needs \$200 for medication. Fortunately, she has enough money in her Current Account already, so she goes up to John (the Secretary) to withdraw the cash. Several other members are already waiting in front of John with the Current Account passbooks, waiting to make withdrawals. Florence waits her turn behind them.

DIAGRAM 11: Withdrawing Funds from Current Savings

Date 	Deposit 	Withdrawal 	Balance 	Signed 
<i>03/02/2014</i>	6 5		6 5	<i>John</i>
<i>03/03/2014</i>	3 8		1 0 3	<i>John</i>
<i>28/04/2014</i>	7 0		1 7 3	<i>John</i>
<i>12/05/2014</i>	2 7		2 0 0	<i>John</i>
<i>26/05/2014</i>		2 0 0	0	<i>John</i>

John enters the withdrawal transaction in Florence's passbook, and hands the passbook to the Money-Counter, Thelma, who counts out \$200 from the Money-Counting Bowl and gives it to Florence, along with her passbook. John also up-dates the running tally of transactions in the current account for the day, in his exercise book.

Once all deposits and withdrawals in the Current Accounts are completed, the Chairman says: "Secretary, would you please announce the total collected in Current Accounts today, according to your records?"

Secretary: "Madam Chairman, according to my records, today the Club members contributed \$421 to their Current Savings accounts. They withdrew \$551, and I calculate that the total cash in the Current Savings account bowl should now be \$1,326."

Chairman: "Would the Money-Counters please announce the total cash collected in Current Accounts today?"

Money-Counter (Thelma): "Madam Chairman, we have counted the money in the Current Savings account bowl. There are \$1,326 there."

Closing the Records for the Meeting

At the end of the meeting, the Committee members must finalize several records. Specifically:

- the Treasurer completes the Total Club Cash form, and stores it in Compartment #1;
- the Secretary completes the Current Savings form, and stores it in Compartment #1; and
- the Chairman completes the Total Club Profit form, and stores it in Compartment #4.

The Treasurer prepares the cash summary by adding the total cash in the three bowls together, based on the information provided by the Money-Counters. The Chairman (Paula) completes the Total Club Profit form for the meeting. The Club has only had one significant cost: buying the cashbox and equipment. This was a cost shared by all the members equally during a meeting; the Club did not record it.

DIAGRAM 12: Completed Total Club Cash Form, Lulabona SC, May 26, 2014

Total Club Cash				
TREASURER				
	Cash in Box	Cash in Bank		Total
		Account #1	Account #2	
<i>Balance forward, previous record</i>				
17 / 03 / 14	7,403	0	0	= 7,403
31 / 03 / 14	8,667	0	0	= 8,667
14 / 04 / 14	7,656	0	0	= 7,656
28 / 04 / 14	9,796	0	0	= 9,796
12 / 05 / 14	11,961	0	0	= 11,961
26 / 05 / 14	9,632	0	0	= 9,632
				=

DIAGRAM 13: Completed Savings Plan Form, Lulabona SC, May 26, 2014

Savings Plan Form				
TREASURER				
Date	Deposits	Withdrawals	New Balance	
<i>Balance forward, previous record</i>				
17 / 03 / 14	1,298	2,300	=	6,150
31 / 03 / 14	2,014	726	=	7,438
14 / 04 / 14	711	1,509	=	6,640
28 / 04 / 14	2,270	562	=	8,348
12 / 05 / 14	3,230	1,145	=	10,433
26 / 05 / 14	1,047	3,260	=	8,220
/ /			=	

DIAGRAM 14: Completed Current Savings Form, Lulabona SC, May 26, 2014

Total Current Savings			
SECRETARY			
	Deposits	Withdrawals	New Balance
Balance forward, previous record			
17 / 03 / 14	670	112	= 1,208
31 / 03 / 14	400	426	= 1,182
14 / 04 / 14	220	440	= 962
28 / 04 / 14	553	133	= 1,382
12 / 05 / 14	216	142	= 1,456
26 / 05 / 14	421	551	= 1,326
/ /			=

DIAGRAM 15: Completed Total Profit Form, Lulabona SC, May 26, 2014

Total Club Profit				
CHAIRPERSON				
Date	Interest	Other Revenue	Expenses	Total
Balance forward, previous record				
17 / 03 / 14	0	8	0	= 45
31 / 03 / 14	0	2	0	= 47
14 / 04 / 14	0	7	0	= 54
28 / 04 / 14	0	12	0	= 66
12 / 05 / 14	0	6	0	= 72
26 / 05 / 14	0	14	0	= 86
/ /				=

The Club has incurred small costs from time to time but usually deals with them the same way, by taking a small collection from the members during the meeting in which the cost comes up. For example, last month the Club sent a delegate to a Club in another village to learn how to start an Investment Savings account, and the members put in \$1 each to cover the transportation costs.

Balancing: Savings Only

Balancing is the 'hygiene' of any financial organization, including a savings club: failure to do it will *probably* not lead to noticeable problems in the next few weeks – but sooner or later it *will certainly* lead to major problems, followed by disputes and inevitable collapse. Once record-keeping problems have accumulated for months or years without correction, it

becomes extremely difficult to find their source. They then become virtually impossible to correct. The easiest way to avoid this is to balance regularly. This identifies and corrects small problems before they can grow big. Even temporary groups balance; they do it by distributing.

The organization of the box is based on the model balance sheet. For a Club that doesn't lend, the balancing equation looks this.

The Savings Club Standard System 1

cash = savings + equity

Later, if the Club begins to lend money, the balancing equation changes to this.

The Savings Club Standard System 2

cash + loans = savings + equity

All groups should start with the simpler Standard System 1.

DIAGRAM 16: Club 'Sources and Uses of Money'
Sources and Uses of Club Money

Date of Meeting	____ / ____ / ____	Signature	_____
<p>1 Cash</p> <p style="padding-left: 20px;">Box</p> <p style="padding-left: 20px;">Bank</p>	<div style="border: 2px solid black; padding: 2px; text-align: center; font-weight: bold;">A</div> <div style="border: 1px solid black; height: 20px; margin-top: 5px;"></div> <div style="border: 1px solid black; height: 20px; margin-top: 5px;"></div>	<p>What We Owe</p> <p style="padding-left: 20px;">Savings</p> <p style="padding-left: 20px;">Borrowings</p>	<div style="border: 2px solid black; padding: 2px; text-align: center; font-weight: bold;">D</div> <div style="border: 1px solid black; height: 20px; margin-top: 5px;"></div> <div style="border: 1px solid black; height: 20px; margin-top: 5px;"></div>
<p>2 Loans</p> <p style="padding-left: 20px;">To members</p> <p style="padding-left: 20px;">[Doubtful loans]</p>	<div style="border: 2px solid black; padding: 2px; text-align: center; font-weight: bold;">B</div> <div style="border: 1px solid black; height: 20px; margin-top: 5px;"></div> <div style="border: 1px solid black; height: 20px; margin-top: 5px;"></div>	<p>What We Own</p> <p style="padding-left: 20px;">Profit up to last meeting</p> <p style="padding-left: 20px;">Profit this meeting</p>	<div style="border: 2px solid black; padding: 2px; text-align: center; font-weight: bold;">E</div> <div style="border: 1px solid black; height: 20px; margin-top: 5px;"></div> <div style="border: 1px solid black; height: 20px; margin-top: 5px;"></div>
<p>TOTAL USES OF CASH (A+B=C)</p>	<div style="border: 2px solid black; padding: 2px; text-align: center; font-weight: bold;">C</div>	<p>TOTAL SOURCES (D+E=F)</p>	<div style="border: 2px solid black; padding: 2px; text-align: center; font-weight: bold;">F</div>

When a Savings Club balances, it brings information about the Club's accounts together from 3 separate sources, compares it, and resolves any outstanding contradictions. These three sources are:

- the cash count conducted by the Money Counters,
- the information recorded in the member passbooks, and
- the running tallies kept by the Committee members in their exercise books.

Of these, the first two are the most important, but the third can sometimes help in resolving outstanding problems.

Tallying Passbook Entries

After its transactions are completed on May 26, 2014, Lulabona Savings Club balances. At this point balancing at Lulabona Savings Club is very simple. It is a new Club that has been operating for 10 meetings. It is not lending out money, and does not have a bank account yet.

The leaders of the Club's solidarity groups are asked to collect together the passbooks from their members. If any member of the Club is absent, their passbook will still be in the cash box. At this time, it is given to the leader of the absent member's group.

Groups leaders are asked to provide totals for the following:

- total deposit balances for all Savings Plans held by their group members,
- total deposit balances for all Current Accounts held by their group members, and
- total fees and penalties paid by their group members during this meeting.

The last of these – total fees and penalties – does not appear in the passbooks, but the members should be able to remember these figures.

The solidarity group leaders may have the best skills in their groups in adding and calculating, and they will get help from other members of their groups. They may use calculators if they have them. Since only five numbers have to be added together in each case, a group without a calculator should be able to perform the task in reasonable time without one.

For example, on this occasion, after adding the figures in his exercise book, the leader of Group 2 reports: "We have completed our report for Group 2. Our group has \$1,450 in Savings Plans and \$281 in Current Savings. Today we paid \$5 in fees and fines."

As everyone becomes more accustomed to their roles, it is reasonable for the Chairman to expect all solidarity groups to be ready to report as soon as the balancing session starts. But initially, it may take 5-10 minutes for the groups to get ready.

In an exercise book, the Chairman and the Treasurer prepare a total for the Club as a whole. The totals are \$8,220 for Savings Plans balances, \$1,326 for Current Savings balances, and \$86 for Fee and Fine payments (including \$14 collected and reported by the groups today).

Group	Savings Plans	Current Savings	Fees and Fines
1	1,036	86	2
2	1,450	281	5
3	2,552	-	2
4	1,420	547	-
5	1,762	412	5
	8,220	1,326	14
			<i>Previous fees and fines</i> 72
			Total fees and fines 86

These totals tally with the totals prepared earlier by the Treasurer in the Savings Plan form, by the Secretary in the Current Savings form, and by the Chairman in the Total Club profit form.

DIAGRAM 17: Completed 'Sources and Uses of Money' Form
Sources and Uses of Club Money

Date of Meeting		Signature	
26/05/2014		John	
1 Cash	A \$9,632	What We Owe	D \$9,546
Box	\$9,632	Savings	\$9,546
Bank	\$0	Borrowings	\$0
2 Loans	B \$0	What We Own	E \$86
To members		Profit up to last meeting	\$72
[Doubtful loans]		Profit this meeting	\$14
TOTAL USES OF CASH (A+B=C)	C \$9,632	TOTAL SOURCES (D+E=F)	F \$9,632

Chairman: "I am pleased to announce that the box is balanced! Is there any other business that the members wish to discuss during this meeting?"

Based on the information collected, the Secretary is able to prepare a balance sheet for the meeting date (see Diagram 17). Once completed this is stored in Compartment 4.

The Club closes the meeting with discussion of other business, including the up-coming marriage of a member's son.

If It Doesn't Balance

If for any reason the figures *don't* balance a further check is required. While the solidarity group leaders check their numbers again with the member passbooks, the Chairman removes the divider from the cashbox, and places it on the table in front of the Committee. He invites all the members to come up and observe the proceedings.

The Committee members take their records and place them, along with the cash, around the divider, according to the lay-out in **TABLE 5**. The cash and documents for each Compartment are placed in or beside the Compartment, so that all the members can see them and can tell which compartment they belong in.

TABLE 5: Organization of the Cash Box, System 1

Organization of the Cash Box (Savings Only)	
<p><u>Compartment 1</u></p> <ul style="list-style-type: none"> • the Current Savings passbooks; • the pouch holding the Current Savings cash; • the Total Club Cash forms since inception; • the 'Cash Required' forms for future meetings, plus the last 4 Cash Required forms, sorted starting farthest in the future, • bank statements, and • bank deposit and withdrawal receipts. 	<p><u>Compartment 3</u></p> <ul style="list-style-type: none"> • the Savings Plan passbooks; • the Savings Plan ledger; and • the pouch holding the Savings Plan cash.
<p><u>Compartment 2</u></p> <ul style="list-style-type: none"> • empty 	<p><u>Compartment 4</u></p> <ul style="list-style-type: none"> • the pouch holding fees and fines collected since the Club's inception; • the Total Club Profit forms, since inception; and • the Club's balance sheets, sorted with the most recent ones first;

Once the solidarity groups have checked their counts, if there is still a difference in the counts, the passbooks are added to the balancing box. The Committee members, with the help of the solidarity group leaders, go through the passbooks one by one and confirm the totals in each account. If there are doubts about the cash count, it is recounted.

If the error is still not found, the teams working in each Compartment switch places, and go through the process again.

When a record-keeper has made an error in the records, it can be hard for that person to notice. International experience clearly shows that a second or third person is more likely to find errors, and find them more quickly. No one should ever be made to feel badly because they made an accidental error in the records, or because they were unable to find it later.

Common entry errors in records include

- switching numbers (for example, entering "3,800" instead of "8,300")
- omitting or moving a placeholder ("120.00" instead of "1200.00")

In the highly unlikely event that balancing cannot be completed during the meeting, the Club should suspend all savings in-flows and new loan disbursements until a satisfactory balance has been achieved. If necessary external support, such as from an experienced leader of another Club, from a local school teacher or similar professional, may be sought.

Closing the Meeting

Once the Club has completed its transactions and balanced, the Chairman closes the meeting.

Chairman: "We plan to have our next meeting on Monday June 9th at our usual time. Please bring up your passbooks if you have not already done so."

It is very important that all the passbooks are stored in the box between each meeting. Before the meeting closes the Money-Counters should confirm that all the passbooks are in the box. If any are missing, they announce it to the whole Club, and the location of any missing passbooks is identified and they are returned to the box.

If the final balances for the two Club accounts (Savings Plan and Current Savings) have not been announced to all their members for their recall at the next meeting, the Chairman does this now.

Cash Management

A Savings Club should always have sufficient cash in its box to pay out at all Savings Plan contracts at each of the following two meetings, even if no other money were to come in at all. Because many Clubs meet every two weeks, this is called the 'one month test'. It answers the question: "will the Club have enough cash on hand to keep its savings plan promises for at least the next month?" For Savings Clubs with reasonable access to a bank branch or agent, cash amounts that exceed this may be stored there.

Note: Savings plan contracts are valued according to the commitment that the Club has made to them, which is limited to *the amount of money members have deposited in them up to the current meeting; not the target savings amount.*

If the bank or agent is far away, and visits are likely to be less often than once in three months, the Club might keep more (for example, enough cash for three meetings). Furthermore, if the Club meets every week, it may wish to keep enough cash on hand to meet all withdrawals for three meetings, since trips to the bank might otherwise become too frequent and costly.

If the Club has no bank account, is balancing regularly and has not yet started lending money, there is no reason why it should ever fail this test. However, once it opens a bank account it must check its cash position at each meeting. If the Club's cash cannot meet the 'one month' test, then representatives should visit the bank and build up the Club's cash on hand so that they will pass this test at their next meeting.

Lending Procedures and Practices

The Lending Decision

The decision to lend is an important one. Lending can increase the profits of the Club, but it involves considerably greater work (in managing loans), and considerably greater risk, especially if members' savings are involved. The Club members may prefer to simply manage savings plans, and deliver to every member the ability to achieve their savings plans, and the confidence that they will receive their money back when their plans mature.

Whether a Club decides to lend or not, it should operate without loans for its first six to twelve months. This is enough time for the Club leadership to learn how to manage savings plans

and current accounts, and begin to earn trust among Club members that it is capable of protecting of their savings.

If the Club decides to go ahead with lending, there are several related decisions it must make.

1. Where will the money come from?

It is recommended that the Club create a separate loan pool, independent of Savings Plans or Current Accounts. Some Clubs may do this by having fundraising events in their villages, and using the funds they raise to lend to members. Other Clubs may issue an "Investment Share Offering" to their members. In this system, each member will agree to contribute a fixed amount (for example \$100 or \$500) to open an individual term share account for themselves that will run for 6-12 months. The members must be given time to raise this money, and may choose to open a Savings Plan to do it.

For example, Lulabona Savings Club might agree to form a 6-month loan pool by asking all members to purchase 1-5 shares at \$100 a share. Three months later, the 25 members make their purchases and together buy 50 shares (\$5,000). This money is then lent out. The borrowers must be members of the Club, and the members agree on certain conditions: no one can borrow more than 1.5X their personal shares; all loans must be paid back within 3 months; the interest rate is 10% flat for the 3 month period.

At the end of the 6 months the loan pool is closed and the funds returned to the members. The profit from the loan pool (net of any losses from non-repayment) is shared between the members in proportion to the shares they own. Members are then free to start another loan pool, if they wish. The length of the term, the length of loans, the maximum loan size and the interest may be the same or different.

2. Should loans be restricted to business purposes, or also be for consumption, emergencies etc.?

It is recommended that loans be restricted to business purposes only (that is, loans should only be granted to members who have a reasonable plan for using the money to earn more money). If the Club is providing quality savings services (savings plans and perhaps also current accounts) members are well positioned to save for consumption purposes. For members and their households, saving for consumption is always better than borrowing for consumption.

Emergency situations can be covered either by a social fund or by the members individually through their current accounts. Social funds may be raised through fundraisers, and set aside for emergencies. In unusual emergencies the Club may also take up a special collection from the members to supplement other sources of funds.

3. How long should loans be, and how should they be priced?

It is recommended to start by restricting the term of the loan pool to 6 months. This allows the Club to gain experience with lending, with determining who is reliable and who is not, etc. It is further recommended that the Club restrict the term of all loans to a maximum of 3 months, and to charge a single fixed rate for the whole period (e.g. 5%, 10%) that is approved at a general meeting of the Club and that applies to all loans issued from the pool.

4. How should loans be approved?

It is recommended that all members who wish to borrow must stand before the membership during a regular meeting and clearly state the amount that they wish to borrow, their purpose, and when they expect to be able to repay the money. The Chairman should open up the request to a discussion, in which any member is entitled to ask questions and/or express an opinion.

The fact that an individual is a member does not entitle them to a loan from the Club. It entitles them to a fair hearing, fair consideration, and fair treatment from the Club. The Club may turn down any applicant for a loan, or lend the applicant a smaller amount than they request, or postpone their loan application to a later date. Members who have borrowed in the past and been late in repaying for no evident reason should under no circumstances be permitted to borrow.

The Club should always specify a reason for their decision, and if possible, a way that the applicant can apply successfully in future. "We would like to lend to you, but we doubt you could repay us because we see that you spend a lot of money on alcohol and betel nut. If you stopped doing that, we would lend you the money that you ask for."

5. How large should loans be, and how much collateral should a borrower put up?

The experience of Savings Club practitioners in the Solomon Islands is that Savings Club loans must be 100% collateralized by the savings of the borrower. Historically, Clubs that have failed have to come to grief after ignoring this rule, and it is observed that borrowers do not repay portions of loans that are unsecured.

Unsecured loans require experience and skills that are not readily found in villages, but this does not mean it is impossible. Lending over savings requires the right conditions. Practitioners can serve villagers well by showing them when the right conditions exist, and by helping them to achieve the right conditions when they don't.

If a Savings Club won't lend over savings, it should simply deliver Savings Plans. Savings Club lending, as it exists in the Solomon Islands today, is essentially saving, not lending. A member saves up enough money to borrow it back, pays interest on the loan, and then gets a rebate of the interest from the Club at the end of the year. The effective result is a zero-interest savings account, except that the member lends the Club some interest during the year, and has to scramble to come up with it.

The Savings Plan system designed here addresses the need for a simpler and more flexible approach to savings.

For Savings Clubs that will risk lending above savings, it is best to take small steps first. The international standard for Savings Groups is to lend members 3 X their personal savings. No other collateral is generally taken, though some Savings Groups do take other collateral as well, like motorbikes or farming equipment. But in the Solomon Islands, with no experience to base such a target on, it is better to start by lending at 1.5 X personal savings. If that works, move to 2 X personal savings, and then to 3 X. Do not hesitate to repossess savings – and quickly – if the member is willfully refusing to repay. A member who is genuinely struggling to repay, but is unable to due to circumstances that were not foreseen when the money was borrowed should be treated firmly, but with sympathy. The Club should help the member with time, but may also charge additional interest if the period is several months.

The process of escalating from 1X savings to 3X savings may take several years. It need not be rushed. The Club should feel that they are in charge of the process, and are not losing control of it.

The biggest challenge in lending, is knowing who to lend to. The fact that someone is a member should not cause the Club to say 'yes' without further reflection. The fact that a person is a neighbour or a *wantok* should not cause the Club to say 'yes' either. Trust in a person's character is not the same as trust in their ability or willingness to manage or repay money. The best way to determine if someone can be trusted to borrow is to look at their savings record, and the Savings Plan system gives Clubs the capacity to do this. Reliable savers are far more likely to be reliable borrowers.

Everyone thinks that they need and deserve money, but some people are far better to receive it as a gift, as the burden of a loan will be beyond their capacity to manage. Some people are especially dangerous because they are powerful, and their demand for money can become a great burden on the Club. This is why all transactions should be processed at a full meeting of members, and why it is essential that the Club is important to the members and they are ready to protect it. The first of the great banks of Renaissance Europe – the Medici Bank of Milan, Italy – failed because it began to lend to princes. These loans seemed tempting because they were big and seemed like an easy profit. But if princes don't repay, what recourse is there?

Of course, it is also essential to follow up on loans that are not being repaid. Villages are very small, and if one borrower is clearly getting away with non-repayment, other borrowers will inevitably ask why they should repay if their neighbour doesn't have to? Repayment is a burden, and it is up to the Club to ensure that it is shared equally, without fear or favour. Savings Clubs should know every source of leverage and pressure that they can bring to bear on delinquent members *before* lending to them. While making the lending decision, they should be asking themselves what they will do in the event of non-repayment. And ultimately they should never forget that it is their money, and they don't have to lend it at all.

Operating a Loan Fund







By integrating a temporary lending cycle into a permanent Savings Club, the Club members are able to increase their savings options and flexibility. At the end of the lending cycle the profit from the cycle is shared among the members proportionate to the number of shares they held as investments. No one is permitted to purchase shares in a loan fund after its operations have started.

Setting up the Loan Fund

Lulabona Savings Club does not begin lending immediately. However, after operating for a year, it decides to offer an Investment Share product and a six-month Loan Fund beginning in March, 2015. The Club members discuss this at their annual meeting in January, 2015. At that meeting they consider ending their Current Savings account. But the 12 members who use the Account use it actively and argue that they would rather not have a Loan Fund if they have to choose between the two. Meeting processes are much faster than last year, and the members finally agree that the whole meeting can still be conducted in under one hour, even if the Current Account continues to operate.

Each of the 25 members agree to save between 1 and 5 Investment Shares, worth \$100 each, between Jan 19 and March 16. On March 16 the Loan Fund will make its first loans.

DIAGRAM 18: A Savings Plan for Investment Shares
SAVINGS PLANS

No.	Target 	Date 	Cash-Out Amount 		
E	Investment Shares	Start 	27/01/2014	5 0 0	Paula
		Finish 	16/03/2014	5 0 0	

The Loan Fund runs until September 28th, when it will wind up and distribute its shares, plus earned interest, back to its members. In total, 55 shares are fully paid up by March 16, raising \$5,500. Partially paid shares are returned to the members in cash. When Florence has completed saving \$500 in her Savings Plan on March 16, she signs for receipt of the cash, and gives it to the Club Secretary (John), who issues her 5 shares of the offering for a total value of \$500.

The shares are issued on the Investment Shares page of the passbook (see below). The Secretary labels this Loan Fund 'A'. Each loan fund in future must have its own unique alphabetic reference. This will be the only Loan Fund labelled 'A' until 'Z' has been used once.

DIAGRAM 19: Opening an Investment Share Plan

INVESTMENT SHARES

No.	Date	Shares #	Investment Value		
A	Purchase	16/03/15	5	5	0 0
	Sale	28/09/15			
B	Purchase	/ /			
	Sale	/ /			

The Club members agree that only members can borrow from the Loan Fund, and that all cash borrowed must be returned no later than the final Loan Fund distribution date, on September 28th. The members also agree to charge a flat 10% for a loan with a maximum duration of 3 months. This charge will be the same for all members; there will be no exceptions.

A member can borrow up to 1.5 X her shares if she has a proven track record of setting Savings Plans and successfully achieving her Plan targets.

If the 3 month deadline for repayment is missed, the Club will charge a \$25 penalty for late repayment to the Loan Fund. If the loan is not repaid by the second week of the fourth month, the Club charges an additional 10% on the initial loan amount. (For example, if the member contributed \$500 in shares and borrowed \$750, the additional charge would be \$75.) Because the interest rate is flat, the charge is \$75 in this case even if the amount outstanding is now only \$100 or \$50. Any member who has not repaid within 6 months of the final due date is automatically expelled from the Club.

Loan Repayments

At Lulabona Savings Club's regular meeting on July 6, 2015 there are loans outstanding, so loan transactions are included in the agenda for the meeting.

Before the box is opened, the Chairperson calls on members to recall the balance in each of Lulabona's three funds (Savings Plan, Current Saving and Loan Fund). After the box is opened, the balance in each of the funds is checked by the Money-Counters and announced to the Club members. The Current Saving and Loan Fund pouches, with their cash, are then returned to the box and the box is closed (but not locked) until the Savings Plan transactions are completed. When the time comes for repayments, the Money-Counters take the loan pouch from Compartment #2 and empty the cash into the money-counting bowl.

Chairman: "Can anyone remind us how much money is in the Loan Fund today?"

Member: "There are \$1,350!"

Chairman: "Thank you! It is now time for members who have borrowed from the Club to make repayments."

Elizabeth comes to the front and announces "I am paying off my full loan amount today."

She gives her cash to the Money-Counters, who count it. Elizabeth up-dates her passbook by herself, and hands it to John to check and for his signature. The Club Secretary reviews Elizabeth's passbook and checks the cash count with the Money-Counters. Once he is satisfied that the count is correct, he signs Elizabeth's passbook and returns it to her.

DIAGRAM 20: Closing a Loan

LOANS

Date	Loan	Interest	Repayment	Balance	
13/04/2015	7 5 0	7 5		8 2 5	John
11/05/2015			1 5 0	6 7 5	John
08/06/2015			2 0 0	4 7 5	John
06/07/2015			4 7 5	0	John
					John

Solomon comes up, without being asked, to pay off a loan that he owes to the Club. While the members are repaying and the Money-Counters are counting the cash, the Club's Secretary reviews the Loan Payment Due form, kept in Compartment 2, to determine if any borrower who is due to pay at this meeting, is not doing so. Each time a member borrows from the Loan Fund, the Secretary adds their name and the amount to the list of borrowers repaying at this meeting. If there are none, he opens as new form. These forms are kept, in order by meeting date, in Compartment #2 with the Loan Fund cash.

DIAGRAM 21: Tracking Late Borrowers

Loan Payments Due

Loan Due Date		06/07/2015	
M#	Member Name	\$s Due	\$s Paid
7	Elizabeth	\$475	
14	Solomon	+	\$250 +
16	Paul	+	\$100 +

Cash due at this meeting: \$825

Secretary: "Paul, are you able to pay this meeting? You owe \$100 to avoid a penalty for late repayment."

Paul (standing up): "My apologies to all. I will pay at the next meeting."

Chairman: "Paul, you have promised this to every member of the Club. Since you are usually a reliable repayer, the Club will give you another meeting. But you will incur another interest charge if you fail to pay next time."

The Secretary up-dates the Loan Payments Due form, and adds Paul's name, and his \$100 outstanding, to the Loan Payments Due form for the following meeting.

Issuing New Loans

Chairman: "Secretary, please tell the Club how much money is available to lend from the Loan Fund?"

DIAGRAM 22: Up-Dating the Loan Payment Due Form
Loan Payments Due

Loan Due Date		<i>06/07/2015</i>			
M#	Member Name		\$s Due	\$s Paid	
7	<i>Elizabeth</i>		<i>\$475</i>	<i>\$475</i>	
14	<i>Solomon</i>	+	<i>\$250</i>	+	<i>\$250</i>
16	<i>Paul</i>	+	<i>\$100</i>	+	<i>\$0</i>

Cash due at this meeting:

\$825	\$725
--------------	--------------

Secretary: "We began this meeting with \$1,350 in the Loan Fund, and \$725 have been repaid today. We now have \$2,075 available to lend."

Chairman: "If anyone is interested in borrowing, please stand now and make your case to the Club."

Doris: "I would like to borrow \$450 to buy a return ticket to Honiara, where I will sell taro and eggplants and green peppers from my garden. I can repay the Club in August."

Chairman: "Thank you, Doris. Are there any other requests for loans?"

There is a pause to allow people to speak.

Chairman: "As no one else has a request, let us deal with Doris' application. What is the value of your shares in the Loan Fund, Doris?"

Doris: "I have three shares worth \$300."

Chairman: "And how many Savings Plans have you completed so far?"

Doris: "So far, I have saved \$1,850 in four plans, and have completed three of them already. In each case I have reached my Savings Plan targets"

Chairman: "Does everyone agree to lend Doris \$450 until July?"

"Yes!"







"Very well. Doris, please bring your passbook up and make arrangements with John."

Doris brings her passbook to John, who enters \$450 on the loan page as well as a \$45 interest charge and a balance of \$495 owing. The Money-Counters count out \$450 and hand it to Doris. As Doris is receiving the money, she must sign her passbook for the accuracy of the amount. She checks the count carefully and when she is satisfied signs her passbook in front of the Secretary, and then returns to her place.

Once all loan transactions for the meeting are completed, the Money-Counters count the total cash in the Loan Fund and announce the result to the Club.

DIAGRAM 23: Issuing a New Loan

LOANS

Date	Loan	Interest	Repayment	Balance	
					
25/05/2015	4 5 0	4 5		4 9 5	Doris

Money-Counter: "The Loan Fund now has \$1,625 in cash available."

The Secretary checks the number, making notes in his exercise book:

\$1,350	+	\$725	-	\$450	=	\$1,625
<i>[opening balance]</i>		<i>[loan repayments]</i>		<i>[new loans]</i>		<i>[closing balance]</i>

Chairman: "Secretary, do your records agree?"

Secretary: "Yes!"

Chairman: "Everyone, the Loan Fund now has \$1,625 in cash. Please remember it!"

Closing a Loan Fund

On September 28, 2015, Lulabona Savings Club closes its loan fund on schedule. Just as Savings Plans should never be extended, neither should Investment Savings accounts or Loan Funds. (The one exception to this is the occurrence of a disaster that affects all the members, such as a flood or a very serious crop failure.) The Treasurer and Secretary visited the bank in early September and returned with the \$1,000 that had been stored there.

At the closing meeting, two members have overdue amounts, totaling \$400. Peter borrows his outstanding of \$150 from a relative and barely manages to settle his account before the meeting ends.

Sarah negotiates with the Club that she will change the goal of her current Savings Plan, which has \$180 in it, into repayment of her outstanding amount of \$250. She will make the repayment at the next Club meeting.

Chairman: "Money-Counters, please count the cash in the Loan Fund pouch!"

Money-Counters: "We have counted the money in the Loan Fund, and it contains \$5,950!"

Chairman: "Secretary, do you agree with this count?"

Secretary: "Based on my tallies during the meetings since the Fund opened, this count is correct. The total will be \$6,200 when Sarah is completed her repayment."

Chairman: "Treasurer, how much money will each member receive from their Investment Savings?"

Treasurer: "Every member will receive \$108 per share today, and another \$4 per share at the next meeting." The Treasurer rounds the figures down, so that finding the right change will not be a problem. The surplus funds, which will usually be a small rounding error, are placed in the profit pouch in compartment #4 until the next annual distribution.

Chairman: "Members, please bring your passbooks, put them on the mat in numerical order starting on the left, and then return to your places. Please do not pick them up or handle them again until the Committee members have completed their work."

The members bring their passbooks together and lay them out, in numerical order, on the mat. The Committee members pick up each passbook and check the number of shares owned by the member in the Investment Savings page of the passbook. They then insert the correct sum of cash at that page, close the book and return it to its place in the line.

Chairman: "Thank you! Treasurer, could you please up-date the Club on the results."

Treasurer: "Yes. Our 25 members had a total of 55 shares, and we distributed \$5,940 to the 25 passbooks. We still have \$10 in cash." The Treasurer puts the \$10 in the Fees and Fines bowl in front of the Chairman.

Balancing: Savings and Loans

The balance example in TABLE 6 is for Lulabona Savings Club on July 6, 2015. The Club now has a bank account, opened at a bank branch about 25 kms away by boat.

TABLE 6: Exemplary Contents of a Cash Box, Savings and Loan Clubs

Contents of the Cash Box, July 5th, 2015	
<p><u>Compartment 1</u></p> <ul style="list-style-type: none"> • the Current Savings passbooks; • the pouch holding \$1,851 in Current Savings cash, recalled and counted again during the meeting today; • four pages of running Total Club Cash forms, since inception in January 2014; • all the 'Cash Required' forms for future meetings, plus the last 4 Cash Required forms, sorted starting farthest in the future; and • a bank account statement, showing a balance in the Club's name of \$5,500. 	<p><u>Compartment 3</u></p> <ul style="list-style-type: none"> • the Savings Plan passbooks; • the Savings Plan ledger; • the pouch holding \$3,429 in Savings Plan cash; and • the cash receipts for \$4,500 in deposits from the bank (not the bank statements, which are kept in Compartment 1).
<p><u>Compartment 2</u></p> <ul style="list-style-type: none"> • the pouch holding \$1,625 in Investment Savings/Loan Fund cash; • all the 'Loan Payments Due' forms for the Loan Fund, up to its closing on Sept 28th, sorted in chronological order with the last on top; • the cash receipt from the bank for \$1,000 for Loan Fund cash (but not the bank statements, which stay in Compartment 1). 	<p><u>Compartment 4</u></p> <ul style="list-style-type: none"> • the pouch holding \$245 in fees and fines collected since the Club's Annual Meeting in January 2015; • four pages of running Total Club Profit forms, since inception in Jan 2014; and • the balance sheets, sorted with the most recent ones first.

At this stage the solidarity groups all know how to add the figures, and substantially complete this task at the same time that the transactions are completed. A couple of groups still need

to borrow a calculator from the Committee to finish their work, and this adds a few minutes to the process.

The totals given by the groups -- \$9,429 for Savings Plans balances, \$1,851 for Current Savings balances, and \$15 for profit this meeting – tally with the totals prepared earlier by the Treasurer in the Savings Plan ledger, the Secretary in the Current Savings form, and the Chairman in the Total Club Profit form.

Compartment #1 (Cash)

In preparing the Cash Required form for July 6, 2015, the Treasurer reports that cash in the box is close to failing the two-meeting test, as \$4,220 will be required in the next two meetings, and only \$4,650 are available (see the Total Club Cash form Rose prepared, below). The ups and downs in the total Savings Plans are quite irregular, due to the many different plans that members have.

DIAGRAM 24: Completed Total Cash Form

Total Club Cash				
	Cash in Box	Cash in Bank		Total
		Account #1	Account #2	
<i>Balance forward, previous record</i>				
25 / 05 / 15	5,857	7,000	0	= → 12,857
08 / 06 / 15	7,223	7,000	0	= 14,223
22 / 06 / 15	6,330	7,000	0	= 13,330
06 / 07 / 15	5,650	7,000	0	= 12,650
/ /				=

For this reasons, the Treasurer requests that the Club redeem \$2,000 in total to address Savings Plan requirements for the coming meetings. The Chairman and Secretary, who are traveling to town next week, make a note of the requirement.

Compartment #2 (Loans)

At the last meeting, which was the mid-point of the Loan Fund's operation, the Club conducted a special balance of Compartment 2. After the final cash count for the Loan Fund for the meeting had been counted and confirmed, the Chairman asked all the members who have loans, or have paid loans off during the cycle, to present their passbooks to the Committee.

Since the Secretary normally makes the entries, the Treasurer conducted the balance. This involved comparing the current balances in all the passbooks of affected members (7 in this case) with the records in the Payment Due forms, to determine if the total balance outstanding with members (including interest owing) was the same in both cases.

While there was one small problem with a passbook that had not been properly up-dated, when this was resolved the compartment balanced, and the Club closed its meeting.

Compartment #3 (Savings)

The Club now has 3 pouches holding cash: one for Savings Plans, one for Current Savings and a third for Investment Shares.

Compartment #4 (Profit)

The Club conducted a distribution in December, in which \$275 were shared with the 25 members (\$11 each). The purpose of the distribution was to clear the funds off the books. The

Club has agreed that the amounts involved – mostly fines for late attendance and missed meetings – are too small to keep detailed records. However they agree to keep a running balance so that the Secretary can balance the total cash. Today the Chairman counts the money and finds \$245 in the Pouch #4. Fees and fines totalled \$15 during the meeting, and at the last meeting the contents were \$230.

Balance Sheet

Rose prepares the balance sheet for the meeting, which shows that the Club is in balance except for the immediate delinquency of \$100 from Paul. Since this is not yet serious and this statement is not for reporting purposes, she leaves the imbalance as it is, and signs and dates the balance sheet.

DIAGRAM 25: Completed Balance Sheet (Interim)
Sources and Uses of Club Money

Date of Meeting	06/07/2015		Signature	Rose	
1 Cash	A	\$12,650	What We Owe	D	\$15,280
Box		\$7,150	Savings		\$15,280
Bank		\$5,500	Borrowings		\$0
2 Loans	B	\$2,775	What We Own	E	\$245
To members		\$2,875	Profit up to last meeting		\$230
[Doubtful loans]		-\$100	Profit this meeting		\$15
TOTAL USES OF CASH (A+B=C)	C	\$15,425	TOTAL SOURCES (D+E=F)	F	\$15,525

Chairman: "I am pleased to announce that the box is balanced! Is there any other business that the members wish to discuss during this meeting?"

Annual Election Meeting (AEM)

The Annual Election Meeting will take place at a fixed time each year – for example the first week of November, or the last week of March, etc. At least two-thirds of the members must attend the Annual Election Meeting, or it must be rescheduled to another date.

The AEM includes three agenda items that do not take place in other Club meetings.

1. The annual election of Club office-holders.
2. The distribution of the dividend.
3. The annual feast.

Annual Election of Officers

Regular elections are very important for the success of a Savings Club, for the sound management of Club loans, for the maintenance of good records and especially for the safety of the savings, all of which are primarily the responsibility of the Club's office-holders.

A regular rotation of officers helps ensure that many people have the capabilities required to run the Club. This is good for each of those who get the opportunity to serve, and it is also good for the Club as a whole because if one capable leader migrates to Honiara, there will be others capable of taking her place. Regular rotation also helps to keep trust in the Club high among members. It does not prevent energetic and capable people from continuing to serve, as there are several different roles available. But it does ensure that individual office-

holders do not become bored or complacent in their work, or begin to feel too burdened by it, or unable to step away.

A member may be elected to the same position no more than three (3) times, and each term can last no longer than one (1) year. After three years a member may continue to serve on the management committee, but must be elected to a different role.

TABLE 7: Election Methods

CLUB ROLE	ELECTION METHOD	
	Show of Hands	Secret Ballot
	<ul style="list-style-type: none"> • Money-Counter • Box-Keeper • Key-Holder 	<ul style="list-style-type: none"> • Chairperson • Treasurer • Secretary

To conduct election by secret ballot, the Club uses the money counting bowls, which are emptied and serve as the ballot box. Each candidate for the offices of chairperson, treasurer and secretary shall be assigned a number. Each member will write the number of the candidate they support on a slip of paper, fold the slip of paper so that the number cannot be seen by other members, and drop it in balloting bowl. A team of 3 members who are not on the management committee and are not running for office will then bring the ballots into the centre of the assembled group of members, lay them out on the ground or on a table where everyone can see them; count them, and announce the number of the successful candidate.

Distribution of Dividends

Profits are distributed according to the timing and methods of distribution noted in **TABLE 8**.

The permanent equity in a successful savings club is not composed of cash but of member confidence. For this reason, every member is entitled to an equal distribution of all accumulated funds from Savings Plan fees and fines, after adjusting for any club expenses, at least once a year.

TABLE 8: Club Distribution of Profits

Profit Account	Timing	Mode of Distribution
Fees and Penalties <ul style="list-style-type: none"> • Savings Plan fees • All penalties (except penalties on loans) charged under the Club Constitution 	<ul style="list-style-type: none"> • Annually at date of Club's choosing. 	<ul style="list-style-type: none"> • Distributed equally to all members.
Interest on Loans <ul style="list-style-type: none"> • Interest on loans • Penalties on loans 	<ul style="list-style-type: none"> • At the scheduled close of each Loan Fund 	<ul style="list-style-type: none"> • Proportionate to the number of shares owned by the members in the Loan Fund.

The lending operation is a separate project of the club, in that capital is raised separately, and interest accounted for separately. All interest from the lending operation should be distributed proportionate to the number of shares owned by each member in the loan pool.

Like member savings and loans, all equity has a pre-agreed and pre-scheduled completion and exit date. No money stays in the Club permanently, as permanent capital is always at greater risk than capital with a clear exit date.

Action Audits

An action audit is traditionally viewed as a routine end-of-cycle procedure for temporary savings groups, such as informal ASCAs or their engineered cousins (VSLA, SILC, etc.). But in fact it should be viewed as an *administrative option* that is open to any group, at any time. Action audits can offer a path out of many difficult problems, and should especially be considered if the group is locked in an unsolvable dispute, or when group operations are effectively dormant. NGOs that are incubating groups can also order them to conduct action audits, for example when they find that money is missing, or feel that the group's management are corrupt.

An action audit is the informal sector's equivalent of an ordinary audit. An ordinary audit of any financial institution requires components that are rarely found in villages: such as records prepared and stored according to standard protocols, financial statements with adjusting entries, and certified auditors. The purpose of an audit is to assure the users of the records, such as members of savings clubs who hold accounts there, that the records are accurate and complete. In other words, an audit assures people who trust the organization with their money that their trust is not being abused.

An action audit allows the members of a savings club to accomplish the same result (and does so, if anything, with greater certainty). It answers every member's unspoken question – "where is my money?" -- by giving it to them. Informal financial groups, including ASCAs and ROSCAs, which can be found in most of the world's countries in one form or another, have worked on this principle for centuries.² They distribute their assets frequently; usually at the end of an operating cycle of less than 2 years.

The Action Audit Process

At any ordinary meeting, the membership may set a date for an action audit: preferably about 1 month away, and no more than 2 months away. This is far enough in the future to permit everyone who is borrowing to make reasonable arrangements to repay. It is also close enough to offer everyone hope for an expedient resolution, and perhaps even for a fresh start.

If the members decide to perform an action audit, they must elect a chairman for the action audit meeting. This may, or may not, be their ordinary chairman. This individual need not even be a member of the Club. For example, s/he may be a member of another Club in the village.

The important consideration is that the person be accepted and trusted by the whole membership as the best person to oversee the process. The process includes

- ensuring that the assessment of who still has loans outstanding, and how large those loans are, is accurate and fair;
- ensuring that the assessment of who has claims on the savings of the Club, and how large those claims are, is accurate and fair;
- presiding over a public process to resolve those claims;
- acting as trustee for payments that reach the Club after the action audit date, and distributing those sums to members with outstanding claims, using an accurate and fair process.

If the members of the Club believe that the rules of the Club were not respected by the chairman and the committee, they may wish to replace these individuals. This is especially true if loans were issued by the chairman and the committee that were larger than those permitted by the Club rules.

² An excellent summary of the operations of ASCAs and ROSCAs can be found in Rutherford, Stuart. The Poor and their Money, Oxford University Press, Delhi, 2000.

Between the meeting at which the decision is made to perform an action audit, and the date of the action audit itself, there is no requirement to have meetings, but if any meeting is to take place, it must be a full meeting, with all members present. At such a meeting loan repayments may be made, but no other transactions are permitted. If there is a serious problem of long overdue loans, a general amnesty may be called, in which all members with overdue loans can repay without overdue interest charges. If deposit contracts are in force, their end dates are automatically changed to the date of the action audit.

During the waiting period before the action audit all documents and cash should be kept in a secure place. If the group has a triple-lock box, 3 key-holders and a box-holder; then the documents and cash can be store in box, in the box-holder's house. If the group does not have provision for secure storage of documents and cash, other provisions must be made. Documents and cash may be stored with individuals who have the trust of all members of the group, such as chiefs, elders, public officials, etc; in the village or in a nearby community.

The Action Audit Meeting

At the action audit meeting the Committee should be sitting in their normal positions, where they will be expected to manage transactions and up-date records. All cash and other documents (passbooks, member ledgers and the Club registration form) must be available.

It can be helpful to include a local authority figure in this meeting, such as the village chief, one or more religious leaders, teachers or public officials, etc.

Chairman [from the member register]: "I am now going to read the list of registered members of the Club, from the member register. The Club includes the following members ... [the Chairman names them] ..."

"Is there any name missing from this list, that should be there?"

If the member register has not been kept up to date, there may be missing names. Individuals should stand and present their claim to be members. For example, they may testify that they have a passbook, or that there is a member register in their name. In complex or unusual cases the Chairman will facilitate a discussion among the members about the merits of the claim, and can bring the matter to a vote.

Once the discussion and voting is over, the Chairman up-dates the member register.

Chairman: "Is there any name that should not be on this list, but is?"

Again, if there is a need for discussion among the membership the Chairman facilitates it and as required, calls votes. When the discussion and voting is completed the Chairman concludes by reading the full member register, as amended.

Once the discussion and voting is over, the Chairman again up-dates the Member Register.

Chairman [from the member register]: "As of [today's date] the Club includes the following members ... [the Chairman names them] ..."

Chairman: "Could the members please come up and collect their passbooks."

After the members have collected their passbooks, the Chairman says: "Could the Treasurer please up-date the Club on the amount of savings owed by the Club to each member?"

Treasurer [from the member ledgers]: "The names of the members, and the amount of savings they have in Club accounts, are as follows ..."

Chairman: "Does any member dispute the amount read by the Treasurer?"

If there is a dispute, it must be resolved by comparison of passbooks and ledgers, and if necessary by member recall and voting. Once the disputes have been resolved, the Chairman will say, "Treasurer, please announce the total savings in the savings accounts of the members."

Treasurer [reading from the ledgers]: "The total savings in the savings accounts of our Club are SI\$ "

Chairman: "Thank you, Treasurer! Now, if there is any individual who owes money to the Club and is waiting to repay it, please come up with your repayment now."

Some borrowers come up and make their payments to the secretary, who up-dates the member ledgers and loan register.

Chairman: "Secretary, please inform the members of the Club – have all the loans owing to them been repaid?"

If the answer is 'yes', then the cash count, followed by the distribution of assets, can begin. If the answer is 'no' then the Chairman continues.

Chairman [from the member ledgers, or (if available) the loan register]: "I am now going to read the list of borrowers who have outstanding loans, still unpaid and owing to the Club's members. The delinquent borrowers include the following ... [the Chairman names them and states the amounts that they owe, and the length of time that has passed since the money was to have been repaid] ..."

Chairman: "Can the borrowers please describe to the Club their plans for repayment?"

As the borrowers state their plans, the Secretary prepares a promissory note for each one and the Chairman asks the borrower to come to the front and sign it, with the other Club members as witnesses.

In situations in which the borrower does not speak up, the Chairman will probe the assembly further.

Chairman: "Can anyone who is related to [Chairman names the borrower] speak on their behalf?"

The Secretary and the Chairman prepare a list of the individual borrowers and amounts that are still outstanding and not accounted for through promissory notes during this meeting.

Chairman: "Treasurer, could you please deduct unpaid loans, including accumulated interest, from the savings account claims of the members who have borrowed and not repaid?"

The Treasurer and Secretary work together on this task. When they are completed, they pass their work to the Chairman, who reads it out to the meeting.

Chairman: "I will now read the names of the borrowers who have not repaid, the amount of savings that they hold at the Club after their delinquent loans are deducted, and the amount of money they still owe the Club, if any."

Once all the money from outstanding loans has been paid in, and all savings claims of delinquent borrowers have deducted, and a list of remaining outstanding loans has been finalized, the Club's cash is counted and the distribution begins.

Calculating the Claims of Delinquent Borrowers

One purpose of the action audit is to demonstrate publicly that the rules of savings clubs can be respected, even if some individuals within them did not respect them during ordinary operations. When conducting an action audit, it is possible that loans have been unpaid for a very long time – for example several years.

For example, the Club's interest rate on loans may have been set at 5% a month. Thirty-eight months ago George borrowed \$1,400 and has not repaid a single dollar. In this case the Treasurer multiplies 38 by 5% (=1.9) and then multiplies this by \$1,400 (= 2,660). This interest is added to the original loan, leaving an outstanding balance owing of \$4,060. This is the true amount that George owes the Club and the Club has a right to collect it. Unless George's savings account balance exceeds \$4,060, it can now be cancelled in full.

The Club may, if it sees fit to do so due to the circumstances, offer George an amnesty on the interest or on a portion of the interest. However, unless George has been making a genuine effort to repay the loan, both before the action audit was called and in the weeks leading up to it, the Club should cancel all of George's savings up to \$4,060. It is the actions and attitude of people like him that has blocked other members from access to their savings and to loans, put their savings at risk, and led to the cost and effort of the action audit.

Chairman: "Could the money-counters please count the cash?"

When that task is completed, and the results announced to the Club, the Chairman says: "Treasurer, please itemize the total funds, in cash and outstanding loans, available to the Club?"

Treasurer: "The Club has total cash of _____, promissory notes for _____ due during the next 2 months, and _____ in delinquent loans which are not backed by promissory notes."

Chairman: "The Club currently has SI\$... in cash available, and SI\$... in claims from members with savings accounts. Is this correct?"

Treasurer: "Yes."

Chairman: "Please distribute all the cash to the members in proportion to their claims."

The Treasurer and Secretary work together on preparing the distribution. First, they establish the amount of cash to be paid to each member for every \$1 in savings the member owns. This is done according to the following formula.

$$\frac{\text{Total cash owned by the Club}}{\text{Total claims on the Club's cash by members}} = \text{Member Claim Value per \$}$$

For example, if the Club has cash of \$8,734 before delinquent loans, and the members have claims for \$10,424, the member claim value per dollar is

$$\frac{8,734}{10,424} = \$0.83787$$

The Treasurer and the Secretary then multiple this number by the claims of each member. For example, Rachel has a balance in her savings accounts of 1,615.

$$\$1,615 \times \$0.83787 = \$1,353.17$$

Once the members have been paid, the Chairman concludes the meeting.

Chairman: "The Club still has outstanding debts from borrowers totalling including promissory notes, payable within the next 2 months, of I have been appointed by the Club to act as trustee for all repayments, and it is my duty and intention to ensure that all future repayments will be distributed to registered members proportion to their claims, as established at this meeting."

As this example illustrates, action audits will not always result in the members getting all their savings back. But keeping a group operating when there are delinquent borrowers in the village does not increase the likelihood of repayment. The longer the club continues -- without the delinquent borrowers repaying, and with very little evidence of any activity at all -- the less likely it becomes that they *will* repay. An action audit creates one final burst of very public pressure to repay. The real impact of continuing the club is that the savers can't get *any* of their savings back. Instead, they wait and they wonder: "will more borrowers take more money and not repay it? Will even more of my savings be lost before this is over?"

Savers didn't cause the problem, and shouldn't be made to suffer due to the irresponsible actions of a few individuals.

The reason an action audit is difficult is because it requires people to admit a fact that they don't want to admit -- that they have lost money in their savings club. None of us like to admit to losses of any sort, but we all know that sometimes, losses happen.

Accepting them lets us put them behind us. Accepting them gives us a chance for a fresh start.

Appendices

1. The Balancing Process: Step by Step

June 19th, 2015

Toghe Savings Club begins its operations on June 19th, 2015. When it starts, it has a standard steel box with 3 locks divided in four parts, savings and loan passbooks for its 25 members, a set of Club record forms and zip-up cash bags. Salome, an older mother of six who is not on the committee, brings three bowls from her kitchen to the meetings for counting cash.

The previous week the group paid for the box and equipment with a cash collection taken equally from each member. This cash collection included a Savings and Loan passbook for every member. These transactions were witnessed by the whole group in its meeting, and no further record was required.

At the start of the Club's first operational meeting on June 19th, the box is in its **starting balance** position. It has no cash in it, and all the operational forms are still blank. Value on the left side is "0", and value on the right side is "0", so that the left side = right side.

	LEFT SIDE	=	RIGHT SIDE	
<p>The box in the 'Starting Balance' position</p>	<p>1</p> <p>Cash in Box and Bank</p> <p>\$0</p> <p>(cash in box)</p>		<p>3</p> <p>What We Owe</p> <p>\$0</p> <p>(member savings deposits)</p>	
	<p>2</p> <p>What We Are Owed</p> <p>\$0</p> <p>(no loans yet)</p>		<p>4</p> <p>What We Own</p> <p>\$0</p> <p>(no profit yet)</p>	

During the meeting all 25 members begin their first savings plans. A total of 31 savings plans are opened, and \$163 collected in savings. The Club charges \$2 for opening a savings plan, so an additional \$62 (31 X \$2) is collected in savings plan fees. At the close of the meeting the passbooks are stored in Compartment 3 of the box (Savings) while the cash is stored in Compartment 1 (Cash).

At the end of the meeting, the box looks like this.

	LEFT SIDE	=	RIGHT SIDE	
The position of the box after the first meeting	1 Cash in Box and Bank \$225 (cash in box)		3 What We Owe \$163 (member savings deposits)	
	2 What We Are Owed \$0 (no loans yet)		4 What We Own \$62 (profit this meeting)	

Based on the position of the box, at the close of the meeting the Treasurer (Thelma) completes the 'Sources and Uses of Club Cash' form.

- In section 3 of the form, she writes \$163, because there are records in Compartment 3 of the box (savings) showing that members have deposited \$163.
- In section 4 of the form, she writes \$62, because there is a record in Compartment 4 (profit) showing that members have paid \$62 in savings plan fees.
- In section 1 of the form, she writes \$225, because there is \$225 of cash in Compartment 1 of the box.
- Compartment 2 of the box is empty, because the Club has no loans. So Thelma leaves section 2 of the form blank.
- She then sums the totals at the bottom, and arrives at \$225 for 'Total Sources of Cash' and \$225 for 'Total Uses of Cash'.
- Everything is balanced!

Sources and Uses of Club Cash

Date of Meeting	<u>19/06/2015</u>	Signature	<u>Thelma</u>
1 Cash Box Bank	A \$225 <hr/> \$225	3 What We Owe Savings Borrowings	D \$163 <hr/> \$163
2 Loans To members [Doubtful loans]	B	4 What We Own Profit up to last meeting Profit this meeting	E \$62 <hr/> \$62
TOTAL USES OF CASH (A+B=C)	C \$225	TOTAL SOURCES OF CASH (D+E=F)	F \$225

July 3rd, 2015

At the July 3rd meeting 24 members attend, including 2 who are late. Late members are charged a penalty of \$1 each, which is added to the Club profit, along with fees for opening two new savings plans. The members contribute \$136 to their savings plans. The first savings plan, belonging to Edith, matures and she receives \$35 in cash from the box. As a result the Club now owes another \$101 (\$136-\$35) to its members under the various savings plans.

	LEFT SIDE	=	RIGHT SIDE	
The position of the box after the second meeting	1		3	
	Cash in Box and Bank		What We Owe	
	Last meeting \$225		Last meeting \$163	
	This meeting <u>\$207</u>		This meeting <u>\$101</u>	
	Total \$332		Total \$264	
	2		4	
	What We Are Owed		What We Own	
	\$0		Last meeting \$62	
	(no loans yet)		This meeting <u>\$6</u>	
			Total \$68	

Thelma, the treasurer, completes the 'Sources and Uses of Club Cash' form.

- In section 3 of the form, she writes \$264, because \$101 additional dollars have been added to savings since the last meeting (\$136 deposits less \$35 withdrawals).
- In section 4 of the form, she writes \$68, because \$6 additional dollars have been added to the profit, and nothing has been taken out.
- In section 1 of the form, she writes \$332, because the money counters have counted the cash, checked it and announced the total ("\$332") to the Club.
- She leaves section 2 of the form blank, because the Club has not yet lent out any money.

Sources and Uses of Club Cash

Date of Meeting	<u>03/07/2015</u>	Signature	<u>Thelma</u>
1 Cash	A <i>\$332</i>	3 What We Owe	D <i>\$264</i>
Box	<i>\$332</i>	Savings	<i>\$264</i>
Bank		Borrowings	
2 Loans	B	What We Own	E <i>\$68</i>
To members		4 Profit up to last meeting	<i>\$62</i>
[Doubtful loans]		Profit this meeting	<i>\$6</i>
TOTAL USES OF CASH (A+B=C)	C <i>\$332</i>	TOTAL SOURCES OF CASH (D+E=F)	F <i>\$332</i>

July 17th, 2015

At the July 17th meeting 24 members attend, including 1 who is late. The member who missed the July 3rd did not send in a contribution, so she is fined \$2 for missing the meeting. Three new savings plans are sold, and two more are cashed out. Andrew and Josephine receive cash from the box totalling \$65. The treasurer records contributions of \$169 to member savings plans. As a result the Club now owes another \$104 (\$169-\$65) to its members under the various savings plans. The Club now has \$463 in its cashbox, including \$131 from this meeting.

	LEFT SIDE	=	RIGHT SIDE	
The position of the box after the third meeting	1		3	
	Cash in Box and Bank		What We Owe	
	Last meeting \$332		Last meeting \$264	
	This meeting <u>\$131</u>		This meeting <u>\$104</u>	
	Total \$463		Total \$368	
	2		4	
	What We Are Owed		What We Own	
	\$0		Last meeting \$68	
	(no loans yet)		This meeting <u>\$9</u>	
			Total \$77	

Thelma sets to work at the end of the meeting and prepares a balance sheet. But it doesn't balance! It is off by \$18, as the sources of cash are less than the uses of cash.

Thelma and the rest of the members know that the balance sheet was balanced at the last meeting, and in the previous meetings. So, she reasons, if it doesn't balance this meeting, the problem must have happened at this meeting. She hopes it will still be easy to find the mistake.

Sources and Uses of Club Cash

Date of Meeting	<u>17/07/2015</u>	Signature	<u>Thelma</u>
1 Cash	A \$463	3 What We Owe	D \$368
Box	\$463	Savings	\$368
Bank		Borrowings	
2 Loans	B	What We Own	E \$77
To members		4 Profit up to last meeting	\$68
[Doubtful loans]		Profit this meeting	\$9
TOTAL USES OF CASH (A+B=C)	C \$463	TOTAL SOURCES OF CASH (D+E=F)	F \$445

Doris (the chair of the Club): "Money-counters, could you please re-count the cash in the box?"

The money-counters re-count the cash in front of the members. "Madame Chair, the box contains \$463 in cash!"

Doris: "Could the solidarity group leaders please report the total savings in their groups' passbooks?"

Group Leader #1: "Our group has \$63 in savings!"

As each group leader announces the group total, Thelma checks the figures in her savings ledger.

Group Leader #4: "Our group has \$91 in savings!"

Thelma goes and sits with the group, and looks at their passbooks. One member saved \$42 today, but Thelma wrote "\$24" in her exercise book. The number "42" is recorded in the member's passbook, and the member insists that it is correct. Thelma remembers entering the number, and thought she had written "\$42", so she recognizes her error immediately.

Numerals often and easily get reversed; it is a very common mistake. Thelma corrects her work in the savings ledger.

Group Leader #5 provides his report, and the figures tally.

Sources and Uses of Club Cash			
Date of Meeting	<u>17/07/2015</u>	Signature	<u>Thelma</u>
1 Cash Box Bank	<div style="border: 1px solid black; padding: 2px; margin-bottom: 2px;">A \$463</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 2px;">\$463</div> <div style="border: 1px solid black; padding: 2px;"> </div>	3 What We Owe Savings Borrowings	<div style="border: 1px solid black; padding: 2px; margin-bottom: 2px;">D \$386</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 2px;">\$386</div> <div style="border: 1px solid black; padding: 2px;"> </div>
2 Loans To members [Doubtful loans]	<div style="border: 1px solid black; padding: 2px; margin-bottom: 2px;">B</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 2px;"> </div> <div style="border: 1px solid black; padding: 2px;"> </div>	What We Own 4 Profit up to last meeting Profit this meeting	<div style="border: 1px solid black; padding: 2px; margin-bottom: 2px;">E \$77</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 2px;">\$68</div> <div style="border: 1px solid black; padding: 2px;">\$9</div>
TOTAL USES OF CASH (A+B=C)	<div style="border: 1px solid black; padding: 2px; background-color: #e0e0e0;">C \$463</div>	TOTAL SOURCES OF CASH (D+E=F)	<div style="border: 1px solid black; padding: 2px; background-color: #e0e0e0;">F \$463</div>

With the reports from the solidarity groups in, the savings ledger is fully verified, and Thelma corrects the balance sheet, leading to the result above.

Doris: "I want to congratulate Thelma, the money-counters and the solidarity groups for their very good work! By working well together, we can operate our own bank right here in Toghe!"

Feb 12, 2016

Toghe Savings Club issues an investment share offering to its 26 members on Nov. 28, 2014.

Now that the Club is lending out money, it maintains two cash pouches: one for savings plans and the other for investment shares + loans. Members are asked to recall the amount of money in each cash pouch at the close of each meeting and the opening of the next one. Each cash pouch is emptied at the start of the meeting into a money-counting bowl and the count is checked at the start and end of each meeting.

The investment share offering raises \$4,000. By the end of the Club's meeting on January 30th, 2016, it has already lent out \$3,000, all of it for a 3-month period at 5% flat. To date, members have paid back \$600 and interest totalling \$150 has been collected.

As a result, there is \$1,750 in the loan pouch, including the interest which is stored in this pouch until the final distribution to the shareholders. This pouch is stored in Compartment #2. The amount owed to the loan fund is tracked on a running basis by the Secretary, and can be checked at any time by asking for reports from the solidarity groups, based on the records in the passbooks.

	LEFT SIDE	=	RIGHT SIDE	
The position of the box at the start of the meeting Feb 12, 2016	1 Cash in Box and Bank Last meeting \$3,665 This meeting _____ Total		3 What We Owe Last meeting \$5,841 This meeting _____ Total	
	2 What We Are Owed Last meeting \$2,400 This meeting _____ Total		4 What We Own Last meeting \$224 This meeting _____ Total	

At the opening of their next meeting (Feb 12, 2016) their cash box shows the balanced position above, identical to its position at the close of their last meeting, on January 30.

At this meeting, the members contribute \$316 to savings plans, and four members redeem matured plans worth \$212, which means that the total debt of the Club to its members rises by \$104. Three members borrow a total of \$460, and five members make loan repayments worth \$380, increasing the loans outstanding by \$80. Cash in the loan pouch drops to \$1,670. The Club collects \$6 in penalties and \$8 for opening new savings plans.

LEFT SIDE

=

RIGHT SIDE

The position
of the box
at the close of
the meeting
Feb 12, 2016

1	3
Cash in Box and Bank	What We Owe
Last meeting \$3,665	Last meeting \$5,841
This meeting <u>\$38</u>	This meeting <u>\$104</u>
Total \$3,703	Total \$5,945
2	4
What We Are Owed	What We Own
Last meeting \$2,400	Last meeting \$224
This meeting <u>\$80</u>	This meeting <u>\$14</u>
Total \$2,480	Total \$238

Based on this Thelma balances the Club's box at the end of the meeting, preparing the following "sources and uses of Club cash" form.

Sources and Uses of Club Cash

Date of Meeting	<u>12/02/2016</u>	Signature	<u>Thelma</u>
1 Cash	A \$3,703	3 What We Owe	D \$5,945
Box	<u>\$3,703</u>	Savings	<u>\$5,945</u>
Bank		Borrowings	
2 Loans	B \$2,480	What We Own	E \$238
To members	<u>\$2,480</u>	4 Profit up to last meeting	<u>\$224</u>
[Doubtful loans]		Profit this meeting	<u>\$14</u>
TOTAL USES OF CASH (A+B=C)	C \$6,183	TOTAL SOURCES OF CASH (D+E=F)	F \$6,183

2. Club Constitution

1. BASIC INFORMATION ON THE SAVINGS CLUB

Name of the Club _____
Village/District/Island _____
Date the Club was formed: _____

2. OBJECTIVE OF THE CLUB

The purpose of our Savings Club is to be an independent, profitable provider of financial services to our members. The services our Club provides in order to do this are:

3. RELATIONSHIP TO EXTERNAL SOURCES OF FINANCE

Our Club will not borrow from any financial institution during its first year of operations. If it does so in future years, it will follow these rules:

- Member savings shall not be used as collateral for borrowing from any financial institution.
- The Club will take the loan, not individual members.
- The Club will on-lend the funds to its members, and will not provide information about this to the financial institution.

4. WHO MAY BE A MEMBER OF THE GROUP?

Minimum age _____
Sex _____
Residence _____
Other _____

5. OFFICIALS

- The Club will have a Management Committee composed of a Chairperson, a Treasurer, a Secretary and 2 Money-Counters.
- Other roles will be drawn from the members who are not on the Management Committee, including 3 Key-Holders and 1 Box-Holder.
- Other Roles _____

6. ELECTION PROCEDURES

- Elections must be held during the Annual General Meeting (AGM). The AGM will take during the [number of the week] _____ week of [name of month] _____ every year.
- A member may be elected to the same position no more than three (3) times, and each term can last no longer than one (1) year. After three years a member may continue to serve on the management committee, but must be elected to a different role.
- To conduct an election, no less than two-thirds of the members must be present and must vote. If this is not possible at the regularly scheduled election, the election must take place at the earliest meeting at which two-thirds of the members are present and able to vote.
- The election of the Chairman, Treasurer and Secretary will take place by secret ballot.
- The election of the Money-Counters, Box-Keeper and Key-Holders will take place by show of hands.
- A money-counting bowl will be used as a ballot bowl. Each member will write the number of the candidate they support on a slip of paper, fold the slip of paper so that the number cannot be seen by other members, and drop it in the cash box. The ballots will be counted by members who are not running or holding office, in front of all the other members.
- Other _____

7. REMOVAL OF OFFICERS FROM THEIR POSITION BETWEEN ELECTIONS

- Any member of the Club may, at any time, request a vote of no confidence respecting a member of the Management Committee.
- The Committee member must resign if the majority of members support this motion and decide to remove him/her.
- An election is required to fill the vacant position.

8. MEETINGS

- Meetings will be weekly every two weeks other _____.
- All members must maintain at least one Savings Plan at all times.
- The minimum amount that any member may deposit at any meeting is \$ _____.

9. JOINING AND LEAVING THE CLUB

- The Club may have no more than 30 members.
- The Club may admit new members at any regular meeting.
- A member may leave the Club at any regular meeting, if they have repaid their loans, including interest, in full.
- Savings Plans cannot be cashed before the maturity date, unless the funds are available, and the Club approves such a request with a two-thirds majority at a regular meeting.

10. EXPULSION FROM THE CLUB

- Any member who borrows from the Club and fails to repay within 6 months of the due date will be expelled automatically.
- Other reasons for which a person should be expelled from the Club are:

11. SERVICE FEES AND PENALTIES

The following table lists the fees charged for Club services.

	Fee or Penalty
Open a new Savings Plan	
Open a Current Account	
Absent from a meeting	
Late for a meeting	
Failure to deposit at a meeting	
Not remembering Club rules	
Forgetting key	
Chatting through the proceedings	
Showing disrespect to a fellow member	
Not remembering decisions or balances from the preceding meeting	
Failure of a member of the Management Committee to perform their duties	
Other	
Other	

12. AMENDMENTS TO THE CONSTITUTION

- Two-thirds of the members must agree before the constitution can be changed.
- Any member can propose an amendment to the Constitution.
- The Constitution can only be changed by member vote during a full meeting of the Club.

Part 2: Services offered by the Group

Savings, loans and other services of this Savings Club are offered to members only. If non-members wish to use these services they must apply for membership at any ordinary meeting of the Savings Club, and they must be admitted before they can begin to use its services.

1. SAVINGS PLANS

- All members must hold at least one Savings Plan open at every meeting.
- All members must deposit cash in at least one Savings Plan at every meeting.
- The fee for opening a new Savings Plan is \$ ____
- The maturity dates of all Savings Plans are fixed when they are opened, and cannot be changed.
- If a member is unable to reach a savings goal by a maturity date, the money must still be returned to the member.
- A member may open a new Savings Plan at any time.

2. CURRENT SAVINGS

- Any member may open a Current Savings Account, but no member shall be required to.
- A member may close her/his Current Savings Account at any regular Club meeting.
- The fee for opening a Current Savings Account is \$ ____.
- The maximum balance that a member may hold in a Current Savings Account is \$ ____.

3. INVESTMENT SAVINGS

- With a vote by no less than two-thirds of the membership, the Club may offer investment shares.
- Investment share offerings will have a fixed start and end date. Both will be set when the vote of approval is taken.
- All funds must be contributed on the start-date. No funds will be accepted before or after this date.
- A member may purchase a minimum of one share, and a maximum of five shares.
- Funds raised through the Investment Savings offering may be lent out to members.
- On the end date, all funds will be returned to their members in cash. Income from loans, fees and penalties will be divided among the members in proportion to their shares.

4. LENDING

- The maximum amount that anyone can borrow is _____ times the value of their shares.
- The maximum length of a loan term is _____ weeks.
- A member must repay a loan before (s)he can take another.
- The service charge to be charged every four weeks is: _____%.
- If a member dies and has a loan remaining unpaid, it will be treated as follows:

We, the members of _____ Savings Club, agree to abide by the rules in the Constitution.

Name: _____ Signature: _____

Name: _____ Signature: _____

Name: _____ Signature: _____

Name: _____ Signature: _____

Name: _____ Signature: _____

Name: _____ Signature: _____

Name: _____ Signature: _____

Name: _____ Signature: _____

Name: _____ Signature: _____

Name: _____ Signature: _____

Name: _____ Signature: _____

Name: _____ Signature: _____

Name: _____ Signature: _____

Name: _____ Signature: _____

Name: _____ Signature: _____

Name: _____ Signature: _____

Name: _____ Signature: _____

Name: _____ Signature: _____

Name: _____ Signature: _____

Name: _____ Signature: _____

Name: _____ Signature: _____

Name: _____ Signature: _____

Name: _____ Signature: _____

Name: _____ Signature: _____

Name: _____ Signature: _____

2. Total Club Cash (Treasurer)

Box Compartment #1

Total Club Cash				
TREASURER				
Cash in Box	Cash in Bank		Total	
	Account #1	Account #2		
<i>Balance forward, previous record</i>				
/ /				=
/ /				=
/ /				=
/ /				=
/ /				=
/ /				=
/ /				=
/ /				=
/ /				=
/ /				=
/ /				=
/ /				=
/ /				=
/ /				=
/ /				=
/ /				=
/ /				=
/ /				=
Carry this balance to next record				

3. Cash Required by the Club (Treasurer)

Box Compartment #1

Cash Required by the Club

TREASURER

Maturity Date		/	/	
M#	Member Name	Plan		Plan \$s Now
			+	
			+	
			+	
			+	
			+	
			+	
			+	
			+	
			+	
			+	
			+	
			+	
			+	
			+	

Cash required by the Club
2 meetings from now

Cash required by the Club
next meeting

8. Sources and Uses of Club Cash (Treasurer)

Sources and Uses of Club Cash

TREASURER

Date of Meeting _____ / _____ / _____ Signature _____

1 Cash	A	3 What We Owe	D
Box		Savings	
Bank		Borrowings	
2 Loans	B	What We Own	E
To members		4 Profit up to last meeting	
[Doubtful loans]		Profit this meeting	
TOTAL USES OF CASH (A+B=C)	C	TOTAL SOURCES OF CASH (D+E=F)	F