

FOOTSTEPS

No.26 MARCH 1996

CREDIT SCHEMES

Self-help finance for the poor

by Steve Finamore

Woleta Meskel runs a small roadside stall in Ethiopia. Like many others in business, she needed to borrow money in order to get started.

But who lends money to the poor?



Photo: Richard Hanson, Tear Fund

CREDIT SCHEMES are becoming increasingly important. They are a very useful tool for encouraging development, but a number of things can go wrong. Even when they run smoothly, they are not the answer to every problem faced by the poor.

One of their main aims is to generate income, either for community groups, for households or for individuals. However, income generation should not be seen as the only end result. Self-reliance and improving living standards are also important.

Traditionally, many development agencies have promoted income generation through workshops and skills training. These are not always successful. Often they ignore the

situation in the local economy – for example, agencies may continue to train carpenters and dressmakers long after the local demand for such skills has been met.

Credit schemes have the same aims as other income generation programmes, but they do not have the same disadvantages. They are much more sensitive to the local economy. They should not create dependency and can – in principle – be self-sustaining.

How they work

There are a number of different models. They all have a fund – usually of money, but sometimes of other resources such as seeds – which comes either from a donor or from the savings of group members. This is lent out to individuals and groups and later repaid so that it can be lent again. In theory such schemes could last for many years without further inputs from donors, so they are very appealing to aid agencies. Such programmes also appeal to those benefiting from the loans. They are no longer receiving handouts: they can set up their own enterprises and use the resources as they think best.

Maintaining the fund

For the amount of money in the credit fund to remain the same, interest and administration charges must be sufficient to cover the total costs of the programme. The most important concerns are bad debts (money lent out which cannot be repaid) and reduction in the real value of the fund because of inflation and/or devaluation. Sometimes staff wages

IN THIS ISSUE

- The HEED credit and loan scheme
- Letters
- Simple and effective accounts
- Management of small businesses
- A home-made incubator
- Case study from The Gambia
- Bible study – Income generation and cooperatives
- Resources
- Asking Tough Questions

FOOTSTEPS

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Footsteps is a quarterly paper, linking health and development workers worldwide. Tear Fund, publisher of *Footsteps*, hopes that it will provide the stimulus of new ideas and enthusiasm. It is a way of encouraging Christians of all nations as they work together towards creating wholeness in our communities.

Footsteps is free of charge to individuals working to promote health and development. It is available in English, French, Portuguese and Spanish. Donations are welcomed.

Readers are invited to contribute views, articles, letters and photos.

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and other costs must also be met by the charges. Only if all these costs can be fully covered by charges made, can the fund be regarded as self-sustaining.

Sustaining the credit fund is a useful priority. However, if this is the only way in which success is measured, certain consequences will follow. First, this priority may well conflict with the original priority of encouraging development among the poor. The most effective way to sustain a credit fund is to make large, low risk loans to people who visit you at centrally located offices. In other words, to behave rather like a bank.

Generally the poor are considered a bad credit risk by banks. They possess nothing against which a loan can be secured if the borrower fails to repay. They also tend to want small loans. Some women's community banks lend as little as \$50. If you lend \$10,000 to one person your administrative costs are much lower than if you lend 200 people \$50 each. Also, credit schemes which benefit the poor have other staff costs. The scheme must be promoted where people live – usually with training, meetings and visits. All these costs (which a bank does not have) must be met by a self-sustaining scheme which benefits the poor.

So having a sustainable fund is a helpful target for a credit scheme but it should not be the main priority. If it is, it will conflict with the main aim of promoting development among the poor.

Types of credit scheme

1. Community banks These are groups within a community which meet together regularly to agree loans from a shared fund and to make savings and repayments.

■ *World Relief Honduras have a good example of a successful women's community bank. The idea of the bank is promoted at a series of meetings held every afternoon for a week in the local church building. A committee is chosen from among the local women. World Relief provide a fund of \$50 per member and each member can take out a loan of up to this amount. It must be repaid at a weekly meeting over 16 weeks with an interest*



charge of 3%. Members are encouraged to make savings at the same time as they make their repayments. These savings are paid into a separate account. If one or more members fail to make their repayments, the other members of the bank are responsible for them.

The women use the loans in many ways. Some make and sell snacks such as tortillas, others buy and sell cosmetics. Some invest their share into the family business.

The cycle of loans and repayments continues for five years, though members are free to drop out at any time if they wish. During this time the women build up experience in organising their meetings and keeping records. They can also build up a significant amount in savings which, if they wish, can be used to continue the bank when support from World Relief stops.

In 1994 the programme had 113 banks with 4,000 members. Not one bank had failed. World Relief were hoping to double the number of banks. The programme generates confidence among the women. In addition, the weekly meetings provide an opportunity for the women to invite speakers. They can learn about nutrition and health, have literacy and numeracy classes or do Bible studies.

2. Solidarity groups These schemes work by encouraging those who wish to borrow to form solidarity groups where the members guarantee each others' loans. This will exclude borrowers who are regarded as unreliable by their own communities.

■ *In Guatemala, ASIDE is helping groups of farmers escape the exploitation of wealthy farmers who traditionally bought all crops at harvest time when prices are low, selling them later once prices rise. ASIDE provides loans to the*



Photo: Richard Hanson, Tear Fund

Woleta Meskel receives her loan through a local credit scheme.

farmers so they are not forced to sell their crops immediately they are harvested. They can now store them and sell them as prices rise. Then they can repay the loan and enjoy an increased income.

3. Individual loans Individuals normally have to provide security for the loan – such as land or machinery that can be resold if the loan is not repaid.

■ *In Lima a carpenter was able to buy a power driven saw which greatly increased the efficiency of his workshop. Now he employs other people in his business.*

Credit schemes which are well planned and administered and are clear about their main priorities, can be one of the most effective tools in promoting development among the poor.

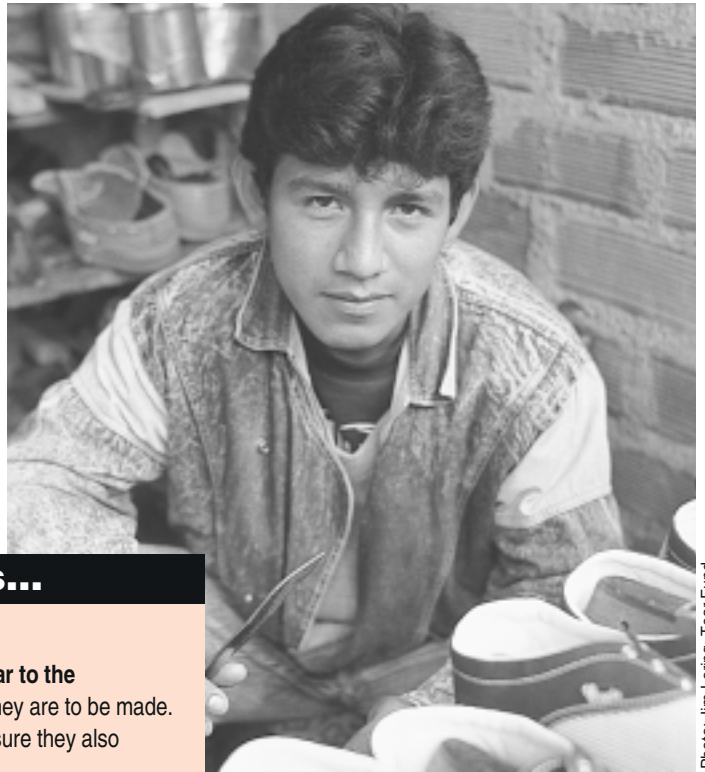


Photo: Jim Loring, Tear Fund

Some guidelines for credit schemes...

1 Decide the terms of the loan in advance and make sure they are clear to the borrower. Make clear what repayments are due and when and where they are to be made. Help the borrower to assess their own ability to pay back the loan and make sure they also understand what will happen if they fail to make the repayments.

2 Make sure repayment terms reflect the purpose of the loan. If it is to enable people to buy in bulk in the city and resell locally, then regular repayments of cash should be made. If the loan is for an agricultural activity, there should be no repayments until the crop is harvested and sold in the market.

3 Look for evidence of saving. Such borrowers are more likely to be financially responsible and better able to plan for the future. Saving can be an important source of loan funds.

4 Take action if repayments are not made. Certain consequences must follow if a borrower fails to make a repayment. This may be a letter or a visit. If no action is taken, other borrowers will soon become aware that they do not need to repay their own loans. If this happens the credit fund will soon be lost. However a Christian based scheme should never take away from a poor person their main means of earning a living (see Deuteronomy 24:6). If someone does fall into debt, have good advice and support available to help them out of it.

5 Consider giving more priority to women. There is much evidence to indicate that women are likely to be more trustworthy than men in repaying loans.

6 Take care to protect workers. Staff known to issue loans and collect repayments are at threat from thieves, especially if they travel alone. Encourage the group to develop a sense of responsibility for 'their' workers.

7 Avoid churches running credit schemes. Credit schemes sponsored by churches have experienced a number of problems. Sometimes only church members have benefited – not the whole community. Members may be reluctant to repay loans, believing the church's resources should be shared. When attempts are made to recover loans, people leave the church, churches split and all kinds of pastoral problems develop. Even when borrowers are not church members it can be difficult for the church to be strict about collecting debts. Church pastors cannot be both debt collectors from the poor and comforters of the poor. It is probably best if credit schemes are sponsored by agencies linked to the churches rather than by the churches themselves. The business of lending and collecting should not usually be done in the church's name.

8 If loans are made to individuals, be careful of promoting the well-being of just a few members in a community. This can result in division and social problems.

Discussion questions

- Is it possible for credit schemes to be both self-sustaining and to serve the poorest of the poor? Which should be the higher priority?
- Given the Bible's teaching on interest (eg: Deuteronomy 23:19), is it ever right to charge interest at a higher rate than that charged by the commercial banks?
- Given the Bible's teaching on pledges (eg: Exodus 22:25–27), how should unpaid debts be collected?
- How can credit schemes be linked to Christian witness, given the difficulties experienced by church-run schemes?
- Is it ethical to lend to businesses in the informal (unregistered) sector?
- How should the effectiveness of credit schemes be assessed: Jobs created? Fund sustained? Increase in household incomes? Other benefits?

Steve Finamore acts as a consultant to Tear Fund on credit schemes and has several years' experience in Peru. He can be contacted c/o The Latin America Desk, Tear Fund, 100 Church Road, Teddington, Middlesex, TW11 8QE, UK.



Photo: Santosh Verma

CREDIT AND LOAN SCHEME

by Elgin Saha

CAN DEVELOPMENT GOALS be achieved without any credit system to help the poor begin income-generating activities? For many years this has been a difficult question for us in HEED, Bangladesh. We have discussed and deliberated. While the poor waited patiently...

Since independence in 1971, huge amounts of aid have been poured into Bangladesh, but now there are more people below the poverty line than before. We believed that once the awareness of poor people was increased, they would automatically be able to earn income. We were therefore against introducing a credit and loan scheme in HEED. We believed that:

- loans created dependency.
- loans given to the poor would end up as charity.

- poor people could never manage loans properly.
- loans given without any security were too risky.
- repayment would be very poor.

For many years HEED took these ideas for granted. This year, however, we have offered successful loans to over 7,000 people with our loan and credit policy. How did we change our ideas? You may like to learn from our experiences.

Tired of waiting

In the 1980s we realised our group members could only save \$5 each over 2 years. Together, a group of 20 could save \$100 in two years. All or half of this amount could be given to a group member for some income-generating purpose. At this stage we began giving a matching amount to such groups. However, we soon realised that if each member received a loan, repaying it within a year, it would still take 7-10 years for everyone in the group to benefit. It was very hard to wait so long.

So we negotiated with a local bank and took responsibility for any bad loans on behalf of our group members. But this did not last long. Under the banking system in this country, loans can only be made to individuals – not groups – unless the group is registered with the government. We tried to organise government registration for all our groups, but the usual delays, corruption and red tape soon forced us to abandon this idea.

By now most of our groups had completed courses in Human Development and Skill Development. Without credit they were unable to begin any income-generating projects. Some of them even became desperate enough to take money from local money lenders at high interest rates.

Group leaders began coming to HEED saying, 'Now we have developed the group's awareness, we have learned some skills, but we **still** cannot do anything for lack of funds. What's the use of all the training?' Project

managers began complaining that groups were disintegrating for want of loans.

The big step

In 1994 an evaluation team looked at the issue of loans for our poorest members. As a result they visited leading organisations in Bangladesh (eg: Grameen Bank) and studied this issue. Following their recommendations, HEED made the enormous decision to begin lending to poor partner groups without any security.

At first we lacked the budget to set up loan funds and many of our supporters were reluctant to fund this change in our policy. Gradually, however, we were able to begin with a small amount.

Now we have a well organised credit and loan policy with over 7,000 members. Our revolving loan fund is \$150,000. All our groups are now involved in meaningful income generating activities. The rate of repayment is over 97% which is very encouraging! Our groups have a solid and supportive structure. Now we are receiving requests from other areas of Bangladesh to join our programme because we provide training in an integrated way. We do not believe money or a loan itself can make a change. Rather, we believe that human development and skills training, together with a loan, can really make the difference. We provide a balance between training and loans.



Photo: Richard Hanson, Tear Fund

Lokhi Tombi spinning yarn for weaving in Bhandarigoan, Bangladesh.

Successful programmes

We have detailed procedures for collecting repayments and ensuring that records are accurate. Our members use their loans in a great variety of ways. With smaller loans of between US \$10 and US \$50, people have begun projects drying fish, selling kerosene, vegetables or fish, knitting fish nets, rearing goats or poultry, making paper bags or knitting. Loans of between US \$50 and US \$200 have been used for projects selling cloth, kitchen equipment or fertilisers, weaving, making and selling sweets, buying a bullock for ploughing, buying a sewing machine or loom, producing molasses or setting up a small shop. Larger loans – only available to people who have successfully repaid smaller loans – have been used for buying knitting machines, power pumps, rice mills, soap factories, ice factories, rickshaws and carts and for setting up poultry farms, fish ponds and tailoring shops.

Welfare fund

We have service charges of 12% a year. Out of this, 2% is paid to a welfare fund. If a member is unable to repay a loan for one of the following reasons, some of the balance can be recovered from their savings account and the rest from the group's welfare fund:

- if a member dies without leaving an heir who could repay the loan
- if a member leaves the country, selling their property and without informing HEED staff
- if a member suffers any disaster such as fire, accident or natural calamity
- if a member becomes physically or mentally incapable of work
- if a group disintegrates.

Impact of credit programmes

With our loan programme we have proved that the poor can be trusted with small loans when they form small groups. They have proved good managers when proper training and support are provided. These are some of the benefits we have discovered, which we trust will encourage other groups to follow our example:

- Income generating activities managed by the poor provide help, inspiration and self respect.
- They avoid the need to use money lenders who charge very high interest rates.
- Credit programmes give the poor access to resources.
- They create empowerment and encouragement to struggle for a better future.
- Our system of loans helps develop group dynamics and solidarity.
- Our loan programme encourages the habit of saving.
- Many women have been given self confidence.
- Indirectly our loan programme results in better health and schooling for children.

Elgin Saha is the Executive Director of HEED, a Christian-based development group operating in Bangladesh for 20 years. Their address is: PO Box 5052, New Market, Dhaka-1205, Bangladesh.



Photo: Richard Hanson, Tear Fund

Our rules for lending...

- Applicants must be group members for at least 6 months and attend over 60% of the group meetings.
- Applicants must have already saved at least US \$2.50 (100 taka).
- Applicants must not have other unpaid loans nor take out loans from other organisations once they have received a HEED loan.
- Applicants must have completed practical training courses with HEED.
- The loan application must be supported by two thirds of the group.
- Loan money can only be used for the proposed project.
- Loan repayments must be paid regularly (terms will vary according to the project).
- The applicant must have minimum savings of at least 10% of the loan. This required savings amount will increase by 5% with each subsequent loan. For a second loan, the applicant must have at least 15% in savings; for a third, 20%, etc.
- For a first personal loan, the amount will not be more than US \$50 (2,000 taka). For a second loan the maximum amount rises to US \$125 (5,000 taka).
- If a person fails to repay a loan it is recovered from the savings accounts of that person and the rest of the group.
- Personal loans can only be given through the group. Both the applicant and the group as a whole are liable for the loan.



Working with drug abuse

YOUR ISSUE ON DRUGS (No 23) arrived here at just the right time, as I was preparing teaching on the effects of drug-taking for my brothers living on the island of Fotoba. This is an island about 15km from the capital of Guinea with about 4,000 inhabitants. The use of drugs and alcohol is becoming commonplace among the young people there and many problems are resulting.

Guinea is a Christian country. No drugs are grown here, but they are imported through the borders. The Anglican church is putting much effort into teaching about the effects of drugs. After reading Issue 23 we suggest readers should:

- bring out the consequences of drug-taking – using addicts before they are rehabilitated to show how serious the results are
- ask their governments to ban cigarette advertising
- ask their press to denounce drug-takers and pushers
- ask churches to preach on the consequences of taking drugs.

I was also very interested to learn about using puppets in this issue. Earlier this year I prepared a drama sketch about young people taking drugs and a girl finding herself pregnant afterwards, abandoned by her boyfriend who now lives with his guilt. Before these were model students. However you wouldn't believe the reaction of the villagers when we acted this. Unfortunately I had used our own names in the sketch. They began to insult and mock us, saying, 'You drug addicts – you aren't even ashamed!' Some even began a fight. You see how difficult it is to put over a message in our country!

I am now considering improving this sketch and maybe using puppets. I would really like some advice from readers on using puppets in this way. Are there any training workshops on the use of puppets?

Dr Sauyers William
Médecin-chef du Dispensaire Toussaint
BP 1187
Conakry
Guinea Republic

Clean water first

I HAVE JUST RETURNED from Ethiopia where several nurses and midwives drew your paper to my attention. They were all disturbed to read the 'News' item on page 14 of *Footsteps* 24. This described new developments in a vaccine (which prevents implantation in the uterus) as very encouraging. This vaccine does not **prevent**, it **disturbs** an early pregnancy by preventing implantation. Any form of abortion is unacceptable to the Ethiopian culture.

People in the rural area of Ethiopia where these nurses work have, as their number one priority, a clean supply of water – not family spacing.

John Kelly
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Fighting addiction

CONGRATULATIONS and thanks for the wonderful and inspired teaching articles on drug abuse and smoking in *Footsteps* 23. Thirteen years have now passed since I changed from drug addiction and smoking – a deadly way of life – but memories still remain. Your articles helped me reflect on my past life style and the misery I encountered as an addict to opium, alcohol, nicotine and some unknown drugs.

I am strongly challenged, both by my previous life style of addiction and my present devoted Christian life, to urge the people of God to fight and combat drug, alcohol and tobacco abuse. Today many are living a hopeless life, without the resources to change by themselves. No longer an addict, I am now fully trained as a Minister of

religion and the founder of ALMS – a ministry to the poor and needy in Lusaka.

Pastor Godfrey C J Mulenga
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Zambia

Appreciative readers

YOUR MAGAZINE interests everyone who comes across it. My wife has already put to good use the item on soya bean recipes. She used it to make soya coffee which I find very delicious. She is intending in the next few days to build the kitchen cupboard shown in Issue 21!

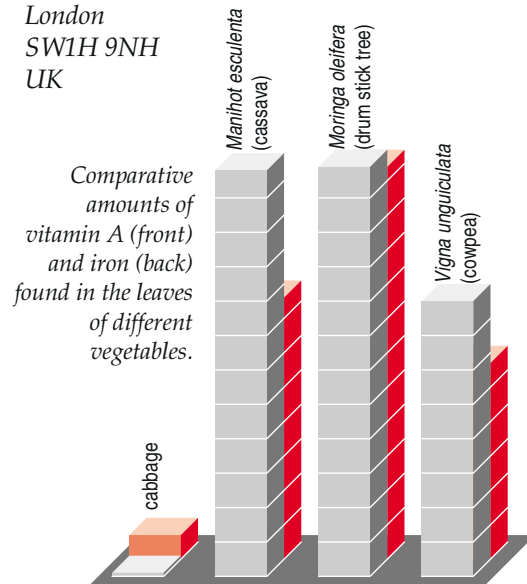
Ngadande Job Boukar
Moundou
Chad

Nutritious leaves

MORINGA OLEIFERA, the spinach tree, is used by many Tonga people in Gwembe Valley, South Zambia. The leaves are used as a relish, and during the long dry season from April to November the demand is so great that many trees are stripped entirely of their branches. However, the foliage grows back again when the rains come.

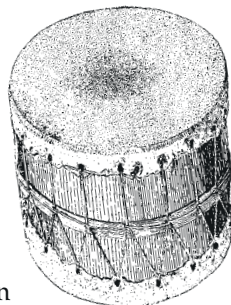
The nutritional value of moringa and other local leafy vegetables, when compared to cabbage, shows the huge advantage which many local plants have in terms of basic food value.

Bob D Mann
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Songs for teaching health

MUSIC has been used in many ways for teaching. Sometimes Western song tunes have been adapted. Most Africans have natural talent in creating antiphonal-type songs – responsive chanting and singing. Most health educators will find it easy to adapt and use simple tunes known to the local people.



Songs are easy to remember and villagers used to storytelling can often memorise many verses of songs. Songs that tell a story are easier to remember in order. Important messages can be repeated (in a chorus) or emphasised (by shouting!) Always use familiar words – not the medical term. Encourage people to add local instruments. You can also use music with stories, drama, puppets, mime, demonstrations and many other teaching methods. If you want to tape-record the music, there are ways of creating special effects for sound and actions – using for example; gongs, cymbals, castanets, rattles and gourds or coconut shells.

Sometimes health professionals can work with the media to produce quality songs with social messages. Good parenthood and sexual responsibility have been encouraged in songs sung by popular performers in Nigeria, Mexico and Peru.

A contest was held in Guinea-Bissau where both amateur and professional songwriters were encouraged to enter contests for songs teaching about AIDS.

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Drain erosion

I WAS INTERESTED TO SEE the article on gully erosion in the last issue of *Footsteps* (No 24), as I had just

returned from Nigeria where I had been examining damage to roadside drains because of erosion.

I found the drains usually far too small for the amount of water collecting along the edge of the road. They also had level crests and inadequate foundations. As a result, they suffered severe erosion at the sides and base. In some places the drains had been completely washed away. The problem was made worse by the lack of grass cover and damage from cattle allowed to wander freely.

This problem would not have begun if rain water from above the road had been channeled into local streams away from the road. If the recommendations in *Footsteps* about using barriers with the centre lower than the sides and building strong foundations had been followed, the erosion could still have been prevented. Agreement with the local herders about the movement of cattle would have helped.

I would also recommend that the foundation of each barrier is built below the level of the top of the next barrier downstream. In addition, creating a small plunge pool behind each

barrier will help to reduce the speed of the run-off water in heavy storms.

Paul Dean
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UK

Excision

I WAS DEEPLY IMPRESSED by your article on excision. Excision is a riddle in other countries who cannot understand the deliberate deforming and dehumanising of humans under the authority of tradition. Faithfulness does not come out of excision, nor does loyalty. In other parts of the same continent there are millions of healthy women, enjoying their lives to the full, though demanding more freedom and equality with men. These women are still good mothers and happy wives. Let these women be the model and let's forget about submissiveness and supersititions.

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FROM THE EDITOR

THIS ISSUE BEGAN as one on income generating – ideas for small businesses. However as articles began to come in, it became clear that the focus instead should be on credit schemes for the poor – essential before any income generating business can begin. The articles and case studies are all shared from experience in different parts of the world, and illustrate that the poorest in society can indeed be trustworthy of credit and a most worthwhile investment. There are plenty of practical tips and ideas on how to ensure mistakes are not made. We also include tips on good management and a simple accounting system to keep accurate records – essential once sufficient resources are obtained for income generating projects to begin.

Future issues will look at pressures on the family, street kids and urban agriculture. Please continue to share good ideas which can be passed on to *Footsteps* readers elsewhere in the world.

Isabel Carter

Simple and effective Accounts

by Andrew Maclay

I HAVE WORKED AS AN ACCOUNTANT AND AUDITOR in many commercial and charitable organisations, ranging from multinational companies in London to tiny churches in Africa. I have seen many different systems for keeping accounts, both in the English-speaking and the French-speaking worlds. One thing I have noticed is that the accounting systems used are often more complicated than necessary.

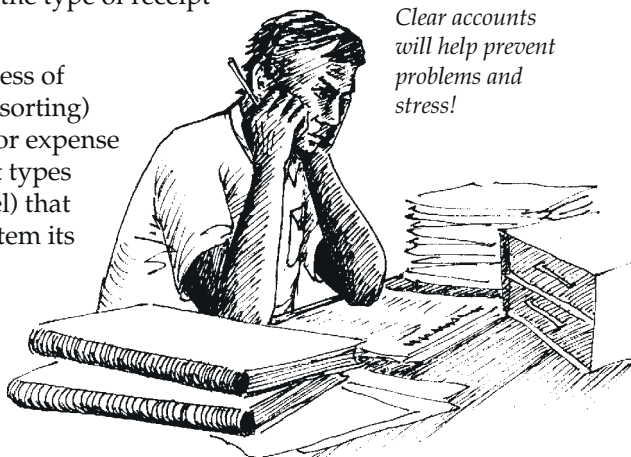
The Analysed Cash Book

The system I would like to recommend here is one which I have used with many churches and small charities. I believe it is very suitable for any type of small organisation or development project.

It is based on the **Analysed Cash Book**. All you need is a large Accounts book, with lots of columns for writing in numbers. You could try large stationery stores or an accountancy book shop – try to find a book with 36 columns. If necessary you may need to adapt smaller accounts books.

The idea behind the Analysed Cash Book is that you write down each receipt (money coming in) and payment (money going out) **twice** when you record it in the Cash Book: once in a column for Bank or Cash, according to whether you used a cheque or cash to buy the item, and once in a column according to the type of receipt or expense.

It is this process of *analysing* (or sorting) each receipt or expense into different types (eg: food, fuel) that gives the system its name.



Clear accounts will help prevent problems and stress!

RECEIPTS: M

Date	Description	Ref.	Bank	Cash
1/3/96	Oxfam	12	1,000.00	
1/3/96	Use of Toyota	13		100.00
5/3/96	Rent	14		
10/3/96	Sale of wood	15		
			1,100.00	

EXPENSES: MARCH

Date	Description	Ref.	Bank	Cash	Salaries	Food	Fuel	Sundry
Budget: March				50.00				
2/3/96	Fuel - Toyota	125	210.00					
2/3/9	Salary - Macumi	126	114.20		900.00	500.00	250.00	200.00
5/3/96	Beans	127					50.00	
5/3/96	Stamps	128		23.50				
7/3/96	Stationery	129	250.00	45.00		114.20		
7/3/96	Salary - Nyanya	130			250.00			
			574.20	118.50	460.00	114.20	50.00	

Advantages of the system

- All payments using cheques are kept separate from payments using cash. This makes it easy to check each month that the total on the bank statement agrees with the total (in the Cash Book) of receipts in the Bank column less expenses in the Bank column.

Bank balance = Bank column receipts – Bank column expenses
(as long as all cheques have been cleared)

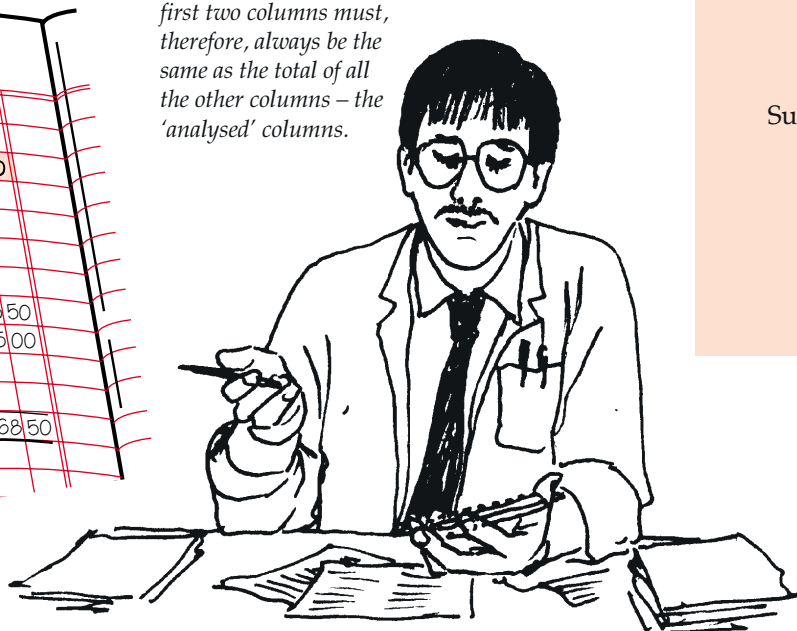
- Normally, it is more difficult to balance the amount of cash in the cash tin with the balance in the Cash book, because the number of transactions is usually greater. However this is also easily done by checking that the total in the cash tin agrees with the total (in the Cash Book) of receipts in the Cash column less expenses in the Cash column.

Cash tin balance = Cash column receipts – Cash column expenses

MARCH

Cash	Gifts	Projects	Rent	Sundry
	1,000.00			35.00
35.00			100.00	
8.00		8.00		
43.00	1,000.00	8.00	100.00	35.00

In this example, we can see that each receipt, and also each expense, is recorded in one of the first two columns, as is always the case in all cash books. However, each receipt and expense is also sorted according to its type. The total of the first two columns must, therefore, always be the same as the total of all the other columns – the 'analysed' columns.



■ One major advantage of this accounting system is that you have to sort the receipts and expenses according to their type **when you record them** in the Cash Book – not several months later when you have to present the accounts to a meeting! Too often you may have forgotten the reason for a particular expense six months ago, but if you have to record it immediately you will save a lot of time (and problems!).

■ In addition, when you need to prepare the accounts for a meeting of the Finance Committee, all you have to do is to type out the totals of each type in the accounts (see box). You do not need to sort each transaction according to its type again – a job that can take hours if you leave it until it is time to prepare the accounts.

Preparing the final accounts

In the example given earlier the accounts for the period, as presented to the Finance Committee, would be as follows...

<u>Receipts</u>	
Gifts	1,000.00
Projects	8.00
Rent	100.00
Sundry	35.00
TOTAL	1,143.00

<u>Expenses</u>	
Salaries	460.00
Food	114.20
Fuel	50.00
Sundry	68.50
TOTAL	692.70

Surplus for the period will be...

Receipts	1,143.00
less Expenses	- 692.70
SURPLUS	= 450.30

Final comments

- You need to add up all the columns at the end of each page, and to check that the total of the Bank and Cash columns is equal to the total of all the analysed columns, before going on to the next page.
- In the example given, notice that there are also columns for the Date, Description and Reference Number (either for the cheque or for an invoice or bill). These details are always necessary for an organised accounting system.
- One thing I find very useful is to write the budgeted amount available for each expense in red above each column. This will remind you if the total in a particular column is getting close to the amount available in the budget. You will then be aware of the situation immediately, instead of months later when you prepare the accounts.
- Finally, for those of you who may have heard of double-entry book-keeping but thought that sounded too complicated for you, this is a simple form of double-entry book-keeping.

Andrew Maclay is an accountant with Neville Russell in London. He previously worked as a missionary in Burundi. He lives at: 27 South Road, Chesham Bois, Amersham, Bucks, HP16 5LU, UK.

Management of small businesses

by Gideon Yong Njini

MANAGEMENT is the ability to organise and control teamwork, to direct and inspire, to create contacts and to handle problems which may arise. Management channels resources to achieve pre-selected objectives.

Management skills may be provided by an experienced management team, but with a small business, the owner usually has to provide most of these skills. The manager of a small business has to be willing to take risks, to plan and to budget and make good use of the available resources (whether money, goods, ideas or services) in order to make a profit.

Aims of small business

Profit is the main aim of most small businesses. Before setting up a small business, planned activities must be carefully examined and selected. These are examples of the sort of questions that need examining:

- Will the business be able to provide good quality goods?
- Do they have enough set up funding to avoid over-dependence on loans?
- Can they cope with the market demand and supply?
- Is there a good market for their products?

Managing small business

Once a well thought-out decision is made, the manager or owner organises their resources towards meeting their objectives. There are many kinds of business ventures:

- **Art** – producing paintings, sculptures, carvings, or drawings. In this trade, the manager employs and organises other artists with the aim of producing attractive art objects in larger quantities through group efforts. The manager decides on

capital, tools, equipment, etc. Markets for these objects are found both locally and internationally through tourist sites. Good managers make contacts and place their articles at the right places for sale.

- **Crafts** These are typically village-based activities. Craft workers organise and manage business in carpentry, woodwork, bags or basket weaving, needlework, brick works, gardening, etc. The manager finds premises, obtains tools and equipment, sets plans and directs apprentices and employees. Where the team includes apprentices, part of the business income will come from training fees and the rest from the sale of craft items.

- **Retail trade** This is where an owner with sufficient funds buys in goods in bulk and sells (retails) them in smaller quantities to consumers. The manager employs staff, organises storage of goods and displays the goods. The difference between the bulk cost and the selling (retail) price gives the business profit in retail trade.

- **Processing industries** Small scale processing activities are organised in some areas to process cassava into gari, palm nuts into palm oil, soap making, etc. The manager finds premises, obtains raw materials, employs labour for processing and controls the quality of the product.

BUSINESS CHECK LIST

1. Setting up

- Identify a business venture suitable to your knowledge and abilities.
- Collect information about it and also study the chosen products.
- Talk to proposed suppliers.
- Talk to potential customers.
- Talk to others with experience.
- Find out working capital needs.
- Work out initial overheads and fixed capital investments.
- Get loan advice from your bank manager.
- Make a plan of action.

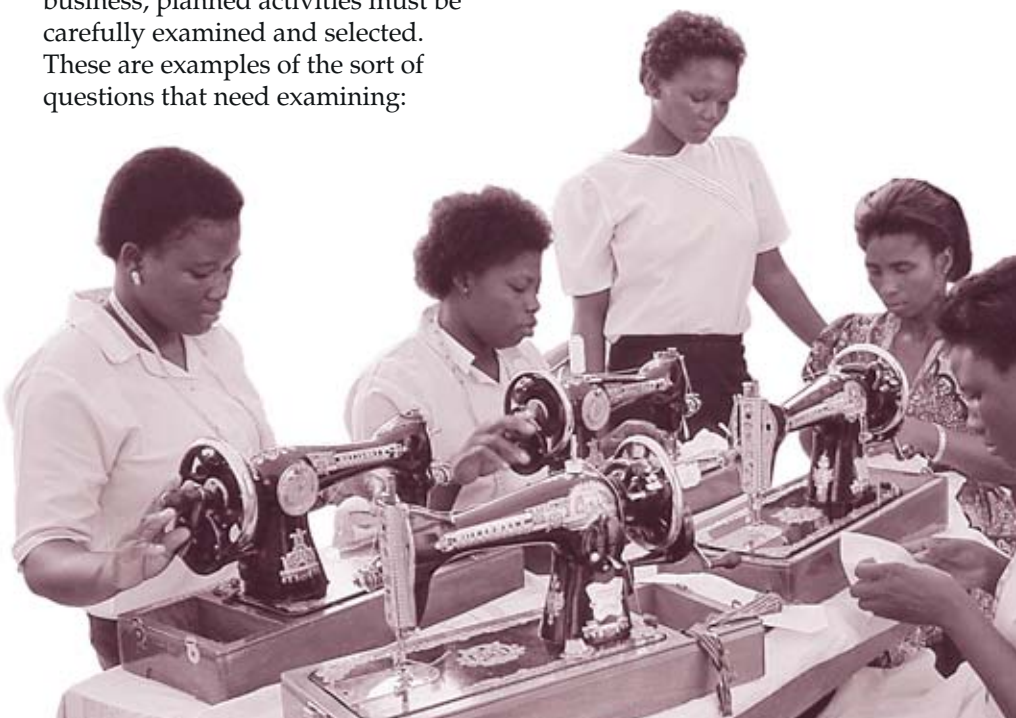


Photo: Mike Webb, Tear Fund



Photo: Richard Hanson, Tear Fund

Making shoes in Kenya.

■ **Service provision** Services are provided in bicycle repairs, cleaning and laundry, farm labour, hair-dressing saloons etc. The most important assets in this type of business are the manager's talents. The manager will work with and direct apprentices and employees.

Business resources

The resources needed to start a small business are either one, a combination or all of the following:

- **Working capital** This is made up of money meant for daily business activities such as salaries, cost of goods for sale, rents, etc.
- **Fixed capital** This is made up of long-term business assets, such as property, sewing machine in a tailor's shop, manager's bicycle or truck for transport, counters, benches, etc.
- **Human resources** Workers are recruited, trained on the job, encouraged and paid well to help the manager achieve their business objectives.
- **Talents** – the manager's abilities to plan and organise resources effectively.

Where to find help

There are no fixed standards to manage a successful business, but there are a number of books which can help increase the manager's knowledge and experience. Books on management can be found in the offices of the Chamber of Commerce (if one exists in the area), in good bookshops and libraries and in offices of banks or loan agencies. The business person can also seek the advice of a truthful and experienced manager, business consultant or bank manager.

Conclusion

The most important qualities in managing a personal business are a willingness to take risks and the ability to think clearly and to plan wisely. Management will involve commitment, discipline and courage in making difficult decisions. In our communities, businesses come and disappear very often for lack of direction. Fortunately, as well as the short-sighted managers who fail, there are also managers whose businesses have grown from strength to strength. A successful business is an achievement to the manager, an asset to the family and brings the potential of economic growth to the community.

Gideon Yong Njini is a consultant with Resources Management Consultants, Bamenda, Cameroon, and author of Business, Management and Society. His address is PO Box 5011, Nkwen Bamenda, N W Province, Cameroon.

BUSINESS CHECK LIST

2. Management

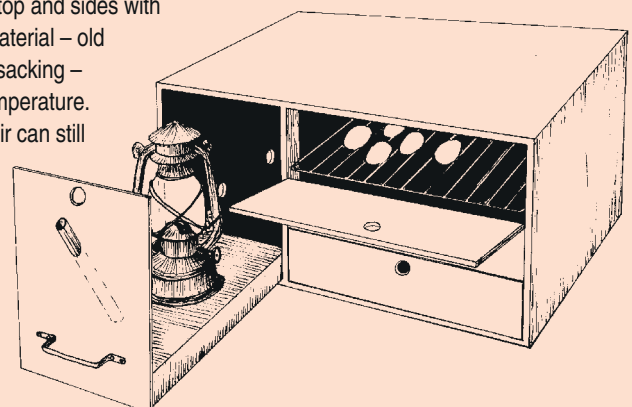
- Plan (budget) systematically, control and direct the plans.
- Select employees objectively and encourage (motivate) them to work.
- Select equipment that is adaptable and can be serviced locally.
- Keep accurate records and statistics (book-keeping or accounting).
- Know your customers, their needs and timing.
- Deliver orders promptly or apologise for delays (if any).
- Seek advice from consultants for problems which do not have clear answers.
- Seek new market opportunities.
- Plan for growth of business.

Home-made incubator

IN BENIN RECENTLY, I came across this good idea for making an incubator for hatching chickens', ducks' or other poultry eggs.

The incubator is based around an ordinary kerosene hurricane lamp. However, the reservoir on an ordinary lamp is too small for the purpose of an incubator, which needs continual heat. So the bottom of the normal reservoir is cut off and the lamp welded to a large tank. This tank is then welded to an upright part, making an L-shaped tray which forms the door. This whole lamp unit fits into the incubator at one end. A metal pipe goes straight into the reservoir so it can be refilled without removing the lamp. There is also a small hole to check that the lamp is burning correctly.

The main part of the incubator is an oblong box made of wood and metal. If the end containing the lamp is lined with metal, this reduces the fire risk. There is an upper tray made with wire grid (the kind used for mosquito netting) with a door large enough to slide the tray in and out. The lower compartment can be used to keep chicks warm after hatching – this also has a small door. Covering the back, top and sides with some kind of insulating material – old blankets, newspapers or sacking – helps to keep an even temperature. Make sure, though, that air can still reach the lamp.

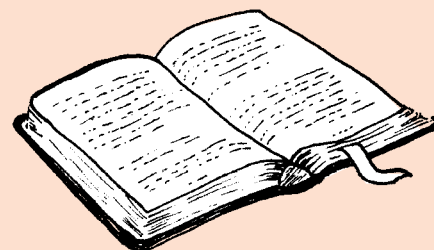


Ian Wallace

BIBLE STUDY

Income generation and co-operatives

by Dr Jey Kanagaraj



Read 2 Thessalonians 3:6–13

The apostle Paul was deeply troubled by a report that some members of the church at Thessalonica were idle without doing any work, but were active in a wrong way, for example, by interfering in other people's business (v 11). This created a bad influence in the community which eventually had to take on the burden of providing for such idlers (1Thess 4:2). So Paul, using himself and his friends as models, encourages the Thessalonians to work together in order to generate income and live on their own earnings (v 12). Let us look at the characteristics of Paul as a model for ourselves:

■ Although Paul, as an apostle, had authority to receive income from the churches he had established (v 9), instead he chose to set an example of supporting himself by hard work. He and his companions worked 'night and day' rather than be a burden to church members (1Thess 2:9).

■ Paul generated income by doing the work in which he had skill and experience. He had been trained in the trade of tent-making (leatherwork in making tents) and so he continued with this trade in Corinth (Acts 18:3). We also need to recognise our own skills and talents and use them to provide our income.

■ Paul worked together with others familiar with the same trade. He joined the couple, Aquila and Priscilla, with the same profession and worked with them (Acts 18:1–3, 2 Thess 3:9 'we worked night and day').

■ Paul's work supported both himself and his companions (Acts 20:34). He also had a deep concern for the poor and needy. He encouraged the Ephesians to work so they could give to those in need (Eph 4:28). He had motivated the Gentile churches to make contributions to the poor in Jerusalem (Rom 15: 26–27).

Therefore we, as God's people, are called to work hard by using our skills, and to generate income both individually and collectively so that we can support ourselves and those in need, whether our Christian workers or the poor.

■ Income-generating and co-operative efforts are very important for the welfare of families. In the modern world it is easy to ignore our family responsibilities, even while we are caring for the poor. Parents should provide for their children (2 Cor 12:14), while children must return this support as their parents grow older (1 Tim 5:4).

It will be impossible to support ourselves, our families, the church and our community unless we develop the habit of 'saving' a small amount regularly out of what we earn. Otherwise our hard work may be in vain. If Joseph had not stored up food during the seven years of plenty, he and his people, both in Egypt and Canaan, could hardly have survived the time of famine (Genesis 41:33–57). Co-operative efforts with an attitude of 'saving' can build a prosperous community. It is for this reason that we have, in many places, co-operative banks and societies which offer several savings schemes and which distribute the money saved for community welfare projects. If we work hard to generate income and use facilities to save our resources, possibly we can overcome economic injustice and inequality.

Questions for discussion

- What are the skills that I have? How can I use them to lead a self-supporting life?
- How can I help my own family and the families in my community?
- Who are the needy in our community? How can we help them, both as individuals and as a group?
- How can we use both our individual and our joint income to be more effective in mission and evangelism?

Dr Jey Kanagaraj is a lecturer at Union Biblical Seminary, PO Box 1425, Bibwewadi, Pune, 411037, Maharashtra, India.

EDITOR: The author of the Bible study on 'Women at wells' in issue No.24 was Elizabeth Hill and not David Partington. We apologise to Drishtikone for this error.



Photo: Richard Hanson, Tear Fund

Making weights for fishing nets in Katipur village, Bangladesh.

CASE STUDY FROM THE Gambia

by Churchill F Bandeh

ACTION AID operate a very successful loan fund in the Gambia. The fund is not revolving, in that it has been given by supporters for relief work. So this credit scheme instead seeks to use this money imaginatively to build up communities. The objective is to build up savings within each community so that people eventually have their own capital to invest.

Groups of about ten households within a community are encouraged to come together and plan appropriate income generating activities within their village.

System One Groups

These are the new groups – at present there are 155. Applications are discussed by a Credit Committee and compared with available funding from a core fund – provided by Action Aid in 1993. Individuals must provide, up front, 10% of the amount requested themselves and this is paid into a trust fund account on their behalf. Repayments must be made within a given time but, instead of being paid back to a loan fund, they are paid back into the trust fund account. Loans are used for buying ploughs, ox carts and seed (eg: groundnuts).

System Two Groups

These groups will have saved initial capital in their trust fund accounts and so are able themselves to put forward 50% of the loan requested. They are able to access much larger amounts of credit. There are 29 groups at this level.

System Three Groups

These are the mature groups in terms of management capabilities. Their communities will usually have a basic infrastructure with primary health care, clinic and school as evidence of their maturity. It can take up to five years for a group to reach this stage. So far there are nine groups at this level, each having their own funds available from their savings accounts. Action Aid also provide funding for community improvements.

One such activity is at Ker Usman Boye village where 95% of the community are now involved in the group. They have built a Primary Health Centre which also provides a community centre for literacy work, meetings, mother and baby clinics etc. On a weekly basis the whole village is cleaned and household water containers are checked. The community buys rice and other food in bulk to resell at a profit.

Another village is involved in fattening rams and transporting them to markets elsewhere in the Gambia. Grants for buying in stock and transport have been given on condition that some of the best rams are kept for breeding.

A vegetable-growing group – the Mabali Koto Women's Group – noticed that male members were mismanaging funds. The women stood up firmly to ensure that funds were handed over to the female members. 'You are dragging our feet,' they told the men! Now the group is progressing well with extensive growing and marketing of vegetables and fruit. Over half the mangoes in Bansang market come from this one group which the women continue to manage.

Churchill Bandeh works with Action Aid in the Gambia. His address is Action Aid, PO Box 725, Banjul, The Gambia.



Photo: Nigel Poole

Transplanting rice in The Gambia.

Savings and Credit

This series of five books on issues to do with savings and credit schemes has been prepared by IRED – Development Innovations and Networks in Sri Lanka. They are aimed both at those responsible for designing savings and credit schemes and those who operate them at grass-roots level. The series looks at the practical experiences of groups all around the world, sometimes including examples of form design, record-keeping details and case studies. Each book has between 30 and 60 pages.

No.1 The selection of loanees

No.2 The design of savings and credit schemes

No.3 The monitoring process

No.4 Impact and support

No.5 Case studies in savings and credit

All are compiled by Ramani Jayasundere and each costs US \$14 within the Indian sub-continent. Add US \$2 for postage to Africa, Europe, Japan and China and US \$3 for North and South America. If you do not have the money to buy the whole series, Books 2 and 3 probably contain the most practical information for new groups setting up.

Community Development Manuals

A series of excellent manuals are produced by a group called CONSEDE in Honduras. They cover a range of subjects concerning community development and are all written from a Christian viewpoint. All are very practical – giving ideas for discussion, group exercises and action. They are all available only in Spanish.



Participación Comunal para el Desarrollo Integral This is a two-part manual for facilitators of community participation in development with over 230 pages of useful information on all aspects of involving communities. Together they cost US \$18 including postage.

Guías de Técnicas A series of three technical guides looking at community health covering Children's Diseases, Nutrition and Family Issues (sex education, AIDS, family planning, alcohol abuse and roles of men and women in the family). Full of ideas and questions for group discussion and activity. The three guides (over 150 pages in total) cost US \$18 including postage.

Manual para Juntas Directivas A practical manual, together with a workbook –



'Be respectful of all people with higher authority!' – one of the illustrations in Manual para Juntas Directivas.

strengthening the Board of Directors, giving details of setting objectives, electing officers and their roles, conducting meetings, strengthening organisations and effective work dynamics. Don't be put off by the title – it is full of practical exercises for all kinds of team leadership and illustrated with cartoons. The two books together cost US \$17, including postage.

La Estrategia para el Desarrollo Integral strategies and practical advice for those involved in planning integrated development programmes. This manual costs US \$10 including postage.

All of these manuals can be ordered from:

CONSEDE
Apartado Postal #4339
Tegucigalpa
Honduras
Central America.

Iglesia y Misión

This is a quarterly magazine, linking Christian workers all over Latin America. It covers a wide range of articles – some on development issues, many looking at different aspects of the Christian church throughout Latin America.

Subscription details within Latin America: 1 year for US \$10, 2 years for US \$18.

Outside Latin America: 1 year for US \$22, 2 years for US \$40. Write to:

Kairos Community
José Mármol 1734
1602 Florida
Buenos Aires
Argentina.

Bread for the World

Bread for the World have prepared a selection of books on sustainable agriculture. A free copy of the catalogue is available in either French or English by writing to:

Bread for the World
Agricultural Desk
PO Box 10 11 42
D-7000 Stuttgart
Germany.

Child Health Dialogue

AHRTAG have produced a new newsletter which replaces Dialogue on Diarrhoea and ARI News. It is called Child Health Dialogue and contains practical information on how to tackle the main causes of child mortality – respiratory infections, diarrhoea, malaria, malnutrition and measles. It is aimed at staff in health centres, clinics and health posts. It is free of charge for readers in developing countries, £12 for individuals elsewhere. It will be produced four times a year and is available in English, French, Spanish, Portuguese, Chinese, Gujarati, Urdu, Tamil and Vietnamese.

If you would like to receive *Child Health Dialogue* free of charge, write, giving details of your work, to:

AHRTAG
29-35 Farrington Road
London
EC1M 3JB
UK.

AIDS training manuals

MAP International produce a very helpful series of AIDS manuals aimed at health trainers and church leaders to help them in educating their communities about AIDS.

Helpers for a Healing Community deals with how to counsel people who find they are HIV positive or have AIDS. This costs US \$2.25 for the English and US \$3.00 for the new French and KiSwahili version (including postage).

AIDS in Your Community is a guide for community trainers involved in AIDS education programmes, giving practical guidance on how to find out the extent of the AIDS problem in their communities, resources and ideas for training activities. This is only available in English and costs US \$2.25 including postage.

Facts and Feelings about AIDS helps groups discuss both men's and women's thoughts and concerns about AIDS. It discusses many difficult issues for Christian leaders. This costs US\$3.75 including postage, and is so far only available in English.

Order from:

MAP
International
PO Box 21663
Nairobi
Kenya.



Working Effectively with Young People

Edited by Joseph Veramu

This is a training manual for youth workers, leaders and facilitators. Written for youth groups in Fiji, most of the information would be valuable in any situation involving young people. With over 200 pages, it is packed with information on such subjects as good communications skills, reading, note taking and writing skills, funding proposals, adult learning, leadership skills,

financial management skills together with ideas on how to establish, run and evaluate youth programmes.

The book costs US \$13.50 including postage and can be ordered from:

Office Supervisor
FACETT
Box 7180
PO Valelevu
Suva City
Fiji.

Bureau of Study and Research for the Promotion of Health

This centre produces a large range of materials on health and development. They produce booklets, poster sets, flip charts and slide series. All materials are tested locally and produced within Zaire. Prices may vary according to the ability of the person to pay. The centre was begun in 1966 and deliberately sited in a rural area, remote from the capital city. All materials – which cover subjects including immunisation, diarrhoea, medical emergencies, malaria, alcoholism, rabbits, fish and bee-keeping are available in French. Many are also available in Portuguese and English. Write, asking for a free catalogue, to one of these addresses:

Centre pour la Promotion de la Santé
BP 1800
Kangu-Mayombe
Zaire

Centre pour la Promotion de la Santé
c/o Avenue Madoux 53
1150 Bruxelles
Belgium.



Flannelgraphs for teaching health

Flannelgraphs consist of pictures on flannel which can be cut out and stuck on a rough surface such as a blanket with a display board behind it. They can be used to illustrate a story or situations and are ideal for using with sensitive subjects such as family spacing. TALC supply three sets of flannelgraphs, each of which includes large numbers of clear coloured pictures printed on flannel, with detailed instructions on different ways of using them. Though initially expensive, they will last for years and many of the illustrations can be adapted for use with teaching on other topics. Each set comes with a large background piece of flannel.

One set looks at family planning, sexually transmitted diseases and AIDS. This costs £25.35, including postage. The second set looks at nutrition and child health, and the third covers all kinds of intestinal worms, their spread, treatment and prevention. Each of these sets costs £27.95, including postage. All three flannelgraphs are available from:

TALC
PO Box 49
St Albans
AL1 4AX
UK.



A health worker in Ghana using a TALC flannelgraph to demonstrate a health talk.

The Truth about AIDS

by Dr Patrick Dixon

Tear Fund have limited copies of this very useful book available free to people working in the area of HIV/AIDS. It contains chapters on the HIV virus, how people become infected, the moral issues involved and the response of the church. If you would like a copy (one per applicant) please write, giving details of your work, to...

Tear Fund Resources Department
100 Church Road
Teddington
TW11 8QE
UK.

Asking Tough Questions

An interview with
Rajan Samuel and Mathew Titus

How does access to credit help the poor in their overall development?

Rajan Samuel I think it is in restoring dignity and hope. Once the poor undertake an activity with a loan, we see a change in their whole attitude. For example when we offer credit to women who start small businesses, we find their whole status changes. Because they are going out and earning an income, they are often more accepted in the family. Many of the men, too, say that they used to be looked down upon as worthless. But now they can own their own enterprise, have access to resources and can send their children to school.



Photo: Richard Hanson, Tear Fund

This gives them dignity and confidence which have a positive impact on other areas of their lives.

Mathew Titus One of the things to recognise is the need for cash flow in poor communities. Many poor people in urban cities earn just enough to eat and to meet the cost of their children's education, clothing and other expenses. A man may not be technically below the poverty line, but when any emergency comes up, if he falls sick or loses his job, then – bang! He and his family go under. The cash

flow needs of the poor are so tight; they oscillate between being extremely poor and surviving. That is where I think credit comes in. It helps people develop a small business which will bring in a steady source of income. This means that next time they are faced with a problem they won't go under.

So credit is not only for particular economic activities, it can affect people's very survival.

Can the poor be trusted to use credit made available to them?

Rajan Samuel Yes! When we give a loan to the poor, we enter into a covenant relationship based on principles of trust and discipline. We expect trust and discipline in our relationship with the poor. The resources belong to God and we entrust these resources to the poor; in our experience the poor have proved that they are good stewards of God's resources.

Mathew Titus The poor are more than trustworthy. They look after surpluses. They make decisions that perhaps even we would not make. I have seen them write off their own savings because someone died and couldn't repay their loan. You know, I would really think twice if somebody

asked me to write off 20% of my savings because it was lent out to somebody who died of TB. It is really a very powerful decision they make when they say, 'OK, it doesn't matter: she was sick, she needed the money.' The poor's attitude to money has taught me a lot about my own attitude to money. They don't see wealth as a basis for defining who you are. So I think they have been more than trustworthy. They have been responsive to people's lives and people's needs.



Photo: Richard Hanson, Tear Fund

What about charging interest on loans offered to the poor?

Rajan Samuel I think we should discuss the interest rate with the poor and it may vary from person to person. The charge should be for the services we provide rather than interest on the money.

Mathew Titus The moment you tell someone you are giving this money to them free because they are a failure in life and you don't think they could ever repay it, you affect their motivation to return it. But if you tell someone that you're offering them a loan because you believe they are capable and have the potential to return it – not at the rate a money lender would charge, but at a rate that is decent, possible and achievable – you approach that person with hope.

Rajan Samuel is Director of the Micro-enterprise Development Unit and finance at EFICOR, Delhi, India.

Mathew Titus is Director of Sharan – Society Serving the Urban Poor, Delhi, India.

From Drishtikone magazine.

Published by

TEAR FUND 
CHRISTIAN CONCERN IN A WORLD OF NEED

100 Church Road, Teddington, TW11 8QE, UK

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