Savings and Credit Cooperative Organization (SACCO) Training Manual

CRC Photo

August 2013

Prepared by the USAID/Pwani Project

TABLE OF CONTENTS

OVERVIEW

This training manual is aimed at Savings and Credit Cooperative Organization (SACCO) members, board members and the SACCO management team. It was designed to be functional with minimal resources (flip chart paper, markers and tape).

Depending on the level of education of the group or their particular needs, some activities may require more time. Others may be a review of existing skills and can be done at a faster pace. Activities may be adapted to suit the needs of the group or the available resources. This training manual can and should be supplemented with materials to tailor the classes to suit the needs of the particular users.

Group Work

Depending on the size of the group, some activities may not require smaller break-out groups, although this is helpful to give all members the chance to be more expressive. Capacity building includes making all members feel comfortable in expressing their opinions and to avoid all larger group discussions that could be dominated by the same individuals.

Outline

Level 1 provides an overview of basic budgeting, entrepreneurship and a guide for writing a business plan. Level 1 incorporates more activities and provides timelines.

Level 2 develops themes related to Integrated Coastal Management. A class on PHE could be taught at the local health clinic while ecotourism could be taught on a sandbar.

Level 3 outlines the use of the accounting books used by SACCOs.

LEVEL 1: BUDGETING, ENTREPRENEURSHIP AND BUSINESS PLANNING

1.1 Budgeting: What Are Your Expenses?

Time: 15 minutes (10 minutes for group discussion and five minutes to present)

A budget defines expenses and is important for planning for the future. A good budget will help you prevent cash flow problems, prepare for emergencies, purchase big ticket items or expand your business. To make a budget, you must first understand your expenses and income.

Divide the borrowers into groups of five. Each group chooses one presenter who will record the responses and present to the larger group. Have the small groups discuss all their expenses for one week. The instructor can lead the discussion with such questions as: How much do you spend on food each day? How much do you spend at the market? How much do you spend on school lunches? How much do you spend on drinks at food stalls? Have the borrowers list as many expenses as possible and then have the presenters read out the list to the group. Write the list on one side of a flip chart.

1.2 What Is your Income?

Time: 15 minutes (10 minutes for group discussion and five minutes to present)

Switch presenters within the same groups of five and have the groups discuss the ways they make money. The instructor may lead the discussion with such questions as: Do you wash clothes for cash? Do you sell firewood? Do you sell oranges? How much do these activities pay per week? After the groups have finished brainstorming all their sources of income, write the responses on the other side of the flip chart.

1.3 What Are Your Monthly Expenses? What Is Your Monthly Income?

Time: 20 minutes (15 minutes for group discussion and five minutes to present)

Switch presenters again within the same groups of five. Have the groups brainstorm potential weekly expenses and income. Also have them determine expenses that may not occur as frequently, such as school fees or rents. They should also include sources of income that arrive monthly rather than weekly. These steps will help them plan their budgets. ,. They should write the responses for expenses on one side of a flip chart and the responses for income on the other. Make both the weekly and monthly expenses/income charts visible.

1.4 Your Budget

Time: 30 minutes (15 minutes per person)

Break participants into groups of two and have the borrowers write down their budget for one month. For the first 10 minutes, one group member will record and ask questions while the other member thinks of all the potential incomes and expenditures. After 15 minutes, have the group members switch roles.

Expenses	**Income**
Weekly - - - - -	Weekly - - - - -
Monthly - - - - -	Monthly - - - - -
Total:	Total

Once everyone has completed their budget, ask if their income or expenses are greater. If their income is greater, they can save money. If their expenses are greater, they are accruing debt.

1.5 The Importance of a Budget

Time: 15 minutes (10 minutes for group discussion and five minutes to present)

Break into groups of five again and again switch presenters to discuss expenditure goals or emergencies from the past year. The instructor may lead with such questions as: Did you or someone in your family get sick? Need to pay for school? Get married? Die? Need to repair something? Want to purchase something?

After all groups have presented, lead a discussion of how to pay for these bigger or unexpected expenses. Lead with such questions as: Did you borrow cash from a friend or family member? Did you save money?

Close with the explanation that if you have savings, you can afford to pay for these expenses with greater ease.

1.6 Benefits of Saving: How Can You Save? What Are the Advantages of Different Savings Options?

Time: 15 minutes (five minutes per savings method)

Divide the borrowers into two groups. Write a savings method on the flip chart. Both groups have one minute to list as many pros and cons as possible about the savings method. The group with the longest list wins. Repeat with the other savings methods. Be sure after each round to record the pros and cons on the flip chart.

Some ideas if the borrowers are finding it difficult:

- **In-kind savings (gold, jewelry, livestock):** Has to be sold to get cash, must be in good condition (you can't sell a cow with a broken leg), hard to divide (you can't sell half a cow to pay school fees), can get stolen, you can use it while you have it (milk from the cow), and it is easy to obtain.
- **Cash holding:** Can get stolen, harder to resist temptation to spend, easy to use, no waiting period.
- **SACCO:** Secure, allows access to credit, easy to liquidate.

1.7 How SACCOs Work

Time: take as much time as is necessary to explain each step and answer any questions that come up

Step 1. Sign up and become a member: Purchase shares, pay the one-time entrance fee and make a minimum deposit.

Step 2. Start saving: Money you keep in the SACCO goes towards your collateral, for example, if you have saved 100,000 TSH, you would be eligible for a loan of 200,000 TSH.

Step 3. **Apply for a loan**: You will need to fill out the application form and submit your business plan, which the loan committee will review and approve, provide proof of collateral to be reviewed by the Village Executive Officer (VEO) and provide a guarantor from the SACCO. The size of the loan depends on the loan policy of the SACCO. If the liquidity is high, the loan can be two times your savings or more. The incubation period before you apply for the loan is not less than three months. The member must be up to date on monthly savings payments to be eligible.

Step 4. Receive your loan: Three months after you sign up, you are eligible to receive a loan valued at twice your savings to start or expand a business in line with SACCO goals.

Step 5. Begin repayment: The repayment period for a developmental loan is three, six, nine, 12, 15 or 18 months or more depending on the loan policy agreed upon. The repayment period for emergency or education loans is shorter: Three to six months. Your accountant will help you to calculate your repayment schedule. On-time repayment is important as there is a late fee charged on past due payments.

1.8 Debt Management: Choosing a Lender

Time: 15 minutes (allow 10 minutes to explain and five minutes for the race)

Choosing a lender is very important. Some of the things you need to consider are:

- **Interest payments:** This is the cost of borrowing money. For example, if you borrow 100,000 TSH at 5 percent interest, your first payment would include an interest payment of 5,000 TSH (5 percent of the outstanding loan balance). At 20 percent interest, that first monthly payment would need to include a payment of 20,000 TSH to cover the interest on that same 100,000 TSH loan. A higher interest rate means it costs more to borrow.
- **Repayment schedule:** How frequent are the payments? Do they match with the income flow of your business?
- **Stress:** Sometimes borrowing from someone you know can strain the relationship. If the interest rate or repayment schedule is beyond your means, it can cause anxiety. Some lenders may use means to ensure repayment that cause stress.

Have the list of potential lenders (e.g. bank, SACCO, family, etc.) posted on a wall or on desks, and go through the characteristics of each separately. Shuffle the sheets with the characteristics and divide them equally among two groups of borrowers. The two groups must race to match the characteristics with the lenders. This can be done as a relay or as two groups. Allow the groups a few tries, reshuffling the characteristics in between. Examples:

- **Bank:** High Interest rate — Difficult Loan Approval — Far Away — Collateral.
- **SACCO:** Easy Approval — Easy to Show Collateral — Low Interest Rate.
- **Money Lender**: Stress —High Interest Rate — Frequent Repayments.
- **MFI:** Short Repayment Schedule — High Interest Rate.
- **Family**: Stress — Relationships Affected.

To close, facilitate a discussion of why borrowers would choose one lender over another; explore the relative benefits of SACCOs.

1.9 Loan Products and Interest

Time: Take as much time as necessary to ensure that all borrowers understand the basic concept of calculating their monthly payments and interest. (At a minimum, 20 minutes to practice and 20 minutes for the activity)

SACCO loan products include:

- Development loans.
- Education assistance loans.
- Emergency loans.

Members can have two different loans simultaneously, depending on the SACCO, for emergencies and education. Such loans generally have lower interest rates than development loans. We know that some lenders charge higher interest rates than others. Interest is the cost of borrowing. With a SACCO loan, *your interest is calculated monthly on the remaining principal only.*

For example, at an interest rate of three percent, if you borrow 100,000 TSH and agree to a six-month repayment plan, your monthly principal payment would be 16, 666.67 TSH (100, 000 / 6 = 16, 666.67). The interest on your first payment would be calculated as follows:

100, 000 / 100 = 1000 x 3 = 3, 000 TSH interest

Thus, your first payment would be 3, 000 + 16, 666.67 = 19, 666.67 TSH

100, 000 – 16, 666.67 = 83, 333.33 TSH remaining principal

The interest on your second month's payment would be calculated as follows:

83, 333.33 / 100 = 833.33 x 3 = 2, 499.99 TSH interest

Your second month's payment would be 2, 499.99 + 16, 666.67 = 19, 166.67 TSH

83, 333.33 – 16, 666.67= 66, 666.66 TSH remaining principal

The interest on your third monthly payment would be calculated as follows:

66, 666.66 / 100 = 666.66 x 3 = 2, 000.00 TSH interest

Your third month's payment would be 2, 000.00 + 16, 666.67 = 18, 666.67 TSH

The interest on your fourth month's payment would be:

66, 666.66 -16,666.67 = 49,999.99 (remaining principal) / 100 = 499.99 x 3 = 1, 500.00 TSH

Your fourth month's payment would be:

1, 500.00 + 16, 666.67 = 18, 166.67 TSH

For the fifth month, the interest would be:

49, 999.99 – 16, 666.67 = 33, 333.32 (remaining principal) /100 =333.33 x 3 = 1, 000.00 TSH

Your fifth month's payment would be:

1, 000.00 + 16, 666.67 = 17, 666.67 TSH

For the sixth month, the interest would be:

33, 333.32 – 16, 666.67 = 16, 666.65 (remaining principal) /100 = 166.67 x 3 = 500.00 TSH

Your sixth month's payment would be:

500.00 + 16, 666.65 = 17, 166.65

At any point in time, you can pay the entire remaining principal. For the interest, divide the remaining principal by 100 and then multiply it by the interest rate. Your collateral is still in the SACCO, and you would be eligible for another loan if you so desired. You could continue to save more to take out another loan at a later date or withdraw your collateral at any time.

SACCO interest rates differ and some charge 5 percent. The basic formula is the same.

A loan of 50, 000 TSH at five percent interest with a three-month term:

> 50, 000 / 3 = 16, 666.67
>
> 1st month: 50, 000 / 100 = 500 x 5 = 2, 500 TSH interest + 16, 666.67 = 19, 166.67 TSH total payment
>
> 2nd month: 50, 000 – 16, 666.67 = 33, 333.33/ 100 = 333.33 x 5 = 1, 666.67 TSH interest + 16, 666.67 = 18, 333.34 TSH total payment
>
> 3rd month: 33, 333.33 – 16, 666.67 = 16, 666.66 / 100 = 166.67 x 5 = 833.33 TSH interest + 16, 666.66 = 17, 499.99 TSH total monthly payment.

Now, divide the borrowers into groups of two and have them calculate the interest and repayment schedule for various loan amounts. Ensure that each member has the chance to calculate while the other member assists.

The general formula is as follows:

Principal / Months in term = Monthly Principal Payment

1st month: principal / 100 x interest rate = interest payment

Interest payment + monthly principal payment = first month total payment

2nd month: principal – monthly principal payment =remaining principal / 100 x interest rate = interest payment

Interest payment + monthly principal payment = second month total payment

3rd month: remaining principal from 2nd month – monthly principal payment = remaining principal / 100 x interest rate = interest payment

Interest payment + monthly principal payment = third month total payment

Sample Loan Repayment Agreement and Schedule (for this example, interest is calculated at a fixed rate for the term of the loan. This may also be possible depending on the terms on which the SACCO is based)

.... SACCO LTD

REG.NO DSR

S.L.P

DAR ES SALAAM.

NAME OF BORROWER: ____________________________

LOAN AMOUNT: __________________________________

TIME _______________ (repayment period)

INTEREST RATE ________________

TOTAL INTEREST _______________

TOTAL DEBT ____________________

START DATE (repayment) ___________________

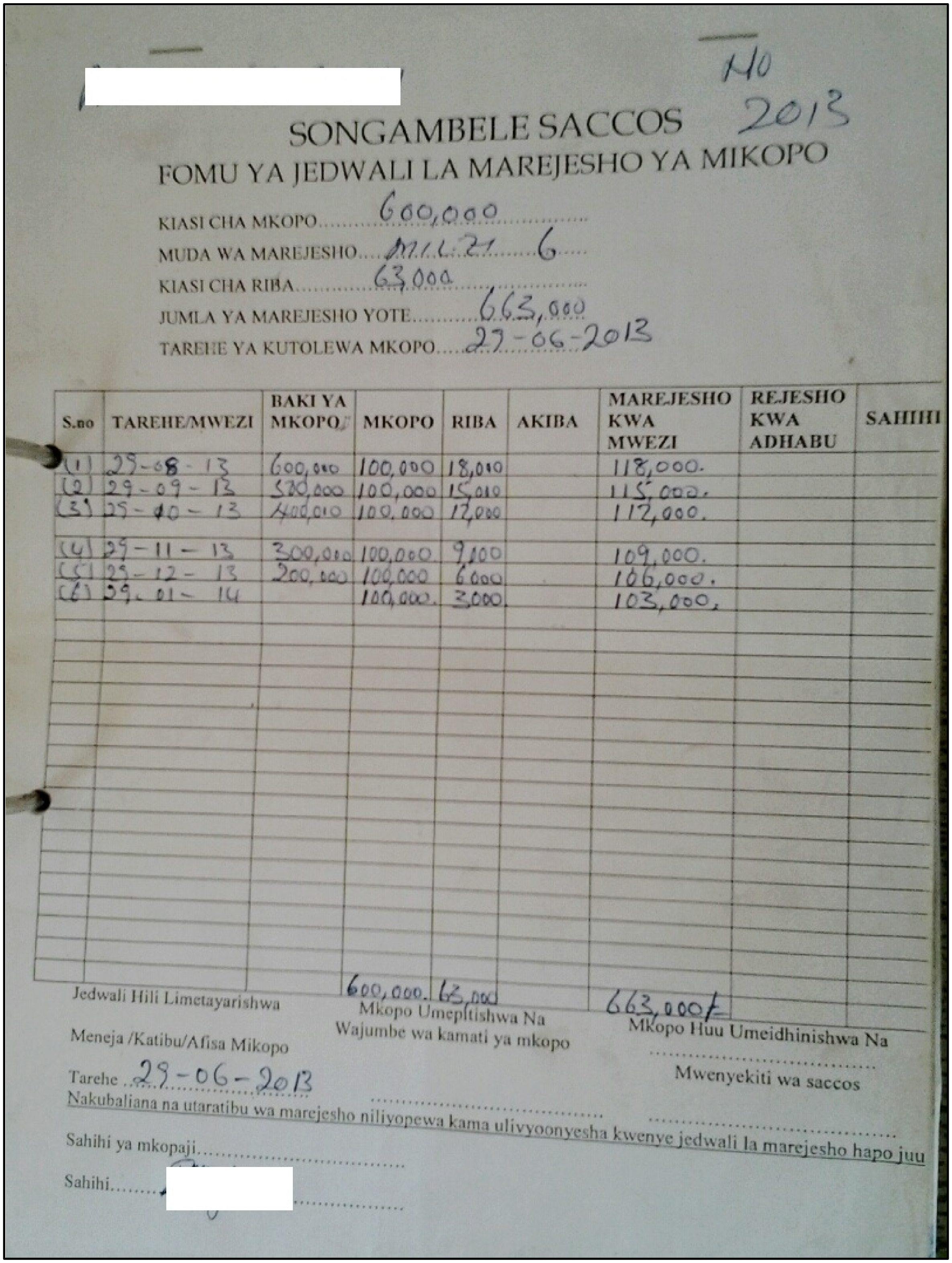
Date	**Residual loan (outstanding loan)**	**Repayment**	**Interest**	**Total Payment**
05.12.2006	2,000,0000	111,000	19,000	130,000
31.01.2007	1,889,0000	111,000	19,000	130,000
28.02.2007	1,778,000	111,000	19,000	130,000
31.03.2007	1,667,0000	111,000	19,000	130,000
30.04.2007	1,556,0000	111,000	19,000	130,000
31.05.2007	1,445,0000	111,000	19,000	130,000
30.06.2007	1,334,000	111,000	19,000	130,000
31.07.2007	1,223,000	111,000	19,000	130,000
30.08.2007	1,112,000	111,000	19,000	130,000
30.09.2007	1,001,000	111,000	19,000	130,000
31.10.2007	890,000	111,000	19,000	130,000
30.11.2007	779,000	111,000	19,000	130,000
31.12.2007	668,000	111,000	19,000	130,000
31.01.2008	557,000	111,000	19,000	130,000
28.02.2008	446,000	111,000	19,000	130,000
31.03.2008	335,000	111,000	19,000	130,000
30.04.2008	224,000	111,000	19,000	130,000
31.05.2008	113,000	111,000	19,000	130,000
30.06.2008	0	113,000	17,000	130,000
Total		**2,000,000**	**340,000**	**2,340,000**

Another sample shows the interest calculated on the remaining principle: Tshs. 100,000 loan with a 10 months repayment period at an interest rate of 2 percent

Month	Principal	Monthly Payment	Interest	Remaining Principal
1	100,000	10,000	1,000	90,000
2	90,000	10,000	900	80,000
3	80,000	10,000	800,	70,000
4	70,000	10,000	700	60,000
5	60,000	10,000	600	50,000
6	50,000	10,000	500	40,000
7	40,000	10,000	400	30,000
8	30,000	10,000	300	20,000
9	20,000	10,000	200	10,000
10	10,000	10,000	100	NIL
		100,000	**11,000**	

Once the borrowers have had a chance to practice together, allow them to role play accountants and borrowers. The borrowers must ask for a loan, agree on a repayment period with the accountant, and the accountant must calculate the monthly payment amounts. Have some borrowers work as accountants and others as borrowers while some remain as audience members. Let them switch roles so each person has a turn in all roles. Monitor the calculations to ensure they are being done correctly.

Once the loan repayment has been agreed upon, the form used in the loan agreement would be as follows:



NO
2013

SONGAMBELE SACCOS

FOMU YA JEDWALI LA MAREJESHO YA MIKOPO

KIASI CHA MKOPO.......600,000..........
MUDA WA MAREJESHO....MIEZI 6.....
KIASI CHA RIBA...........63,000..........
JUMLA YA MAREJESHO YOTE..........663,000
TAREHE YA KUTOLEWA MKOPO.....29-06-2013

S.no	TAREHE/MWEZI	BAKI YA MKOPO	MKOPO	RIBA	AKIBA	MAREJESHO KWA MWEZI	REJESHO KWA ADHABU	SAHIHI
(1)	29-08-13	600,000	100,000	18,000		118,000.		
(2)	29-09-13	500,000	100,000	15,000		115,000.		
(3)	29-10-13	400,000	100,000	12,000		112,000.		
(4)	29-11-13	300,000	100,000	9,000		109,000.		
(5)	29-12-13	200,000	100,000	6,000		106,000.		
(6)	29-01-14		100,000.	3,000		103,000.		
			600,000.	63,000		663,000/=		

Jedwali Hili Limetayarishwa

Meneja /Katibu/Afisa Mikopo

Tarehe ..29-06-2013........

Mkopo Umepitishwa Na
Wajumbe wa kamati ya mkopo

....

Mkopo Huu Umeidhinishwa Na
....
Mwenyekiti wa saccos
....

Nakubaliana na utaratibu wa marejesho niliyopewa kama ulivyoonyesha kwenye jedwali la marejesho hapo juu

Sahihi ya mkopaji.................................

Sahihi........ ....

Also completed at this time: Loan application and verification of collateral, if any, for VEO:

FOMU Na 1

MAOMBI YA MKOPO

1.0. JINA LA CHAMA: SONGAMBELE SACCOS

1.1. JINA LA MWOMBAJI [redacted]

1.2. MAOMBI YA NAMBA.............18

1.3. MAELEZO BINAFSI YA MWOMBAJI:

- (i) Namba ya Mwanachama..........
- (ii) Kazi/Shughuli ya mwombaji.......BIASHARA
- (iii) Mwaka wa kujiunga na chama.......2008 [redacted]
- (iv) Mahali/Sehemu anayoishi..........
- (v) Umri wa Mwombaji..........MIAKA 40
- (vi) Kabila..........MSANGU
- (vii) Anwani ya Mwombaji..........SONGAMBELE - PANGANI [redacted]
  - Simu.......... [redacted]
  - S.L.P..........

2.0. Madhumuni ya Mkopo:........ [redacted]

2.1. Kiasi cha mkopo unaoombwa........LAKI SITA 600,000/=

2.2. Miezi ya kuchukua mkopo..........6 (SITA)

2.3. Utaratibu wa mwombaji kulipa: Mwombaji atalipa mkopo kila mwezi/miezi miwili/miezi mitatu/miezi sita

2.4. Dhamana ya mwanachama

HISA ~~HAMSINI~~ (10) KUMI	Tshs	50,000/=
Amana —	Tshs	—
Akiba —	Tshs	300,000/=
JUMLA	Tshs	350,000/=

2.5. Dhamana za wadhamini

2.5.1. Mdhamini wa kwanza:-

Jina.. [redacted]

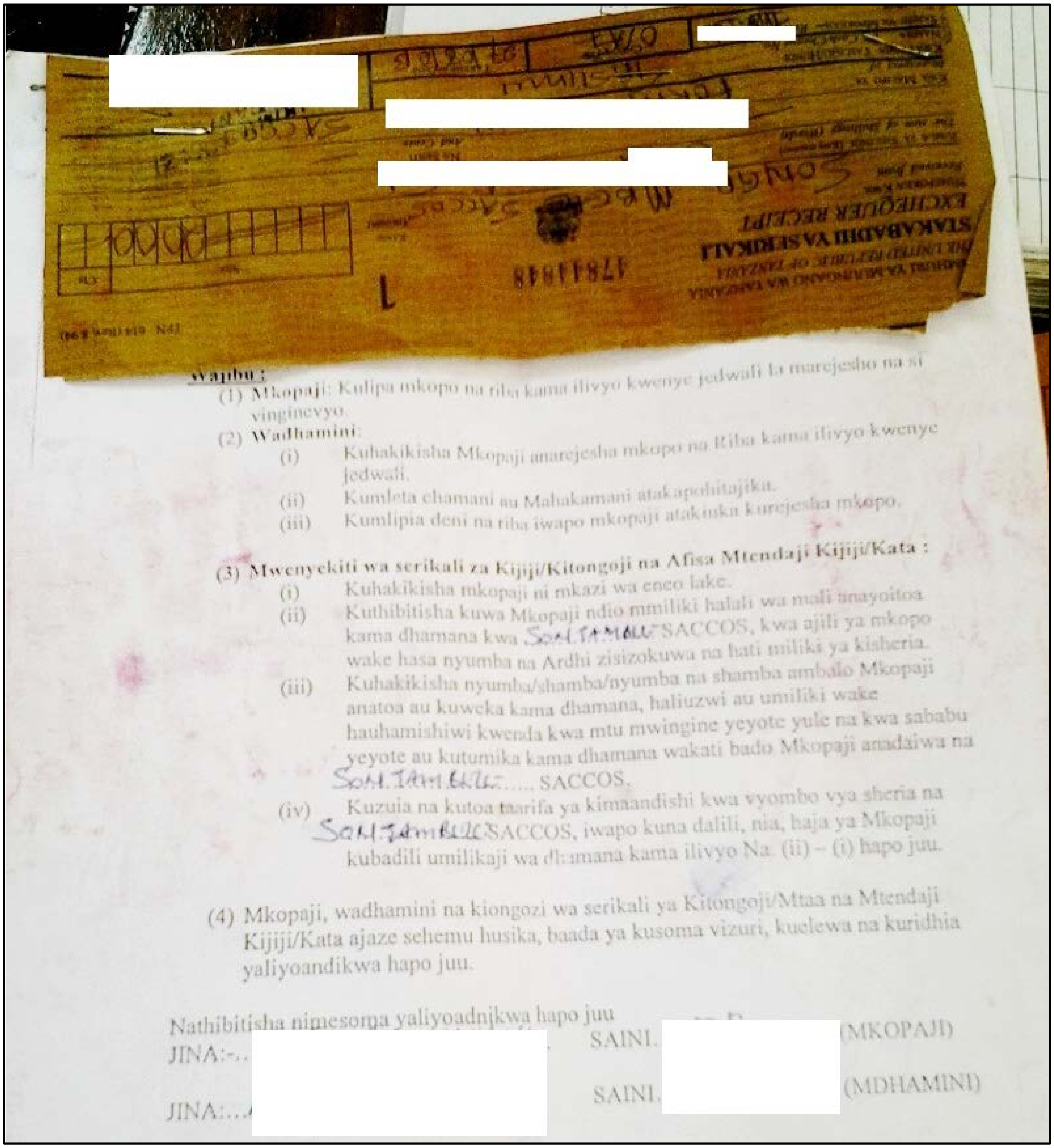
Namba ya uanachama.......20..........

HISA 8 - ~~40~~.	Tshs	40,000/=
Amana —	Tshs	—
Akiba	Tshs	250,000/=
JUMLA	Tshs	290,000/=

Nathibitisha nimesoma yaliyoandikwa hapo juu.

JINA:-.. [redacted] SAINI:-.. [redacted] (MKOPAJI)

JINA:... [redacted] SAINI:.... [redacted] (MDHAMINI)



Wajibu :

(1) **Mkopaji:** Kulipa mkopo na riba kama ilivyo kwenye jedwali la marejesho na si vinginevyo.

(2) **Wadhamini:**

- (i) Kuhakikisha Mkopaji anarejesha mkopo na Riba kama ilivyo kwenye jedwali.
- (ii) Kumleta chamani au Mahakamani atakapohitajika.
- (iii) Kumlipia deni na riba iwapo mkopaji atakiuka kurejesha mkopo.

(3) **Mwenyekiti wa serikali za Kijiji/Kitongoji na Afisa Mtendaji Kijiji/Kata :**

- (i) Kuhakikisha mkopaji ni mkazi wa eneo lake.
- (ii) Kuthibitisha kuwa Mkopaji ndio mmiliki halali wa mali anayoitoa kama dhamana kwa SOM.TAMBLE SACCOS, kwa ajili ya mkopo wake hasa nyumba na Ardhi zisizokuwa na hati miliki ya kisheria.
- (iii) Kuhakikisha nyumba/shamba/nyumba na shamba ambalo Mkopaji anatoa au kuweka kama dhamana, haliuzwi au umiliki wake hauhamishiwi kwenda kwa mtu mwingine yeyote yule na kwa sababu yeyote au kutumika kama dhamana wakati bado Mkopaji anadaiwa na SOM.TAMBLE..... SACCOS.
- (iv) Kuzuia na kutoa taarifa ya kimaandishi kwa vyombo vya sheria na SOM.TAMBLE SACCOS, iwapo kuna dalili, nia, haja ya Mkopaji kubadili umilikaji wa dhamana kama ilivyo Na. (ii) – (i) hapo juu.

(4) Mkopaji, wadhamini na kiongozi wa serikali ya Kitongoji/Mtaa na Mtendaji Kijiji/Kata ajaze sehemu husika, baada ya kusoma vizuri, kuelewa na kuridhia yaliyoandikwa hapo juu.

Nathibitisha nimesoma yaliyoadnjkwa hapo juu

JINA:-.. [redacted] SAINI. [redacted] (MKOPAJI)

JINA:... [redacted] SAINI. [redacted] (MDHAMINI)

1.10 Borrower Responsibilities and On-Time Repayment

Time: 20 minutes (10 minutes to explain penalty calculation and 10 minutes for activity)

Taking out a loan is a responsibility. It is important to pay your loan back on time. Late payments bring penalties, which help to ensure that the SACCO is kept healthy and to encourage members to keep to the repayment schedule. As a community member and SACCO member, it is in your best interests and the community's best interests that loans are repaid on time. The late penalty is calculated as a percentage of the monthly repayment amount, perhaps at two percent or three percent.

For example, if your total loan amount is 90, 000 TSH and you have a nine-month payment period, your monthly principal payment before interest would be 10,000 TSH. If you happened to be late, your penalty would be calculated as follows:

For a two-percent penalty: 10,000 (monthly principal payment) / 100 = 100 x 2 = 200 TSH penalty

For a three-percent penalty: 10,000 (monthly principal payment) / 100 = 100 x 3 = 300 TSH penalty

For example, if you were late on your first month's payment, you would pay:

On a 90,000 TSH loan at five-percent interest over nine months, with a two-percent penalty:

Interest (4 500) + monthly principal payment (10,000) + Penalty (200) = 14,700

Calculating the Penalty: Divide the borrowers into groups of three. Write a loan amount, a repayment period and a penalty rate on the flip chart. In a relay, have the first of the three borrowers calculate the monthly principal payment, handing the calculations to the second borrower who calculates the interest on the first month's payment and then to the third who calculates the penalty rate. The team to finish first with the correct calculations wins. Repeat three times so each group member has a turn in each role.

1.11 Business Requirements of a SACCO Loan- taking into Account the Environment, Health, Gender, ICM and Poverty

Time: one hour (10 minutes for the explanation, 20 minutes for the timeline, 20 minutes for small group discussion and 10 minutes to present)

SACCO goals and priorities will vary from area to area to meet the needs of the specific location. However, there are some common themes.

Climate Change Adaptation: There have been many changes in temperatures, rainfall and sea levels that impact our lives. These changes affect our ability to produce food and the success of our livelihoods. Finding ways to have a good life, to provide for our families and to reduce our impact on the environment are central to the goals of SACCOs. Farming practices that require less water and are better suited to the changing climate conditions, such as sim sim farming and bee keeping and sustainable mariculture practices (including seaweed farming) are some examples of projects that have been used in other areas.

PHE (Population, Health, Environment): Improving the livelihoods of our members is the central goal of SACCOs. Individuals living with HIV/AIDS might find their ability to do a certain job changes. Adapting business opportunities to work within your abilities is one way of coping with the impact of HIV/AIDS. Family members requiring extra health care can also impact our ability to earn a livelihood. SACCOs work with members to explore alternatives that address your specific situation. SACCOs also provide assistance to a number of the most vulnerable members of the community.

Gender: Ensuring that women have ample economic opportunities is also central to SACCO philosophy. SACCOs encourage women to participate in the economic development of their communities, ensuring better lives for themselves and their families.

ICM (Integrated Coastal Management): It is our responsibility to preserve our coastlines and oceans for our children and grandchildren. Having a livelihood does not have to come at the expense of our natural environment. Harvesting natural resources responsibly, preserving our environment and addressing climate change are all part of the SACCO philosophy. Access to capital provides people with livelihood options that are sustainable and can reduce dependence on resource extraction based livelihoods.

Poverty Alleviation: There are many causes of poverty but they all result in a hard life and a weakened community. A lack of education or professional expertise can hinder an individual's ability to be economically productive. Local infrastructure or even global economic policies can also play a role. Sometimes cultural or health issues play a role. Poverty alleviation requires a holistic approach: providing training, access to capital, education and changes to policy.

Have the borrowers do a timeline of the major events in their community. After the major events have been agreed upon, divide into smaller groups to discuss the impact of the events. Have each group discuss and then present on one event.

1.12 Entrepreneurship: Overview

Time: 40 minutes (20 minutes for explanation and 20 for discussion)

Starting a business can be intimidating and challenging but also very rewarding both financially and personally.

Being an entrepreneur is distinct from being a business person. Entrepreneurs are generally seen as being innovators and leaders as opposed to business people who work with existing ideas.

This has the potential to change the competition structure. You might find as an entrepreneur that your biggest competition is yourself and you will need to be able to motivate yourself from this position. This demands that you be more revolutionary and perhaps take greater risks than a business person would. You're also looking to create value, not simply profit, so your approach to various challenges will be different. The assets you value (employees and customers) will be distinct from those of a business person (real estate and inventory). There will be challenges, but there are effective ways for dealing with them.

When you encounter problems and challenges, which are an inevitable part of starting a business, keep your cool. Accepting criticism will play a large role in your learning process — try to do so with grace. Your goal is to provide a quality service or product. Doing so responsibly means not making excuses for shortcomings but rather being prepared to fix mistakes. Maintaining a positive attitude will ensure that correcting your mistakes or overcoming obstacles is manageable and not a chore. You will need a good support network at home and at your business in order to accomplish this as well as effective means for relieving stress. Building an effective team at work will ensure the quality of your product or service as well as the happiness of those working together. The finished product of service will be the result of support and team work.

The ability to listen is part of team building, as well as creating a successful product or service. Listening to your customers and team members ensures a successful product and a happy team. Of course, praise is easier to listen to than criticism, but take both with the same humility, maintaining a positive attitude. Listening is also crucial to education. Seeking out knowledge will be central to your ability to make successful decisions. Overconfidence and an unwillingness to learn from others have been the downfall of many entrepreneurs. A thirst for knowledge and a willingness to seek it out in trade publications, from experts, from your customers and employees, will be central to being able to overcome obstacles and thrive.

Team building will also rely on your ability to map out a development plan. Your team will want to see the way in which they can grow with the business. Of course they work to support themselves and their families, but personal fulfillment in their work will ensure they are loyal employees who have a stake in the success of the business. Ensuring they continue to grow and learn and are rewarded for their successes and hard work will go a long way towards keeping your employees happy and productive team members.

In order to allow for the development of your team, having a timeline that outlines your goals is essential. Goals must be concrete and clear, broken down into manageable parts with clear means for achieving them. The lifespan of your product should be taken into account when laying out your business plan and goals, as well as the times during which your business will require injections of capital. Marketing strategy will also factor into this plan. Your human resources strategy will be essential and should be front and centre when making business decisions. People are the heart and soul of your business. Without employees and customers, there is no business.

Keeping your customers happy is just as important as keeping your employees happy. Listen, listen, listen to your clients. Then listen some more. You will need a sense of humour and a generous spirit. If your clients are satisfied, you will have food on your table; if they are not, you won't. Maintaining relationships will ensure you get regular feedback on your product or service. Remember that different clients and different demographics will have different needs. If you make a mistake, which is going to happen over the life of your business, ask for forgiveness quickly and rectify the problem. Be honest with your customers and keep your promises. If trust is broken, it is very difficult and, in some cases impossible, to repair. While relationship building is a must, even more important to ensuring customer satisfaction is a quality product. The two are linked. Knowing your customer and their needs helps you to tailor your business to meet the demands of the market. Of course, this will change over time and you will need to adapt, but keeping the lines of communication open will help you keep ahead of market changes.

Of course, in the midst of all this relationship building is the financial side of your business. It needs to make money to survive. You will need a good idea and a well-thought-out business plan. A business plan is crucial for keeping your business on track, ensuring you are prepared for challenges and applying for outside financing. Your plan should provide potential investors with enough information to assess the current health of your business as well as future prospects. This information should include a history of your business, a description of its structure, a description of the market and the place of your product or service in it, as well as a breakdown of your expenses and income. The details will be expanded upon in a later section.

Ask the group if they have any questions before they begin this section. Provide brief answers and note which areas might require extra emphasis later.

1.13 Entrepreneurship: What's Your idea?

Time: 30 minutes (10 minutes per participant in each group)

If you have an idea in mind, part of developing that idea into a business is being able to explain it to someone else. In groups of three, have the borrowers discuss their business ideas with each participant given 10 minutes to describe and answer any questions from the other two borrowers. Some questions they should be able to answer at this stage might include:

What is your product or service? What does it look like? What purpose or benefit does it have? Why would people buy this product or service? Who would buy your product or service? Is it a new idea or an improved idea? Is it expensive to make or provide? How much would it cost to buy? How often would people buy it? Where would you sell it? How many people would it take to make or provide it? What are the steps involved in making or providing this product or service?

1.14 Making Chapati: Sequence, Timing, Cost

Time: 30 minutes for a lead group discussion

Have the participants describe instructions for making chapati.

Start with the ingredients:

5 cups all-purpose flour
2 cups warm water
1 ½ teaspoons salt
½ cup canola or vegetable oil, warmed
2 cups extra flour for kneading

Next, have them go through the steps for making chapati:

1. In a large mixing bowl, measure 5 cups of flour.
2. In another bowl, mix salt, 3 tablespoons of oil, and 1 ½ cups of water, stirring until the salt dissolves.
3. Add the liquid to your flour, stirring as you do. Mix well and continue to add the mixture until the dough becomes soft.
4. Knead the dough until it is even consistency, firm and does not stick to your hands. Add flour as you knead as required.
5. Divide your dough into 11 to 15 equal balls and cover them with a clean cloth.
6. Each individual ball must be rolled out flat to about ¼ centimeter thickness, brushed with oil, rolled up into a rope like shape and then coiled up, and placed back under the cloth while you do the others.
7. Taking the first coil of dough, roll it into a flat circle about ¼ centimeters in thickness. You may need a little flour to prevent the dough from sticking to your rolling surface or rolling pin. Repeat with three more rolls while you are waiting for your pan to heat up, the rest can be rolled as you cook.
8. Heat your frying pan to medium heat. You can check the temperature by sprinkling water on it, if the drops dry right away, the pan is ready for chapati. Wipe the pan to remove any oil.
9. Place the flat chapati on the heated pan. After a minute, the bottom should be golden brown and the top translucent. Then it is ready to be flipped.
10. Flip the chapati; brush a little oil on the top, and check to see if the bottom is now golden brown.
11. Flip again and brush oil on the other side. Flip again.
12. Wait about 30 seconds, remove the chapati from the pan, place it on a plate and cover with another plate while you are cooking the rest to keep the finished chapati warm.
13. Repeat the rolling and cooking for the rest of your chapati. Makes 11-15 servings.

Start with the basic cooking recipe and then have them work backwards. Where do the supplies come from? How much does it cost to buy? How far away are they sold? Who sells it? Where does the wheat for the flour come from? Who grinds the wheat? Once all the steps from raw materials to ingredients have been listed, have the borrowers work forward.

After the chapati has been made, how much did it cost to make? How many could you make in one day? Could you get enough supplies to make that many? Would you be able to sell the chapati? Why is your chapati better? What is the difference between your chapati and other sellers' chapati? How much would you charge? Would your chapati be expensive? What is the chapati of your competitors like? What do they do well? What are their weaknesses? Are there enough customers to support a new chapati business? Would you be able to complete all the steps of the process by yourself or do you need help with some parts of the process? If you need help, how much would you pay your helpers? How will you promote or advertise your chapati?

Some key concepts that need to be considered are:

- **Sequence:** What steps need to happen in what order? For example, you need to buy flour before you can make chapati.
- **Timing:** How long does each step take? What portions are time-sensitive? Chapati gets hard when it gets cold, so it needs to be cooked to order.
- **Cost:** How much does each step cost and when do you make money? You need to pay for the flour before you make money from selling the chapati.

Have the group consider each question and how they would address each issue? Try to encourage them to come up with multiple approaches. The purpose of this exercise is to get them thinking in terms that would be beneficial for making a business plan so it is key to explore multiple options.

1.15 Do You Want to Be a Small Business Owner? A Self-Assessment

Time: 30 minutes (20 minutes for self-assessment and 10 minutes for discussion or more as required)

Personal assessment:

1. How much time do you have? What other responsibilities do you have that would conflict with the business? What solutions can you think of to address these conflicts?
2. How much money will it cost before you start making money? If the business fails, are you able to pay back any loans you took out? Can you get enough money to start and keep your business going until it is self-sustaining?
3. Do you have the skills and knowledge for this business? If you don't, who does? Can you take courses or training to get the knowledge you need?
4. How risky is your idea? What are some obstacles you might face? How does your family feel about the level of risk? How do you feel about the level of risk?

5. What kind of financial return do you expect? When do you expect to start making money? Is this going to be your only source of income? Will it provide you with enough money to live? Is the amount of effort this will take worth the amount of money you will make?
6. Is this going to be something you enjoy doing? What portions are you not enthusiastic about? Do you have a good support system in place? Would you buy your product or service? Would you let your family use it? Would you be happy doing this for five or 10 years?
7. What are the long-term financial needs of your family? Will the business be making money in time to meet those financial needs?
8. If you need help, information or resources, who can you turn to? Who is providing you with support?

Once the borrowers have thought the questions through individually, have them discuss as a group. Perhaps there is more support available in the community than some had been aware of or the borrowers could supply support or expertise for each other.

1.16 The Business Plan Overview

Time: 40 minutes (30 minutes to explain, 10 minutes to answer questions)

This section can also be used as a review when the individual sections on the parts of the business plan are completed

A business plan will vary depending on the nature of your business and the audience you are preparing it for. Regardless of the audience, a business plan allows you to map out your business, the timeline and responsibilities and explore the extent to which it is viable. If you are using your business plan to get a loan, you will need to show how your business will make money to pay back the loan. These are some sections you may want to consider including in your business plan:

- **Executive Summary:** This provides an overview of your business plan and should include highlights from the other sections, your business concept, competitive advantage, the legal structure, the market and your experience. Be sure to include what you want to achieve (approval of a loan, investment, etc.).
- **Business Description or Business Strategy:** This describes the industry, what your business is about, as well as an overview of the past, present and future of your business.
- **Marketing Strategy:** This section will be the result of market analysis and should address the four P’s (product, price, place, promotion).
- **Competitive Analysis or Strengths, Weaknesses, Opportunities and Threats Analysis:** This demonstrates to lenders or investors that you are prepared to address any weaknesses in your business plan as well as being able to exploit the weaknesses of your

competitors. It complements the Marketing Strategy as both require a solid understanding of the market.

- **Operations, Management and Human Resources Plan:** This describes the duties and responsibilities of the employees, your long-term plans for recruitment, training and retention and how the business functions on a continuing basis.
- **Social Responsibility Strategy:** This should outline your positive environmental and social practices and discuss ways your business honours ethical values and respects people, your community and the environment.
- **Financial Forecast:** This provides the numbers to back up the information in the rest of your report.

1.17 The Executive Summary

Time: 30 (20 minutes for explanation and 10 minutes for activity)

The Executive Summary should be the last section written as it summarises all the other sections. It is the most important section as it will provide both the incentive to keep reading as well as basic information about the business. The business concept, competitive advantage, legal structure, the market and your relevant experience should all be included here.

The business concept should be clear and simple. Explain what will be sold, who will buy it and why your product or service is better than the competition.

An overview of the current business position of the company should include the legal form of the company (sole proprietorship, corporation, etc.), the date it was established, the owners and key staff. You can also include any major achievements that the company has experienced, such as patents, contracts, moving to a new facility, or test marketing that has been successful.

A summary of financial information should be included (sales, profits, cash flow, returns on investment) with the financial requirements of the business. State exactly how much capital is needed to start or expand the business, how it will be used and the timeline for an expected repayment or return on investment.

My business is better than your business!

Divide the borrowers into two groups and line them up facing each other. Provide them with a product idea and the first person in the line starts with “My business is better than your business because…” and states a reason. Chapati might be a good product to start with as they would have already explored the competitive advantages. For example, the first person says: “My business is better than your business because my chapati is lighter.” The first person from the second team responds with: “My business is better than your business because my chapati stand is next to a school and has many customers.” Relay back and forth until one team runs out of ideas, if the other team has one more idea, then they are the winner. Mix up the teams and try again with another product. The ideas can be silly or serious, as long as the borrowers are thinking about competitive advantage.

1.18 Business Description or Business Strategy

Time: one hour (25minutes for explanation and 35 minutes for activity)

This is your opportunity to clearly go into more detail about your business. This section should describe both the structure of your business and its position in the industry. This can be divided into subsections to make it easier to read:

- **Introduction:** A quick summary of the past, present and future of your business. Information such as whether it is a new venture, a takeover or an expansion would be included here as well as the structure of your business (wholesale, retail, food service, manufacturing, service oriented), its legal form (sole proprietorship, partnership, corporation, cooperative), the principals and what they bring to the business. The name of the business, the date it was registered or incorporated, the address and contact information would be included here. Discuss the purpose of your business, your vision and main objectives along with a description of your products and services, defining who you will sell to, how the product will be distributed and support systems (advertising, promotion and customer service).
- **Current Position:** This should detail where your organization is in the business lifecycle, the state of the industry (growing, stable, contracting) and any achievements. Be sure to include the sources for your information about the industry so lenders can be assured your research is reliable.
- **Competitive Advantage:** Emphasise any qualities that set you apart from the industry. Be explicit and specific describing the differences between you and your competition. Is it your organization, the equipment, the location, the marketing, the quality of the product or the price point that will make your business successful? This section should demonstrate that you have done your research about the market and have a clear understanding of the strengths and weaknesses of your competitors. Be sure to include both direct and indirect competitors. Direct competitors would be those with a similar product. Indirect competitors would be those that have different products but may meet the same need. For example, a supermarket would be indirect competition for a restaurant. The effectiveness of your business model should be explained here.
- **Growth Plan:** Where do you hope to see your business in a year? Three years? Five years? Lay out the objectives you have and the timeline for achieving them. Clearly state your short-term (the next 12 months) and long term (the next three to five years) goals. Goals for product development, including a timeline for product reviews, should be laid out in steps with start and end dates.

Divide the borrowers into four groups and assign them each a section (Introduction, Current Position, Competitive Advantage, Growth Plan) to detail for a chapati business. Allow 15 minutes for discussion and then five minutes per group for presentation. Write notes on four flip chart sheets that can be placed in a visible place for reference later.

1.19 Marketing Strategy

Time: 90 minutes (allow an hour to explain the details of the strategy, 20 minutes for the borrowers to design their posters and 10 minutes for them to present)

In this section, be sure you address the “four P’s” of marketing: *Product* (how your product or service meets the needs of the target market), *Price* (how much you will charge and why), *Place* (How you are going to get your product to your customers) and *Promotion* (How you will connect with your target market).

This section should also demonstrate your understanding of the market as you will need to define the size, structure, growth prospects, trends and sales potential. Adding the sales of all your competitors will give you an estimate of the potential market size. When you consider geography, customer characteristics and product characteristics, this would narrow the market further. Your feasible market is the customers you can capture with perfect conditions and no competition.

When you are defining your target customer, you need to include such details as where they live (geographic area your business will operate in), who they are (demographic details such as age, gender, education level, marital status, income level, household size, race, occupation) and what attitudes, beliefs or lifestyle characteristics that might affect their purchasing decisions. You can divide your potential market based on these characteristics (these groups are called market segments). For example, if you are selling directly to customers, you might divide the market into segments based on income. Information about your area can be obtained by looking at census data to find out how many people in your target market live in your area. If farmers are your target market, how many live within the range of your business that you will service?

Growth in the industry should be demonstrated using two models that include industry sales, industry segment sales, demographic data and historical precedence. Placing your product in the sales cycle (early pioneer users, early users, early majority users, later majority users and late users) will also demonstrate the share of the market your business can capture as the market grows in stages one to three, leveling off in four and declining in stage five.

Positioning is also crucial. What characteristics does your product have that your competition does not? What are the specific needs filled by your product or service? How is your competition positioning their products? Pricing will be a central element of positioning.

In determining how to price your product, you may consider cost-plus pricing (often used by manufacturers who must cover their costs), competitive pricing (effective in an established market when product differentiation is challenging), mark-up pricing (retailers add desired profit to the cost of the product) or value-based pricing (what customers are willing to pay based on perceived value of a product or service). Pricing should be continually assessed over the life cycle of your product.

Distribution options include direct sales (selling directly to the customer), OEM Sales (selling to an Original Equipment Manufacturer who incorporates your product into theirs), manufacturers' representatives (sales agents who handle a variety of complementary products), wholesale distributers (a manufacturer can sell using this method), brokers (third-party distributers who buy directly from the distributer or wholesaler and sell to retailers or end users), retail distributers (who then distribute to the end user) or direct mail (selling to the end user using a direct mail campaign). The methods your competitors are using may influence your choice.

Your promotion plan for advertising should include the budget, creative messages and the media schedule for at least the first quarter. The public relations section should demonstrate the strategy including planned events and the media that will be contacted. Sales and promotions should establish the strategies used to support the sales message. This includes a description of marketing material and a schedule for sales, coupons, contests and awards. Customer service policies should also be detailed in this section. Packaging, labels, trademarks and service marks should be included.

Your overall marketing strategy should have a clear timeline that includes the costs associated with each stage.

Your marketing strategy can be creative as long as you stay within your budget. Social media, exhibitions, posters, pamphlets, radio, print media, television, seminars, workshops and conferences can all factor into how you get the message out regarding your product or service. Marketing will be your way of demonstrating that your product or service meets the needs of your customers and does so better than your competitors. Engage with your employees, friends and customers for ideas as well as doing research. Word of mouth is also crucial, so maintain positive interactions. Your reputation is one of your most powerful marketing tools. To preserve it, keep your marketing strategy and your dealings honest. Don't promise something you can't deliver and always ensure you can exceed expectations you set out.

Have each of the borrowers design a poster to advertise a product and then present it to the group. They will need to explain where they would place their poster and why. Taking into account geography, their potential market and a limited budget, where could they reach the most customers?

1.20 Competitive Analysis: Strengths, Weaknesses, Opportunities, Threats Analysis

Time: one hour (30 minutes for instruction, 20 minutes for the song circle and 10 minutes to present)

This should complement the previous work highlighting your market research. A SWOT (strengths, weaknesses, opportunities and threats) analysis demonstrates that you have realistically and objectively considered these elements. A strong assessment will allow you to both anticipate and prepare for both potential challenges and opportunities. Part of this should include your plan to set aside resources to take advantage of situations that may arise as well as having a fund to deal with potential obstacles. Lenders are well aware that businesses encounter challenges. In order to demonstrate that your business is a good lending risk, your SWOT analysis should be balanced. An over emphasis of the strengths of your business will reduce your credibility. SWOT analysis should be incorporated into your business plan at regular intervals to ensure your assessments keep up with the changing circumstances. If your product is still in the development stage, the risks that might be encountered in the various phases of the development process should be explained as well as your plans for addressing these risks.

This section can also include an analysis of your competition that outlines their strengths and weaknesses. Competing companies can be analysed based on their competitive strategies. What are the reasons some firms have been successful or unsuccessful in your industry? The motivations of your customers should factor heavily in this section. Factors that reduce mobility within the industry and the costs of major components should also be included. An option for summary would be a chart measuring your company's strengths and skills against those of your completion with respect to your product or service, your distribution system, pricing, promotion (the four P's of your marketing strategy).

Song Circle: Divide the borrowers into groups of five. Have each group write a song or chant outlining problems and solutions or opportunities and how to take advantage of them. It doesn't have to be strictly about business but should get them thinking longer term about potential events and how to prepare for them. Climate change and how they can adapt their farming practices, a change in their family structure or new competition are possible ideas. Have all the groups perform their songs.

1.21 Operations, Management and Human Resources Plan

Time: one hour (30 minutes for explanation and 30 minutes for activity)

This section should outline the day-to-day operations and structure of your business for the next three to five years. If your project is still in the development stage, then your design and development plan could be included here as well. Subsections could include:

- **Development plan:** This should include start dates and finish dates for each step, as well as a cost. The raw materials that are required for each stage of the process, required labour (executive, administrative, marketing and those involved in development), overhead costs (taxes, rent, phone, utilities, office supplies), professional services (any outside consultation costs for lawyers, accountants, business consultants), capital equipment (type of equipment required and whether it is leased/purchased or if outside contractors are used) as well as any miscellaneous costs associated with development should be included. This plan would have a similar structure as the operations, management and human resources plans but based on your development time line. Industry standards and any regulations related to development would be included here along with any feasibility, price or prototype testing.

- **Day-to-day operations:** A description of how your business functions which would include the hours of operation, the seasonality, materials required and suppliers, credit terms, etc.
- **Facility requirements and Equipment:** Define the size, location and any special requirements of your facility. Any lease agreements or supplier quotations should be included in the appendix for supporting documents. Any equipment required and the costs associated with it should also be included.
- **Special Requirements:** Water or power needs, ventilation, drainage and the necessary permissions or zoning approvals.
- **Management Information Systems:** Outline how you will control stock, manage accounts, control quality and track customers.
- **Information Technology (IT) requirements:** This should include the requirements as well as how they will be met (consultant, outside support service).
- **Production:** The time it takes to produce your product as well as the steps required.
- **Human Resources:** This should detail who does what. The organizational structure of the business should be outlined. Lay out a list of broad tasks, organize them into departments, show the type of personnel required for these tasks. Job descriptions, required skills and employee training details should also be included here. An organizational chart which shows how the integration of personnel aligns with each phase of development or production with specific roles would be beneficial. Professional services that are required post-development should also be included here. Detail executive, administrative, marketing and sales positions as well.
- **Overhead:** When you are calculating your expenses in the cost section, be sure to include fixed and variable costs such as: travel, maintenance and repair, equipment leases, rent, advertising and promotion, supplies, loan payments, utilities, packaging and shipping, payroll taxes and benefits, uncollectable receivables, professional services, depreciation.
- **Cost:** All costs associated with your business should be detailed so there is a clear picture of how much each step costs. Daily, weekly, monthly and yearly costs expenses also should be detailed. This should include labour, material, overhead and miscellaneous costs.

In groups of two or three, have the borrowers start to sketch out some of the details of their businesses. They may not have all the details available

1.22 Social Responsibility Strategy

Time: 50 minutes (10 minutes for instruction, 10 minutes to write the plays, 10 minutes to perform and 20 minutes to discuss)

A social responsibility strategy makes good business sense as well as being a requirement of a SACCO loan. Demonstrating the environmental and social benefits of your business creates goodwill, giving your business a competitive advantage. This section should outline how your business honours ethical values and respects people, the local community and the environment. The manner in which your business meets the goals of the SACCO philosophy should also be included here.

Specifics would include the environmental policies and practices of your business, the contributions your business makes to the community and certifications your business has (fair-trade certification, organic certification, etc.). Being a good corporate citizen is central to sustainable development. Be sure to outline the manner in which you are reducing potential negative impacts of your business as well as outlining positive initiatives.

Divide borrowers into two groups. One group will perform a small play (about five minutes long) about a business with no social responsibility strategy while the other group's play will be about a business with a good social responsibility strategy. After both groups have performed their play, lead a discussion about what kind of social responsibility strategy would be important in the local community.

1.23 Financial Forecasts

Time: two hours (30 minutes each for the income statement, cash flow sheet and balance sheet and then 30 minutes for activity)

The last section of your business plan provides the numbers to back up preceding sections. At a minimum, this should include the income statement, the balance sheet and the cash flow statement for your business.

Income Statement: this will draw information from the models developed earlier in your plan. Simply put, it shows how much money your business makes, subtracts the expenses and provides the net result, which is a profit or a loss. The income statement should be done for each month of the first year, quarterly for the second year, and then yearly for years three through five. It should include the following figures:

- **Income:** The total amount of all revenue and the individual sources.
- **Cost of goods:** Includes the costs related to the sale of products in inventory.
- **Gross Profit margin:** Income minus the cost of goods leaves you with the gross profit margin.

- **Operating expenses:** All overhead and labour expenses (e.g. salaries, utilities, rent, office supplies, insurance, advertising, telephone bills, travel or entertainment costs, duties and subscriptions, interest paid on loans, repair and maintenance costs, taxes and maintenance costs).
- **Net Income:** Gross profit minus operating expenses leaves you with the net income.

SUJI RURAL SAVINGS AND CREDIT COOP. SOCIETY LTD REG. No. 1234567 INCOME AND EXPENDITURE REPORT FOR 1999-2001

FINANCIAL INCOME	**31/12/2001**	**31/12/2000**	**31/12/1999**
Interest on current & past due loans	2,060,403.00	4,841,100.00	3,630,825.00
Loan fees/service charges	458,000.00	96,000.00	72,000.00
Late fees on loans	958,092.00	321,840.00	241,380.00
	22,020,123.00	**5,258,940.00**	**3,944,205.00**
FINANCIAL COSTS			
Interest on debts	2,959,188.00	771,382.00	578,536.00
Interest on members' savings	89,115.00	292,200.00	219,150.00
	3,850,336.00	**1,063,582.00**	**797,686.00**
GROSS FINANCIAL MARGIN	18,169,787.00	4,195,358.00	3,146,519.00
Provision for loan loss	3,187,343.00	1,269,169.00	951,877.00
NET FINANCIAL MARGIN	**14,982,444.00**	**2,926,189.00**	**2,194,642.00**
OPERATING EXPENSES			
Administrative expenses	2,861,302.00	379,257.00	284,443.00
Business expenses	1,715,450.00	423,750.00	317,812.00
Personnel expenses	14 744,660.00	3,959,707.00	2,969,780.00
Deprecation of F/Assets	765,328.00	191,332.00	143,499.00
TOTAL OPERATING COST	20,086,740.00	4,954,046.00	3,715,534.00
NET INCOME (DEFICIT) FROM CORPORATION	**(5,104,296)**	**(2,027,857)**	**(1,520,892)**

Calculating Income and Expenditures:

(A) INCOME

(i.) Profit on Loans: Example

Expected average loans per month of Tshs. 15,000,000 and expected loans per year of Tshs. 180,000,000 (or 45,000,000 per quarter)- profits could be calculated as follows:

Credit Tshs. 45,000,000 x 13 x 2

200 = 5,850,000

- Credit Tshs. 45,000,000 x 10 x 2

200 = 4,500,000

- Credit Tshs. 45,000,000 x 7 x 2

200 = 3,150,000

- Credit Tshs. 45,000,000 x 4 x 2

200 = 1,800,000

= 15,300,000

(ii.) Profit on Fixed Deposit Account

A SACCO reserve of Tshs. 5,000,000 at an interest rate of 2.5 percent per year is expected to produce revenue calculated as follows:

Tshs. 5,000,000 x 2.5 x 1

100 = 125,000

(iii.) Revenue derived from SCCULT CFP Savings Account

A CFP SCCULT Savings Account with a balance of Tshs. 10,000,000 would produce revenue as follows:

Tshs. 10,000,000 x 3 x 1

100 = 300,000

(iv.) Admission Fees

An estimated 100 new members will join the SACCO for 2004 and pay a fee of Tshs. 10,000 /each

Tshs. 10,000 x 100 = 100,000

(v.) Other Income

Sales form of loans to borrowing members are expected to be 250 per year, and for the price of Tshs. 1,500 for each. Its earnings are expected to be as follows:

Tshs. 1,500 x 250 = 375,000

(B) EXPENDITURES

(i.) Council Allowances

- Credit Committee:

12 sessions x Tshs. 5,000 x 3 delegates = 180,000

- Management Committee:

4 sessions x Tshs. 5,000 x 3 delegates = 60,000

- Executive Committee:

12 sessions x Tshs. 5000 x 4 members = 240,000

- Board Meetings:

4 sessions x Tshs. 5,000 x 12 members = 240,000

TOTAL = 720,000

(ii.) Banking Costs

Bank costs estimate:

Tshs. 5,000 x 12 x 1 = 60,000

(iii.) Audit fees - COASCO

COASCO auditing fees are expected to be a minimum of Tshs. 50,000 in 2004. = 50,000

(iv.) Audit Fees - Government

Fees for the government audit are estimated to remain the same at Tshs. 40,000

TOTAL = 40,000

(v.) Books and Posters

P / books 100 x 300 = 30,000
L / cards 100 x 300 = 30,000
Rec book 1 x 2,500 = 2,500
Pay book 1 x 2,500 = 2,500
R & P book 1 x 2,500 = 2,500
G / Ledger 1 x 2,500 = 2,500
Ruled paper 1 ream = 3000
Ball pens 12 x 100 = 1,200
Pencil 12 x 30 = 360
Ruler 2 x 200 = 400
Other = 10,000
TOTAL = 84,960

(vi.) Communications (Phone, Post Office and FAX)

Phone Tshs. 5,000 x 12 = 60,000

PO Box Tshs. 5,000 x 12 = 60,000

FAX Tshs. 5,000 x 12 = 60,000

TOTAL = 180,000

(vii.) Entertainment and Hosting Costs

A total of Tshs. 180,000 is expected to be used hosting SACCO guests;

Tshs. 15,000 x 12 x 1 = 180,000 / =

(viii.) Annual SCCULT dues

The annual SCCULT dues are based on the number of members

Tshs. 1,000 x 250 members = 250,000

(ix.) CFP Interest

A loan from SACCO CFP SCCULT of Tshs. 20,000,000 at a rate of 0.5%

Tshs. 20,000,000 x 0.5% = 100,000

(x.) The benefits of loan SCCULT CFP

It is estimated that in the second quarter of this year will loan CFP SACCO were forced to pay for the benefits of the loan for six months (6) the end as follows:

Tshs. 20,000,000 x 11 x 6

100 12 = 1,100,000

Balance Sheet: this details your assets, liabilities and net worth.

- **Assets** include anything that is owned or due to the business. Current assets include cash, accounts receivable, inventory, notes receivable and any other current assets. Fixed assets are those whose life exceeds one year, such as land, buildings, machinery and equipment, furniture and fixtures, leasehold improvements. Intangibles are costs that may never mature into cash and include research and development, patents, market research, goodwill and organizational expenses. Other assets might include deposit and long-term notes receivable from third parties. The sum of all the assets represents the total assets of the business.
- **Liabilities** are the financial obligations of the business and are divided into current (within one year) and non-current (due after one year). Current liabilities include accounts payable, accrued expenses, notes payable and current portion of long-term debt. Non-current liabilities include the non-current portion of long-term debt, notes payable to officers, shareholders or owners, and contingent liabilities. The sum of all your liabilities is your total liabilities.
- **Net worth or Equity** is total assets minus total liabilities.

Balance sheet	**2007**	**2008**	**2009**	**2010**	**2011**
Fixed assets	5,438,054	5,388,664	5,590,384	5,534,480	5,479,135
Current assets	5,075,356	5,121,783	5,525,820	5,746,853	5,919,258
Current Liabilities	7,463,670	7,600,661	7,471,154	7,321,731	7,175,296
Net Current assets	-2.388,314	-2,478,928	-1,945,334	-1,574,878	-1,255,038
Net assets	3,049,740	2,909,736	3,645,050	3,959,602	4,223,097
Financed by					
	3,049,740	2,909,736	3,959,050	3,959,602	4,223,097

SAMPLE RURAL SAVINGS AND CREDIT COOP. ORGANIZATION, LTD

BALANCE SHEET 1999-2001

ASSETS	**31/12/2001**		**31/12/2000**		**31/12/1999**	
Cash and Bank balances		10,361,784		4,840,635/=		3,630,476/=
Loans outstanding						
Current balances	81,904,000/=		83,034,145/=		62,275,609	
Past dues balances	14,637,000/=		13,369,000/=		10,026,750	
Cross loans outstanding	96,514,000/=		96,403,145/=		72,302,359	
Loan loss reserves	(9397416)		(812824)		(6,096,185)	
Net loans outstanding		87,143,584/=		88,274,898		66,206,174
Other current assets		5,462,644/=		5,817,700		4,563,275/=
TOTAL CURENT ASSETS		**102,968,027**		**98,933,234**		**74,199,925**
L/TERM LOANS, PROPERTY & EQUIPMENTS						
At cost	20251698/=		20,251,698		15,188,774	
Accum. depreciations	(16922829)		(16,731,497)		(12,548,623)	
Net property & equipment		3,328,869/=		3,520,201/=		2,640,151/=
TOTAL L/TERM LOANS & EQUIP.		**3,328,869/=**		**3,520,201**		**2,640,151/=**
TOTAL ASSETS		**106,296,881**		**100,453,435**		**76,840,076/=**
LIABILITIES						
Members savings		29,910,882/=		31,060,278		23,295,208/=
Members shares		5,451,747/=		35,561,326		3,375,786/=
TOTAL CURRENT LIABILITIES		**35,362,629/=**		**35,561,326**		**26,670,994/=**
Long-term debts commercial rate		154,276,460		146,397,370		109,798,402
Long-term debts (concessional rate)		9,000,000/=		9,000,000		9,999,000
TOTAL L/TERM DEBTS		**198,639,089**		**190,959,196**		**145,469,396**
EQUITY						
Retained surplus (deficit) prior years		(76,363,310)		**(76,363,310)**		**(58,022,483)**
Net surplus (deficit current						
Year		(15,978,896)		(14,142,449)		(10,606,837)
TOTAL EQUITY		(92,342,208)		90,505,761)		(68,629,320)
		106,296,881)		100,453,435		76,840,076

Cash Flow Statement: this shows how much cash will be needed to meet obligations, when it is going to be needed and where it will come from. To determine your operating cash flow, start with net income and then add back expenses which did not result in inflows or outflows of cash. An increase in inventory would reduce your cash. It can be organized into the following categories:

- **Operating cash flow**: Converts the items on your income statement from the accrual method of accounting to cash. With the accrual method, the revenue for a sale would be calculated when the title passes, even if no cash has been received yet. Expenses would appear in the income statement when they match up with revenues, but not necessarily when they are paid for. The cash flow statement shows when the money changes hands. It includes net income after tax, increase in accounts receivable, increase in inventory, decrease in accounts payable and increase in accrued expenses. The sum of these is your total operating cash flow.

- **Investing cash flow:** Outlines the purchase and sale of long-term investments, property, plant and equipment; purchase of equipment and decrease in notes receivable.
- **Financing activities**: Details the issuance and repurchase of the company's own bonds, stock, and payment of dividends.
- **Supplemental information:** Reports the exchange of items that did not involve cash.

SAMPLE SACCO, Ltd.

Cash Flow Statements and Projections

ITEMS	**ACTUAL**		**PROJECTIONS**			
Cash Inflows	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Opening Balance	1,031,593,422	65,405,850	60,976,126	2,062,348,074	1,752,913,979	658,109,646
Savings from Members	469,435,513	380,250,000	680,000,000	890,000,000	1,080,000,000	1,280,000,000
Repayment from Loans	4,845,906,000	4,202,611,000	5,325,000,000	6,123,750,000	6,736,125,000	6,436,125,000
Income from Financial Investments	844,265,781	751,071,805	2,209,161,458	2,231,253,072	2,232,368,699	1,132,368,699
Income from Investment Building	66,148,930	50,403,540	148,500,000	141,905,000	141,905,000	141,905,000
Bank Loan	-	1,364,576,975	2,500,000,000	-		

Other Income(Sales of Shares)	127,710,000	104,892,800	106,600,000	300,000,000	500,000,000	250,000,000
Total Inflows	**7,385,059,646**	**6,919,211,970**	**11,030,237,584**	**11,749,256,146**	**12,443,312,678**	**9,898,508,345**
Cash Outflows:						
Loans to Members	5,157,762,001	4,254,907,173	6,467,796,000	7,367,965,000	7,738,159,000	7,438,159,000
Interest Expenses	-	-	17,087,355	19,651,033	22,598,688	25,598,000
Provisions	64,608,990	-	15,000,000	30,000,000	36,000,000	42,000,000
Financial Costs	330,243,665	237,218,354	210,363,585	231,399,944	266,109,935	276,109,000
Building Expenses	127,958,405	24,520,040	483,100,000	300,000,000	2,100,000,000	-
Administrative Costs	223,396,783	249,774,468	447,404,080	514,514,692	591,691,896	650,671,000
Purchase of Shares	-	-	144,000,000	-	-	-
Loan Repayment	1,190,332,052	1,931,888,809	902,447,140	1,238,085,580	721,181,300	830,000,000
Other Expenses	225,351,900	159,927,000	280,691,350	294,725,918	309,462,213	360,500,000
Total Outflows	**7,319,653,796**	**6,858,235,844**	**8,967,889,510**	**9,996,342,167**	**11,785,203,032**	**9,623,037,000**
Net Cash Flow	**65,405,850**	**60,976,126**	**2,062,348,074**	**1,752,913,979**	**658,109,646**	**275,471,345**

Have the participants sketch out basic balance sheets, income statements and cash flow statements for their businesses or business ideas. This can be done in small groups pairing more confident participants with those who need a little extra help. Be sure to circulate through the room providing assistance.

LEVEL 2: THEME AREAS

2.1 SACCO Philosophy: Integrated Coastal Management and Ecotourism

Time: 40 minutes (15 to 20 minutes for explanation and 20 minutes for activity)

SACCOs within the coastal region (Tanga, Coast, Dar es Salaam, Lindi, Mtwara, and the Exclusive Economic Zone including the islands of Mafia, Zanzibar and small islets) operate under the National Integrated Coastal Environmental Management Strategy. This strategy is designed to promote sustainable development of the coastal regions, poverty alleviation, food security and human and institutional capacity. Through empowering local stewardship, balancing competing uses for land and resources and between national and local interests and resolving conflicts between users, the strategy hopes to ensure integrated and sustainable approaches to development.

One of the industries that holds potential within these requirements in some areas is ecotourism. There are potential stresses of tourism on the local environment:

- Increased use of existing infrastructure and services causing stress on capacity.
- Poorly managed infrastructure creation could nullify positive environmental impacts.
- Increased pollution, especially if sewage is not treated.
- Potential conflicts between those competing for use of the same areas and resources for different purposes.
- Damage to habitats such as coral reefs due to trampling, anchors or souvenir taking.
- Green-washing if the sustainability of the project is not managed appropriately.

However, there are a number of potential benefits:

- **Education provoking action:** Through training individuals to enter the industry, the economic benefits of preserving the environment can be demonstrated, resulting in more environmentally friendly practices and an increase in responsible citizenship, reducing the impact of humans on the local ecosystems. Through economic benefits accrued to the local communities as a result of ecotourism and increased public education, the range of the positive benefits of education could expand to the community at large.
- **Environmentally sustainable use of resource**s: Ecotourism provides an opportunity to make use of local resources to improve the economic livelihoods of the residents while maintaining the natural beauty of the area. The environmental stewardship encouraged by ecotourism also ensures that these resources will be available for future generations.

- **Poverty alleviation:** Ecotourism provides economic opportunities for individuals and communities that might not otherwise have access to employment, much less employment that protects the environment.
- **Public education and cultural exchange:** Ecotourism teaches both the tourists and the places they visit about responsible citizenship. Local ownership ensures a unique experience for travelers as well as keeping costs low as ecotourism is not expected to conform to corporate Western tourism standards.

Some challenges faced when establishing a local ecotourism program:

- **Ensuring** it is locally owned, operated and controlled so as to keep profits and incentives for sustainability in the community as well as adhering to the guidelines set out in the National Integrated Coastal Environmental Management Strategy.
- **Capacity building** for entrepreneurship, business management, environmental awareness and tourism.
- **Ensuring support** from members of the community to prevent or deal with any conflicts that may arise as well as cultivating a culture of environmental stewardship

Lead a group discussion of the existing tourism programs in the area and the extent to which they fit the criteria for sustainable development and ecotourism. Are there opportunities in the area which aren't being explored or ways in which current development could be modified to meet the demands of environmental stewardship?

2.2 Tanzanian History and Responsible Cultural Tourism

Time: one hour (20 minutes for explanation, 15 minutes for group work and 15 minutes to present. Take more time if necessary)

Tanzania is a country rich in history, culture and biodiversity. Creating an experience for visitors that allows them to explore this diversity while maximizing positive impacts and minimizing negative impacts is at the heart of Sustainable Tourism. Ecotourism would be a subset of Sustainable Tourism. The World Tourism Organization has developed the following definition of sustainable tourism:

> *Sustainable tourism development meets the needs of present tourists and host regions while protecting and enhancing opportunities for the future. It is envisaged as leading to management of all resources in such a way that economic, social and aesthetic needs can be fulfilled while maintaining cultural integrity, essential ecological processes, bio-diversity and life support systems.*

Cultural tourism allows people to see how other people live. Being able to explore cooking, architecture, dance, music, work, environment, art, government and the day-to-day lives of people are all part of this experience. This immersion allows people a chance to reflect on their own lives and learn about the commonalities and differences we have. Culture is always changing and evolving and so too will the experience for tourists. However, it is this richness and diversity that make cultural tourism appealing as you can never have the same experience twice.

Tourism, of course, also encompasses natural attractions that would include wildlife, seascapes, geological formations, forests and other natural resources.

A holistic approach to tourism must be taken in order to make it both sustainable and economically viable. Part of providing an enriching experience is being comfortable explaining the history and culture of the area and the country.

From the paleo-anthropological gem of Olduvai Gorge in northern Tanzania, through interactions with the Greeks and Romans, through the spread of Swahili and the subsequent settlements of the Europeans and Arabs, Tanzania has a rich domestic and international history. Rock paintings over 10,000 years old have been found near Kondoa. The nomadic hunter-gathers who are believed to have painted them were joined by farmers and cattle-herders from the north about three to five thousand years ago. Bantu speakers who migrated over the centuries from the Niger delta to the region that is now Tanzania by the first century AD are ancestors of many of today's Tanzanians. By the time Vasco da Gama arrived in 1498, the area that is now Tanzania had been trading with partners throughout the Indian Ocean with the town of Kilwa presiding over this golden age. Zanzibar saw visitors from many nations before the Portuguese captured the island in 1505 and held it until it was taken over by Arabs from Oman in the 18thC. The 18th century saw the interior being further explored in search of slaves to supply the slave trade. During the 19th century, we see an increased interest from Europe, with Kilimanjaro being reached in the late 1840s; the route from Bagamoyo to Lake Tanganyika explored in 1857-58, and to Lake Victoria in 1860. Livingstone set out in 1866 for his last journey to Lake Nyasa and inspired the works of many missionaries to follow. German colonial interests were first advanced in 1884, and by 1891 the German government had taken over administration from the German East Africa Company. After World War I, the League of Nations gave Britain a mandate over what is now mainland Tanzania, which was converted into a trusteeship in 1946. In 1961, Tanganyika gained independence, followed by Zanzibar in 1964, and they merged to form Tanzania with Nyerere as president. The colourful history of Tanzania can be seen in the architecture that remains: 13th and 15th Century Arab mosques and tombs in Kaole, some containing Chinese ceramics are mere kilometres from 19th Century German buildings near the beach in Bagamoyo.

Tanzania's culture is as rich as its history. While Swahili and English are the official languages, over 125 languages are spoken, including representatives of the language groups Khoisan, Nilotic, Cushitic and Bantu. With about 125 tribes, multiculturalism is very important to Tanzanians. This same diversity is present in the music: bongo flava, traditional, Mtindo, Taarab, dansi, reggae, hip hop and modern all mix for an eclectic sound that is truly Tanzanian. Writers such as Shafi Adam Shafi, Euphrase Kezilahabi, Chachage Seth Chachage, Edwin Semzaba and Penina Muhando Mlama complement Makonde sculptors such as George Lilanga and Tingatinga painting. The food adds to your sensory experience. Coconut and fish are seen in meals found along the coast, grilled meats and curries abound, and meals are served with ulgali, rice, plantains or chips. Beans and greens are plentiful, satisfying meatless diets. Chapati can be had for breakfast with a cup of chai or to accompany a meal. If tea isn't enough to quench your thirst, coconut water, soft drinks, beers, home-brews and spirits are all widely available. The regional and historical diversity can be seen in the changing menus as you travel through the country.

Divide the participants into three groups and have them sketch a timeline and significant cultural aspects of the local area, presenting to the whole group. Write out the combined timelines and cultural points on flip chart paper for the whole group to examine. Were any points missed? Is there anything else that could be included? What are some of the natural resources in the area that would be of interest to a visitor? What attractions would bring tourists?

2.3 Tourism: Infrastructure Challenges and Opportunities

Time: 45 minutes (10 minutes for explanation and 35 minutes for discussion)

In order for tourism to be successful, the tourists need to be able to access the location and have somewhere to stay when they get there. Transportation should be safe, reliable and a good value for the money. Accommodations need a range sufficient to meet the needs of budget travelers or those with unlimited resources and can include options for camping, cheap and cheerful homestays or hostels, or resorts. Not every accommodation style will suit the destination. Sustainable or eco-tourists are looking for options that fit in with the natural setting and leave as minimal a carbon footprint as possible. A key component of a successful tourism destination is the cultivation of a destination-based tourism program, rather than just a single attraction. This enables the visitor or tour guide operator to tailor a trip that offers many experiences within a small geographical area. As with all stages of ecotourism development, the community must be consulted to ensure conflicts about the use of or access to resources, as well as to ensure that the community is benefitting from the presence of the ecotourism.

As a group, discuss the existing infrastructure and capacity, both public and private. To what extent does it meet the potential needs of an ecotourism industry? How many people could be accommodated by hotels or homestays at a time? Is this something that needs to be expanded? Keep in mind, bigger is not always better. Smaller groups allow for a more intimate experience while reducing potential stress on sewage facilities, water consumption and other infrastructure. How can tourists get to the destination? Is there public transportation? If private transportation needs to be provided, can it be done economically? What changes would need to me made to reduce the potential environmental impact of tourism? Are there sewage treatment options available? How is garbage reduced or disposed of? How are the buildings heated or cooled? How is electricity provided? What necessary products can be sourced within 25 kilometers? What kind of employment opportunities would be created and could they be filled locally? What training would be required to meet the demands of the jobs? What support infrastructure is available in terms of charity groups, nongovernmental organizations or government organizations that can assist in the assessment of vulnerabilities and needs of the local community, training and infrastructure development?

As with all development initiatives, eco-tourism must be developed with the Integrated Coastal Management Strategy in mind. Two major concerns would be the presence of infrastructure or plans to minimize the negative impacts of tourism on the environment and ensuring that the livelihoods of those most vulnerable are also improved by eco-tourism. Would the plan create jobs that work with the local culture and meet economic demands? For example, could the plan work around agricultural demands for labour or child-care?

2.4 Ecotourism Case Study: Sea Sense

Time: 45 minutes (35 minutes for explanation and 10 minutes to discuss)

Information for this section provided by Sea Sense documents/publications/Website and Authentic Tanzania Website.

Relocating turtle eggs.

Sea Sense is an organization that has managed to provide economic incentives for the preservation of the local environment. They are also a good example of how working with other organizations can broaden the expertise and infrastructure brought to bear on the issue, allowing them to focus solely on conservation and education at a community level.

Tanzania's marine environment is home to five species of sea turtle (green, hawksbill, loggerhead, olive ridley and leatherback), dugongs, whale sharks and several dolphin and whale species. This diversity of species is threatened by coastal development as well as intentional and accidental slaughter of animals. Sea Sense has been working with local communities since 2001 to create conservation and socio-economic benefits.

Through public education and incentive creation, Sea Sense has involved the local community. Financial incentives have been multifaceted. Providing local employment through the training of locals as tour guides has been one means for injecting cash into the local community. Local hotels also work with Sea Sense to bring tourists to see baby turtles hatching and share the proceeds from this with Sea Sense. To increase local capacity, Sea Sense provides training to the tourism staff at the hotels in both turtle conservation and Codes of Conduct. Authentic Tanzania has partnered with Sea Sense to provide tours and shares a portion of the proceeds. A turtle nest adoption program has also been successful in bringing in additional funds. Through these activities, tourism is injecting monies into the local economy.

Alternative livelihood training is also provided, such as weaving of baskets to sell to tourists coming to see the sea turtles. One of the incentives offered was a finder's fee for sea turtle nests that injected over TSH 5 million into the local economy in 2012. Ensuring the local community is kept aware of the proceeds from ecotourism has been central to ensuring their support. Proceeds have gone to help both Sea Sense activities and local community development. This has ensured support from the local community in both protecting the turtles and environment as well as in the creation of infrastructure. There have also been costs associated with not protecting the local environment. Villages have been made aware that if beaches and areas were not kept clean and free of garbage, then monies would be taken from ecotourism revenue to fund a regular beach clean-up team.

Challenges encountered by Sea Sense included the continuation of trade in marine curio products, continued by-catch of animals being protected by Sea Sense, dynamite fishing, use of illegal nets, coral mining, mangrove harvesting, poor waste management, nest poaching and limited enforcement.

Achievements include the creation of sustainable livelihoods and income generation, increase in public education and awareness, increased understanding of dugong populations, increased understanding of turtle populations and the ongoing threats to their survival and waste management education.

Discuss the potential opportunities that exist in the local area for such a project.

2.5 Gender, PHE, ICM Resources and Support

Time: Invite representatives to speak with the SACCO; time will be based on their presentations. Allow a few minutes for the introduction below and then, depending on the number of guest speakers, allot time for each and for discussion to follow

Invite a Village Multisectoral Aids Committee (VMAC) or Uzikwasa representative to speak to the group and outline the current status of the village. The District Cooperative Officer or the District Integrated Coastal Management Facilitator could also be brought to speak. Networking with the resources in the area is an important part of having a successful SACCO that addresses the economic and social needs of the community.

Board members and the various supervisory committees of the SACCO will have to assess the viability of the business proposals put forth by the members from both a business and social responsibility perspective. Each SACCO is set up with goals that are designed to meet the needs of the local community. Some communities will identify gender inequalities that need to be addressed; other communities will have health issues or groups that are made vulnerable due to a variety of factors. The vision of the SACCO, the specific characteristics of the community, the nature of available seed money or outside support may determine the social responsibility goals of the SACCO. These goals and the SACCO activities will also comply with the National Integrated Coastal Management Resource Strategy.

The goals of the SACCO will in part be set forth in the vision and mission statement of the SACCO included in the business plan or business strategy. The challenges facing the community in which the SACCO is set up will be central to this and can also be explored in individual business plans. The VMAC or Uzikwasa, depending on region, can be consulted to obtain support in assessing vulnerable groups and strategies for ensuring vulnerable individuals are included in the sustainable development strategies. The VMAC/Uzikwasa would also be a source for finding other partners at the village and district level to provide support for other health issues. The District Integrated Coastal Management Facilitator and the District Cooperative Officer are other sources of support for ensuring that projects are in line with integrated coastal management goals.

2.6 SACCO Structure and Purpose

Time: 30 minutes for instruction. Allow time for questions at the end.

The Cooperative Societies Act was passed in 2003 regulating the establishment, registration and regulation of cooperative societies, including SACCO. The purposes of SACCOs, as outlined by the act, are:

- Encourage savings.
- Provide low interest loans which will facilitate economic and social development.
- Improve the quality of life for members by providing them with credit to support or start economic activity.
- Control inflation.
- Increase employment through the creation of small businesses.
- Provide banking services.
- Promote democracy.

SACCOs are established and operated by the members themselves. There should be at least 20 members. The District Cooperative Officer will chair the first meeting at which the committee members (five to nine) will be chosen and will become responsible for completing all the necessary preparations for the establishment of the SACCO, including financial documents and projections for the first year. During the second meeting, various committees will be formed. To apply for registration, the SACCO needs to submit summaries of the two founding meetings, estimates of revenue and expenditure for the first year, an assessment by the district cooperative officer, the provisions or bylaws of the SACCO and a registration fee. These documents will be reviewed by an ombudsman who will recommend adjustments, if required. If all the documents and estimates are satisfactory, the ombudsman will provide a certificate of registration.

After registration is completed, the members will elect the Board of the SACCO which will be divided into the executive committee, the management committee and the credit committee. All power is vested in the members so any decisions have to be made either by them through meetings or through a committee elected from among membership ranks.

A SACCO member has rights and responsibilities, some of which are outlined in the provisions of the SACCO. Generally, the rights include:

- To be elected to leadership positions provided the qualifications laid out in the provisions are met.
- To attend all meetings of the membership.
- To have access to SACCO documents during regular working hours.

The responsibilities include:

- To purchase stock/shares, pay interest fees and accumulate savings in accordance with SACCO provisions.
- To repay any loans on time.

Invite questions from the participants.

LEVEL 3: SACCO ACCOUNTING

3.1 Certificate of Payment

HATI YA MALIPO

Chama/Kijiji cha ____________ No 13801

Mradi ____________

Chama/Kijiji kimelipa kwa ____________

Kwa ajili ya ____________ Tarehe ____________

Maelezo	Shs.	Sts
JUMLA		

Daftari ya Fedha UK. ____________

Iliidhinishwa ____________

Shilingi: ____________

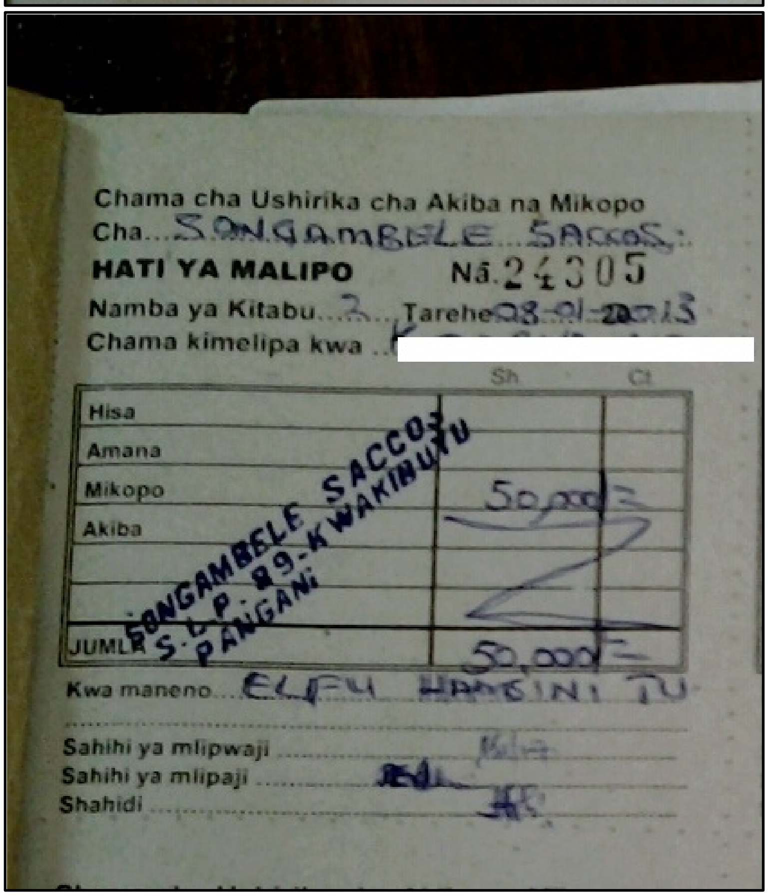
Sahihi ya mpokeaji

Nimepokea fedha iliyoandikwa hapo juu

UGAWAJI: 1. Mlipwaji

2. Kubaki kitabu

Mwandishi/Mhasibu



Chama cha Ushirika cha Akiba na Mikopo

Cha...SONGAMBELE SACCOS

HATI YA MALIPO Na. 24305

Namba ya Kitabu...2... Tarehe 08-01-2013

Chama kimelipa kwa ..

	Sh	Ct
Hisa		
Amana		
Mikopo	50,000/=	
Akiba		
JUMLA	50,000/=	

Kwa maneno... ELFU HAMSINI TU

Sahihi ya mlipwaji ....

Sahihi ya mlipaji ....

Shahidi ....

SONGAMBELE SACCOS S.L.P. 89-KWAKINUTU PANGANI

When any withdrawals or purchases are made, a receipt in the certificate of payment book must be filled out first. Starting with the top, left-hand corner, the name of the SACCO and village must be filled in, then the name of program or activity, to whom the payment was made, the purpose and the date.

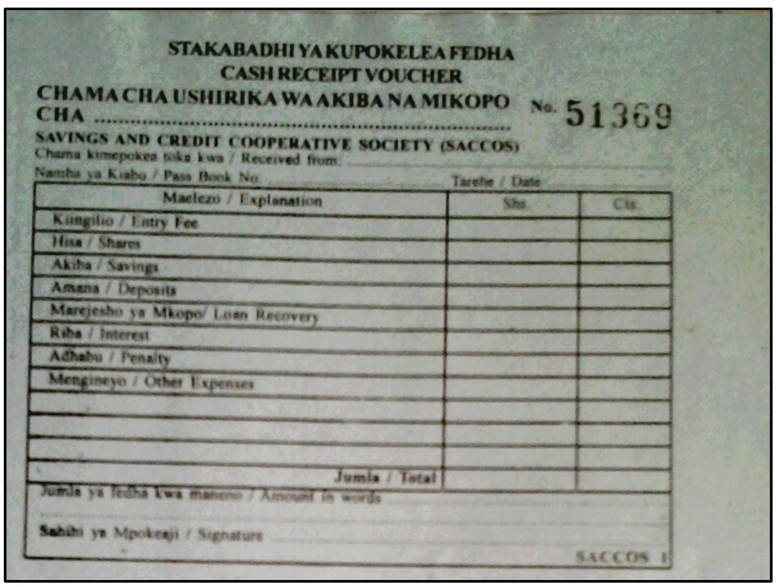
The chart below needs to be filled out with the details of the transaction and the amounts in shillings and cents.

Be sure to note the page number in the Income and Expenditure Book where you record the transaction. The Certificate of Payment is only the first book in which the transaction is entered. Below that, the signature of the person approving the transaction is required. The signature required will vary depending on the provisions of the individual SACCO and the particular transaction. Below that, the amount of the transaction must be written out long hand. Then the receiver of the payment and the accountant must sign on the bottom, right-hand side of the receipt. Be sure to note the receipt number on the top, right-hand corner.

3.2 Cash Receipt Voucher

This is the first place that a receipt of money by the SACCO is recorded. The Certificate of Payment is the first place expenditures or withdrawals are recorded. These two documents are gatekeepers for money going in and out of the SACCO. The Cash Receipt requires similar information as the Certificate of Payment with some minor differences.

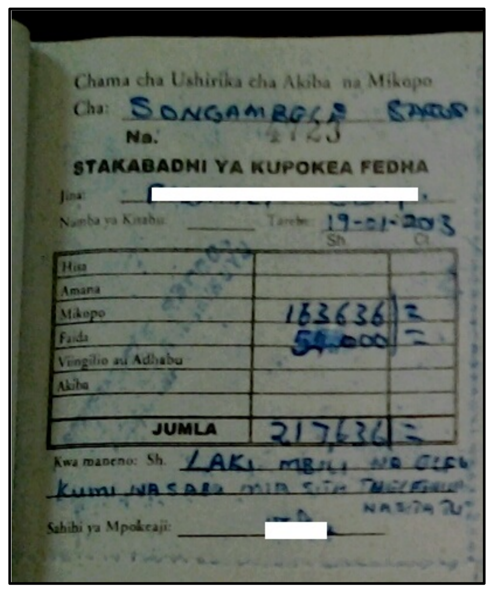
It includes the name of the SACCO on the first line, followed by the individual who is depositing the money on the second and the pass book number on the third. Below that, the amount in shillings and cents needs to be written on the right in the line dictating its purpose. If the cash is being deposited for an entry fee, shares, savings, deposits, loan recovery, interest, penalty payments or another expense, it must be recorded on the correct line. There may be multiple deposits, so each must be recorded in the correct category, and the total amount of cash should be calculated and entered at the bottom of the table. Below that there is a line for this total to be written out long-hand and another for the required signatures. Be sure to note the receipt number in the top right-hand corner.



STAKABADHI YA KUPOKELEA FEDHA
CASH RECEIPT VOUCHER
CHAMA CHA USHIRIKA WA AKIBA NA MIKOPO CHA .... No. 51369
SAVINGS AND CREDIT COOPERATIVE SOCIETY (SACCOS)
Chama kimepokea toka kwa / Received from
Namba ya Kitabu / Pass Book No   Tarehe / Date

Maelezo / Explanation	Shs.	Cts.
Kiingilio / Entry Fee		
Hisa / Shares		
Akiba / Savings		
Amana / Deposits		
Marejesho ya Mkopo / Loan Recovery		
Riba / Interest		
Adhabu / Penalty		
Mengineyo / Other Expenses		
Jumla / Total		

Jumla ya fedha kwa maneno / Amount in words
Sahihi ya Mpokeaji / Signature
SACCOS 1



Chama cha Ushirika cha Akiba na Mikopo
Cha: SONGAMBELE SACCOS
No. 4123
STAKABADHI YA KUPOKEA FEDHA
Jina: [redacted]
Namba ya Kitabu: Tarehe: 19-01-2013

	Sh	Ct
Hisa		
Amana		
Mikopo	163636	=
Faida	54,000	=
Viingilio au Adhabu		
Akiba		
JUMLA	217,636	=

Kwa maneno: Sh. LAKI MBILI NA ELFU KUMI NA SABA MIA SITA THELATHINI NA SITA
Sahihi ya Mpokeaji: [redacted]

3.3 Individual Passbook

This book is used by individual SACCO members to keep track of their accounts and should be updated each time a transaction occurs.

From left to right, it should be filled in as follows:

1. Date.

2. Shares: If shares and been purchased, note the amount in the first column. If they have been withdrawn, note the amount in the second. Then write in the balance in the third column.

For example, if you have zero shares and purchase two, then two shares would be noted in the first column, nothing would be noted in the second, and in the third, your balance of two would be recorded. Subsequent purchases would be recorded the same way, and any withdrawals would be subtracted from the total balance. This same format is used for the other sections.

Date	Shares Paid in	Shares Withdrawal	Balance
September 1, 2012	2	-	2
October 15, 2012	3	-	5
December 11, 2012	-	1	4

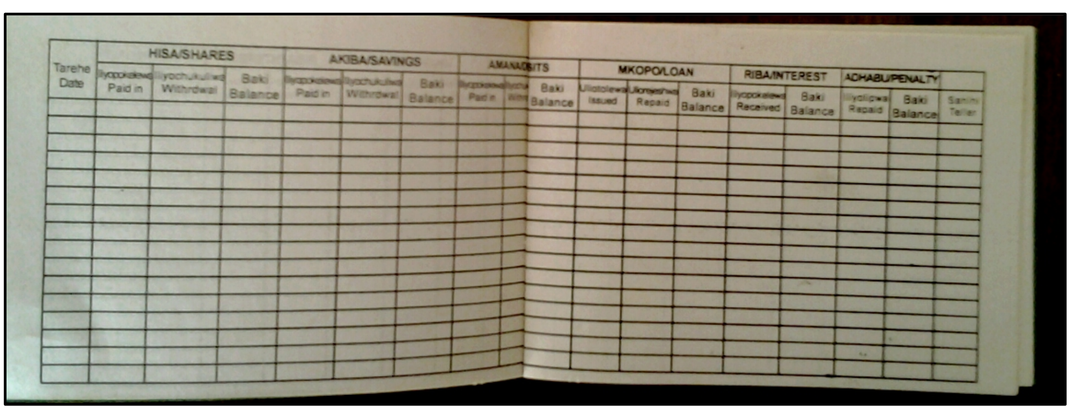
3. Savings: Paid in, Withdrawal, Balance

4. Debits: Paid in, Withdrawal, Balance

5. Loan: Issued, Repaid, Balance

6. Interest: Received, Balance

7. Penalty: Repaid, Balance

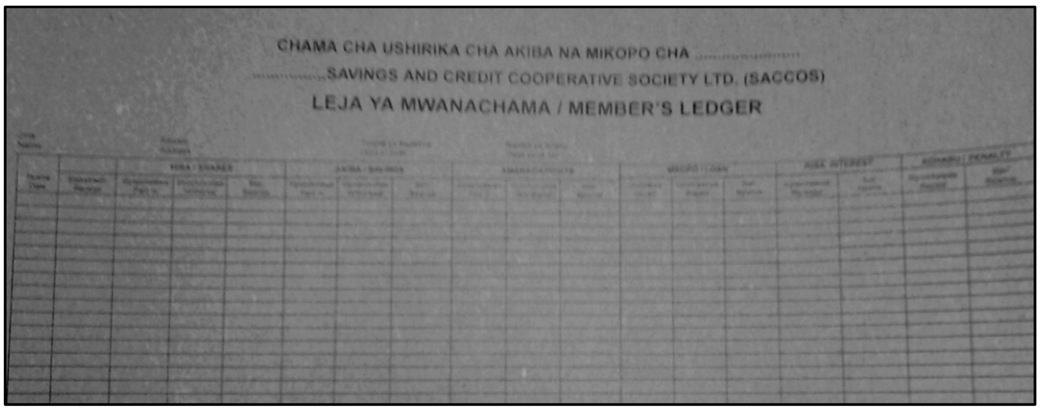


3.4 Member's Ledger

This book is fairly similar to the individual's passbook but it is kept by the SACCO. Each member will have their own ledger and it should be updated as transactions occur.

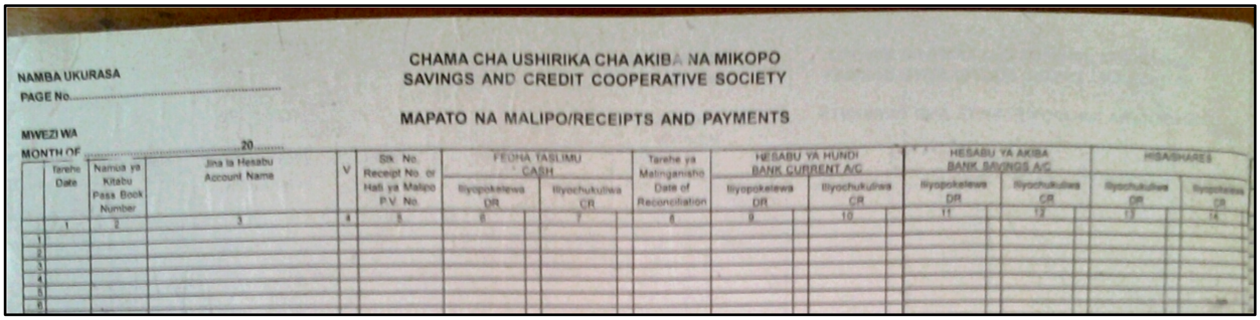
Starting from the top, left-hand corner, the information listed includes the member's name, address, date-of-birth and passbook number.

The table below shows, from left to right: the date of the transaction and the receipt number; shares paid, withdrawals and balance; savings paid, withdrawals and balance; deposits paid, withdrawals and balance; loans issued, repaid and balance; interest received, balance; penalty repaid, balance.



3.5 Master Ledger

After issuing a Cash Receipt for a deposit or a certificate of payment for a withdrawal or expenditure, the transaction must be recorded in the Master Ledger. This book records all the transactions, and from it information will be pulled for many of the accounting documents required for monthly, quarterly and yearly reports. It is of crucial importance that this information be kept current. As soon as the transactions occur, they must be immediately entered into the Master Ledger. This will detail the impact of the transaction on the accounts of both the SACCO and the individual. There is a substantial amount of information to record but if records are kept in a timely manner, the routine becomes familiar and simple.



NAMBA UKURASA
PAGE No. ....

CHAMA CHA USHIRIKA CHA AKIBA NA MIKOPO
SAVINGS AND CREDIT COOPERATIVE SOCIETY

MAPATO NA MALIPO/RECEIPTS AND PAYMENTS

MWEZI WA
MONTH OF .... 20........

	Tarehe Date	Namba ya Kitabu Pass Book Number	Jina la Hesabu Account Name	V	Stk. No. Receipt No. or Hati ya Malipo P.V. No.	FEDHA TASLIMU CASH		Tarehe ya Malinganisho Date of Reconciliation	HESABU YA HUNDI BANK CURRENT A/C		HESABU YA AKIBA BANK SAVINGS A/C		HISA/SHARES	
						Iliyopokelewa DR	Iliyochukuliwa CR		Iliyopokelewa DR	Iliyochukuliwa CR	Iliyopokelewa DR	Iliyochukuliwa CR	Iliyochukuliwa DR	Iliyopokelewa CR
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1														
2														
3														
4														
5														
6														

At the top, left-hand corner the page of the ledger should be noted and below it, the month and the year. Starting from the left-hand side of the table, the columns are numbers and should be filled in as follows:

1. Date.

2. Passbook number — if the SACCO members have individual bank books the number of the bankbook should be noted here.

3. The name of the Account Holder.

4. Undetermined category.

5. The receipt number — this is the number in the top, right-hand corner of either the Cash Receipt Voucher or the Certificate of Payment.

6. Cash debits.

7. Cash credits.

8. The date of reconciliation.

9. Debits for the current account.

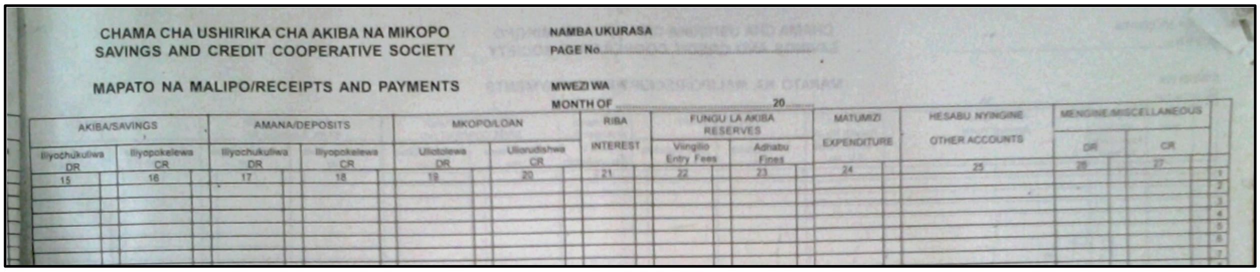
10. Credits for the current account.

11. Debits for the savings account.

12. Credits for the savings account.

13. Debits for shares.

14. Credits for shares.



CHAMA CHA USHIRIKA CHA AKIBA NA MIKOPO
SAVINGS AND CREDIT COOPERATIVE SOCIETY

MAPATO NA MALIPO/RECEIPTS AND PAYMENTS

NAMBA UKURASA
PAGE No.

MWEZI WA
MONTH OF .... 20....

AKIBA/SAVINGS		AMANA/DEPOSITS		MKOPO/LOAN		RIBA	FUNGU LA AKIBA RESERVES		MATUMIZI	HESABU NYINGINE	MENGINE/MISCELLANEOUS	
Iliyochukuliwa DR	Iliyopokelewa CR	Iliyochukuliwa DR	Iliyopokelewa CR	Uliotolewa DR	Uliorudishwa CR	INTEREST	Viingilio Entry Fees	Adhabu Fines	EXPENDITURE	OTHER ACCOUNTS	DR	CR
15	16	17	18	19	20	21	22	23	24	25	26	27

15. Debits for savings.

16. Credits for savings.

17. Debits for deposits.

18. Credits for deposits.

19. Debits for loans.

20. Credits for loans.

21. Interest rate.

22- Entry fees.

23. Fines.

24. Expenditures.

25. Other accounts.

26. Miscellaneous debits.

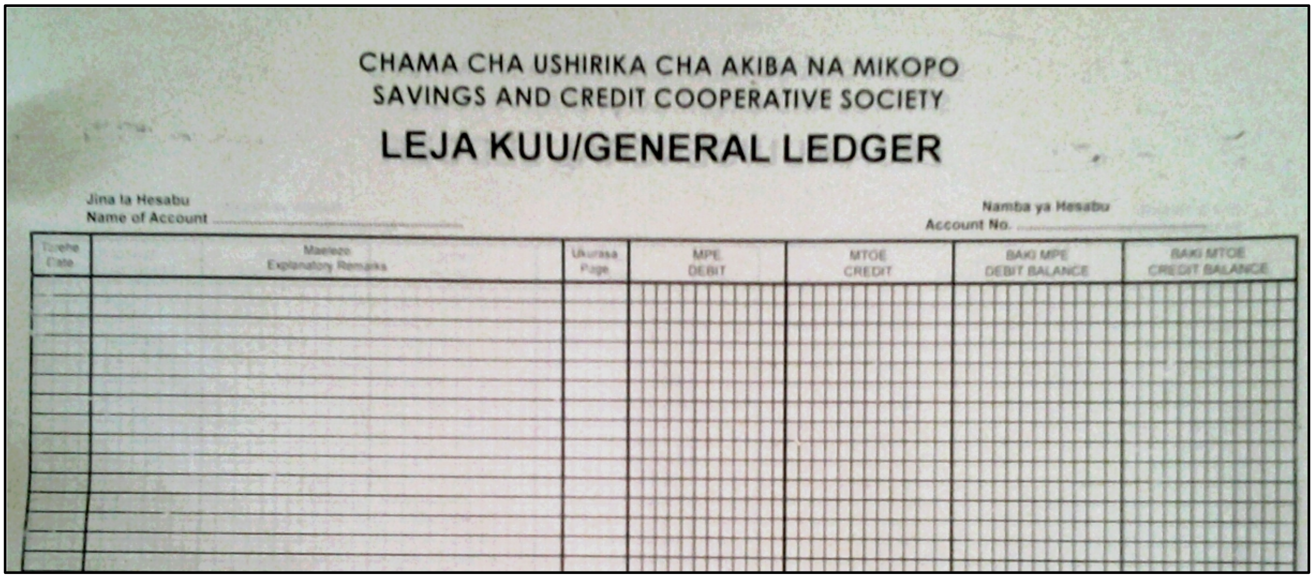
27. Miscellaneous credits.

At the end of the month, this information will be used to fill in the General Ledger which outlines cash flow and the Incomes and Expenditures sheet.

3.6 General Ledger

The general ledger is able to provide a snapshot of the SACCO at any given time as it notes the impact of any credit or debit on the balance of the SACCO. It can also be used to illuminate any cash flow problems as it tracks money coming in and out of the SACCO. The name of the SACCO is written on the top, left-hand corner.

From left to right, the table is filled in as follows: The date of the transaction, followed by explanatory remarks, the page it appears on in the Master Ledger, the debit or credit amount and the balance.



CHAMA CHA USHIRIKA CHA AKIBA NA MIKOPO
SAVINGS AND CREDIT COOPERATIVE SOCIETY

LEJA KUU/GENERAL LEDGER

Jina la Hesabu
Name of Account ....

Namba ya Hesabu
Account No. ....

Tarehe Date	Maelezo Explanatory Remarks	Ukurasa Page	MPE DEBIT	MTOE CREDIT	BAKI MPE DEBIT BALANCE	BAKI MTOE CREDIT BALANCE

3.7 Income and Expenditures

This book also provides a health check of sorts, detailing the balance at any given time in the SACCO. The name of the SACCO appears on the top, left-hand side and the table is filled out from left to right, starting with income and continuing as follows: date, receipt number, details of the transaction, Master Ledger page number for the transaction, the transaction amount and the remaining balance. The expenditure section requires the exact same information in columns to the right of Income.

Jina__________

DAFTARI YA FEDHA

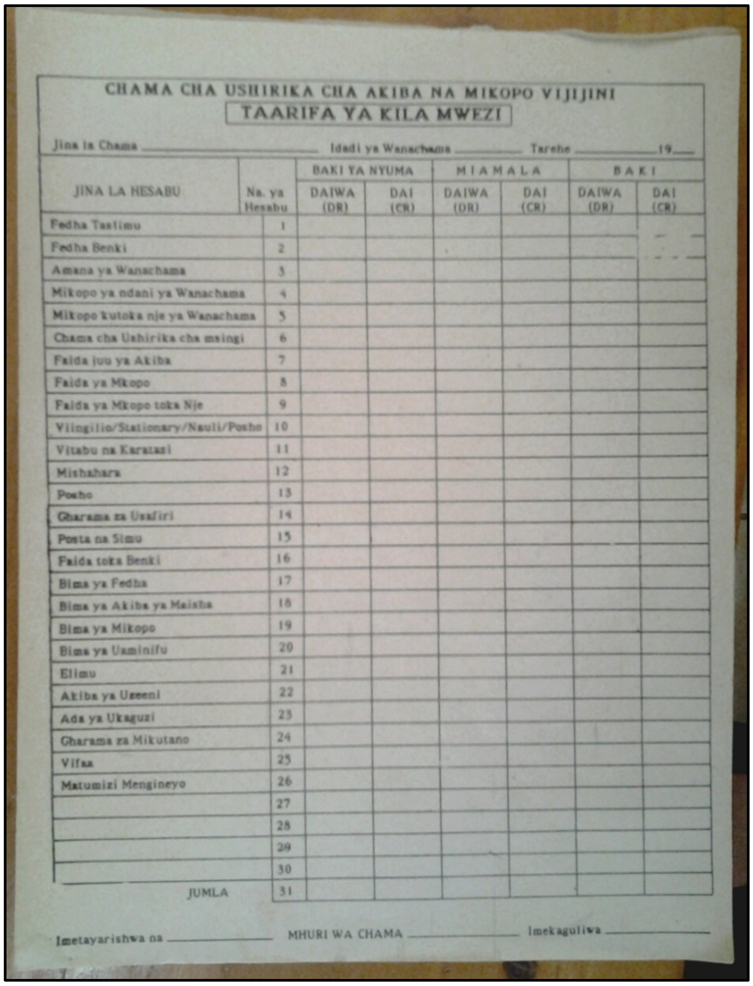
A No.

DR	MAPATO					MALIPO					CR
Tarehe	Stakabadhi Na.	Maelezo	Ukurasa	Taslim	Benki	Tarehe	Hati ya Malipo	Maelezo	Ukurasa	Taslim	Benki

3.8 Monthly Report

The monthly report allows the SACCO to keep track of its financial health and also to prepare for quarterly or year-end reports.

Below is a monthly report for a Rural Savings and Loan Cooperative Association. The basic information for the Association runs across the top, from left to right: Name of the association, number of members and the date. The first row of the table, from left to right, reads: Account name, item number, bank balance (debit and credit), transaction (debit and credit) and balance (debit and credit). The item numbers are as follows:



CHAMA CHA USHIRIKA CHA AKIBA NA MIKOPO VIJIJINI

TAARIFA YA KILA MWEZI

Jina la Chama ______ Idadi ya Wanachama ______ Tarehe ______ 19__

JINA LA HESABU	Na. ya Hesabu	BAKI YA NYUMA DAIWA (DR)	BAKI YA NYUMA DAI (CR)	MIAMALA DAIWA (DR)	MIAMALA DAI (CR)	BAKI DAIWA (DR)	BAKI DAI (CR)
Fedha Taslimu	1						
Fedha Benki	2						
Amana ya Wanachama	3						
Mikopo ya ndani ya Wanachama	4						
Mikopo kutoka nje ya Wanachama	5						
Chama cha Ushirika cha msingi	6						
Faida juu ya Akiba	7						
Faida ya Mkopo	8						
Faida ya Mkopo toka Nje	9						
Viingilio/Stationary/Nauli/Posho	10						
Vitabu na Karatasi	11						
Mishahara	12						
Posho	13						
Gharama za Usafiri	14						
Posta na Simu	15						
Faida toka Benki	16						
Bima ya Fedha	17						
Bima ya Akiba ya Maisha	18						
Bima ya Mikopo	19						
Bima ya Uaminifu	20						
Elimu	21						
Akiba ya Uzeeni	22						
Ada ya Ukaguzi	23						
Gharama za Mikutano	24						
Vifaa	25						
Matumizi Mengineyo	26						
	27						
	28						
	29						
	30						
JUMLA	31						

Imetayarishwa na ______ MHURI WA CHAMA ______ Imekaguliwa ______

1. Cash.
2. Cash bank.
3. Member deposits.
4. Internal loans.
5. External loans.
6. Cooperative association.
7. Profit over savings.
8. Loan profit.
9. External loan profit.
10. Entry fee/ stationary/fare/allowance.
11. Books.
12. Salaries.
13. Allowances.
14. Transportation costs.
15. Postal and telephone.
16. Bank profit.
17. Financial insurance.
18. Life insurance.
19. Loan insurance.
20. Insurance trust.
21. Education.
22. Pension.
23. Audit fees.
24. Meeting expenses.
25. Tools.
26. Other expenses.
31. Total.

Across the bottom, from left to right, the required information is: Signature of the person who prepared the report, the stamp of the Association and the signature of the person who audited and approved the report.