

## MICROCREDIT PROCESS– HOW TO GET THE LOAN

*“We don’t give you a fish. Because when we give you a fish, you will be waiting for us every day. And if we don’t come one day, there won’t be any fish.*

*We provide you with a net. Because with a net, you will be able to fish on your own and you won’t need us to come every day. This way you stand on your own feet.”*

This is the motto of the microcredit program of vision:teilen. The purpose of the loans granted by vision:teilen is to empower people, especially women. Vision:teilen does not make a profit, but instead reinvests all repayments into other groups in Kenya. So the money remains at home.

The following two pages explain the processes:

### 1. Initial information sharing/ acquisition

- Interested people can obtain information from Sr. Margret in Rakwaro (phone: 0721 426961, Email: kosoletia@gmail.com) or their Local Coordinator.
- Please tell Sr. Margret your intent by phone. She will then arrange a visit with you so that your group can get to know about the terms & conditions of the vision:teilen microcredits program.

### 2. Group formation

- The groups will define a group structure (to be recorded and kept by the local coordinator):
  - You will need to identify who is:
    - the Local Coordinator (responsible for communication with the groups and Sr. Margaret),
    - the Chairperson (in charge of communication with the local coordinator which includes bi-weekly reports on the overall process),
    - the Treasurer (accountable for keeping track of all cash in- and outflows and noting them down (bookkeeping) as well as preparing a short statement of cash movements to be included in the bi-weekly reports),
    - the Secretary (responsible for driving communication between the group’s members and in charge of reminding persons of their duties)
    - Any other roles deemed necessary by the group
  - Decide how many times the group will ideally meet before starting to work and during the project.
- **Important:** Formation of a group of max. 15 women (not more). Larger groups should be split up into two groups.
- **Important:** The group will need to officially register as a self-help group at the county.

### 3. Business plan and application process

- The group will discuss business ideas and develop a business plan.
- The business plan must include:
  - Description of the business idea (inputs, outputs, market and the general proceeding from the idea to the customer as detailed as possible)
  - Calculation of potential revenues (= income)
  - Calculation of potential costs (before and during production)
  - Calculation of potential profit (revenues minus costs)
- The application includes
  - Application form
  - Business Plan
  - Certificate of registry as self-help group
  - Copy of (well readable) ID of every group member
  - List of roles in the group with their responsibilities and names of members who take them

**Training:** The organization Hand in Hand Eastern Africa provides professional assistance to compile the business plan. You can register with them (fees are 100 Ksh per person) to receive help and training for 9 months. Please call the headquarters of Hand in Hand at 0703 960 766 to ask for your local contact.

## 4. Approval of application

- The approval process can take up to several months.
- Approval by Sr. Margret
  - The local coordinator submits the application of the group to Sr. Margret.
  - Sr. Margret will check the application regarding consistency and plausibility.
  - If there are open questions, Sr. Margret will reach out to the local coordinator / group
- Approval by vision:teilen board in Molo
  - Sr. Margret will submit the complete applications to the vision:teilen board in Molo.
  - The committee of the vision:teilen board in Molo will approve them.
  - The board in Molo officially meets 3 times per year (in April, June and September); exceptionally such meetings can be called on demand to get an approval for an application in due time (especially to cover the time between September and April)
  - Then Sr. Margret will send the applications to the vision:teilen team in Germany
- Final check by vision:teilen team in Düsseldorf, Germany
  - The vision:teilen team in Düsseldorf does a final sanity check of the applications.
  - If there are questions from Düsseldorf, they will be sent to Sr. Margret and Sr. Margret will relay them to the local coordinators and/or groups.
  - Once everything is in order, the Düsseldorf team will provide its final OK to grant the microcredit.
- **Important:** Only applications which are approved by the three parties, Sr. Margret, the Molo board and Düsseldorf team, are granted. If one approval party is missing, the applications cannot be approved.

## 5. Contract signing and pay-out of loan

- Once approved, the microcredit group will sign the microcredit contracts. Every member has to sign.
- Each group member serves as guarantor for other group members when it comes to the repayment of the loan. If the loan is not paid back, each member is responsible for the legal consequences.
- After payment of the 1,000 Ksh deposit, the loan is paid-out by Sr. Margret (via M-PESA or in cash).

## 6. Size of loan, interest rates, and fees

- The amount of the loan is 10,000 Ksh per person; for a group of 15 people, this means 150,000 Ksh in total.
- 150,000 Ksh is the highest possible amount for a loan per group.
- The annual interest rate is
  - 10% for the 1st round
  - 15% for a 2nd round (follow-up application will be required)
- Additionally, a fee of 5,000 Ksh has to be collectively paid by the group for the services of the Local Coordinator.
- Furthermore, a deposit of 1,000 Ksh per group member has to be paid as a security. This 1,000 Ksh will be reimbursed to each group member, once the loan has been fully repaid (including interest and fees).
- **Example:** for a total loan of 150,000 Ksh, a group which participates the program for the first time must pay back a total amount of 170,000 Ksh after one year (150,000Ksh + 15,000Ksh + 5,000 Ksh).

## 7. Repayment

- **The repayment includes loan, interest and fees and must take place in monthly installments over a period of 9-12 months (max 12 months);** i.e. ~14,200 Ksh per month in the example above.
- You can choose between receiving a direct deposit into the group's bank account (National Bank) or MPesa transfer to Sr. Margret who will deposit the money for you at the bank.
- In case unforeseen problems arise and you are unable to pay back in time, please immediately inform your Local Coordinator, who will inform Sr. Margret. Please be forthcoming the reasons and work together to find possible solutions.

## 8. Savings

- The profit after the repayment should be used for
  - Daily life
  - Investment in your business
  - Savings (mandatory)
- All profit after repayment is your property.