GLOBAL BUSINESS BRIGADES COMMUNITY OF EL TOMATIN, HONDURAS: FINAL REPORT

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OUTREACH STRATEGY "DINERO PARA TI Y TOMATIN"

Through the community survey, many members of the community have heard of the Caja Rural but there is a lack of knowledge of the specific benefits of saving, loaning, or joining. We suggest:

1. Door-to-door outreach for the entire community explaining the benefits of the different products the Caja currently offers (savings, loans, and full membership) and advertise the grand opening
2. Follow up through the grand opening and tabling where community members can sign up for a savings account or loan
3. CONSIDER assigning a member of the Caja to updating the community members on the status of their accounts each month
4. CONSIDER using a portion of Caja's profits to fund a community event promoting the Caja every harvest season or year

To assist with this effort, we've provided the following promotional materials to facilitate conversations about the Caja in *Appendix A*.

This step is important to increasing the revenue of the Caja through increasing the number of shareholders of the Caja and number of loans given out by the Caja. At the same time, it will improve the economical health of the community by increasing the amount saved by individuals.

INVESTMENT PLAN

As a part of our brigade, $1500 will be provided to El Tomatin for investment. We will be dividing up these funds as follows:

- Bank Opening - $250
  - Provide food and drink for the community members at the Caja building
  - Use this opportunity to introduce community members to the Caja and build trust
  - Ask members if they would like to open a savings account or take out a loan during the event
- Books for Library - $200
  - Buy books for the library
    - Children's booksa
    - Finance books
    - Spanish dictionary
    - Regular books
- Savings Accounts Promotion - $500
  - Lasts 2 months
  - Everyone who opens savings account during promotion and doesn't withdraw their money gets 10% interest at the end of the first year
  - 10% interest can't be withdrawn until end of the 2nd year
  - Maximum saving you can deposit during promotional is 2500 limpiras
- Advertising - $50
  - Door to door promotion
  - Commission for people who bring in customers who open savings account
- PVM - $500
  - $200 for structure
  - $300 for supplies

CAJA GUIDELINES

To improve the efficiency of the Caja, we suggest changing a few things about the structure of the Caja.

A. Loan Contracts

The contract with the loaners can be tweaked to allow either using a cosigner and/or collateral as a guarantee of credit. A cosigner is someone who will pay the outstanding amount of the loan if the signer cannot. This way, those in the community who don't have collateral can still take out loans.

We've created an example contract you may want to use in *Appendix B*.

If you decided to implement the cosigner system, we have also provided a cosigner agreement you may want to use in *Appendix C*.

The cosigner should be aware of this contract and **sign** it at the time the loan is issued for the loan to be approved.

B. Credit Committee and Auditing Committee

A credit committee and an auditing committee should be organized to help the executive board members keep order in the Caja.

- Credit Committee
    - 2-3 members
    - Reads over loan applications to make sure all identification and either cosigner/collateral is provided
    - Approves the loan application
- Auditing Committee
    - 2-3 members
    - Works with the treasure to keep track of the books and make sure books are up to date
    - Issue receipts for loans, withdrawals, deposits, etc. and distribute money when appropriate

C. Refinancing Procedures

Currently there is no penalty for not paying back your loans and you can refinance at any time. We have created a new version of the refinancing system that you may want to consider implementing:

- Loans can only be refinanced 2 times
- There is **no extra payment** added if the loan is paid back within the time period of the **initial payment plan plus 2 additional refinances**
- After initial payment plan plus 2 additional refinances **expire** the loan will be extended by **1 additional year with an 1% increase in interest rate**
- Collateral will be taken and/or payment will be requested from the cosigner if loan is still unpaid after this period

This new system would hopefully encourage people to pay back their loans as well as improve functioning of the Caja.

Definition of refinancing: This term should be used in the event of an extension (as described above). This term should not be used for new loans on the same client.

D. Transparency Improvements

Finally, we believe taking steps to increase the Caja's transparency will encourage community members to use the Caja more often. For example, the Caja could:

- Make sure all loans are recorded in the loan book, **even if** they are issued to executive members of the Caja
    - Internal loans should also be recorded
- All business of the Caja **must** be done in the Caja building
- Receipts are currently being taken for all actions in the Caja. For the loan receipts, however, we suggest reformatting in the following way:
    - Write down the number of the receipt issued in the loan book
    - Write down the ID number of the person on the receipt

LOAN BOOK

When reading through the loan book, we noticed that interest is currently paid but not recorded and that some entries are not signed. To improve the organization of the loan book, we have implemented a new format that is shown and explained below:

Steps to record loans:

- Record when issuing loan:
  - Fill out contract information, make sure to include description of reason for loan
  - The first entry includes the date the loan was given, receipt number, initial loan amount, current balance, and signature
- Record each month until the client pays:
  - Record date of entry
  - Record interest based on the initial loan amount
    - Interest for members = initial loan amount * 0.03
    - Interest for non-members = initial loan amount * 0.05
  - Record current balance
    - Current balance = last month's balance + this month's interest
  - Signature

Cliente: Eli LaSota		Identidad No: 0820-7966-00063				
Fecha de Otorgado: 1/1/2017		Interes Mensual: 3%		Fecha de Vensimiento: 1/5/2017		
Cuotas LPS		Plazo: 4 meses		Destino del Prestamo: Agricultura		
Fecha	No de Recibo	Prestamo	Interes	Pagos	Saldo	Fecha
1/1/2017	"001"	5000			5000	1/1/2017
1/2/2017			150		5150	1/2/2017
1/3/2017			150		5300	1/3/2017

- Record when client makes a payment:
  - Record date of payment
  - Record receipt number
  - Record payment amount
  - Record current balance
    - Current balance = last month's balance - payment amount
    - Current balance is ZERO (0) when whole amount is paid
  - Signature

Cliente: Eli LaSota		Identidad No: 0820-7966-00063				
Fecha de Otorgado: 1/1/2017		Interes Mensual: 3%		Fecha de Vensimiento: 1/5/2017		
Cuotas LPS		Plazo: 4 meses		Destino del Prestamo: Agricultura		
Fecha	No de	Prestamo	Interes	Pagos	Saldo	Firma

Fecha	Recibo					
1/1/2017	"001"	5000			5000	
1/2/2017			250		5150	
1/3/2017			250		5300	
10/3/2017	"002"			2000	3300	
1/4/2017			250		3550	

If the client does not pay within the time allowed, refinance them using these steps:

- To refinance, the entry will include the date and "Refinance – "
- If it is their third refinance, increase the interest rate by 1%
- If payment is still not cleared by the end of the third refinance, note that either collateral has been taken or co-signer has taken responsibility

Cliente: Eli LaSota		Identidad No: 0820-7966-00063				
Fecha de Otorgado: 1/1/2017		Interes Mensual: 3%		Fecha de Vensimiento: 1/5/2017		
Cuotas LPS		Plazo: 4 meses		Destino del Prestamo: Agricultura		
Fecha	No de Recibo	Prestamo	Interes	Pagos	Saldo	Firma
1/1/2017	"001"	5000			5000	
1/2/2017			150		5150	
1/3/2017			150		5300	
1/4/2017			150		5450	
1/5/2017			150		5600	
1/5/2017		Refinance - Nueva Fecha de Vensimiento: 1/9/2017				
1/6/2017			150		5750	
1/7/2017			150		5900	
1/8/2017			150		6050	
1/9/2017			150		6200	
1/9/2017		Refinance - Nueva Fecha de Vensimiento: 1/1/2018				
1/10/2017			150		6350	
1/11/2017			150		6500	
1/12/2017			150		6650	
1/1/2018			150		6800	
1/1/2018		Refinance - Nueva Fecha de Vensimiento: 1/1/2019, Nueva Interes Mensual: 4%				
1/2/2018			200		7000	
1/3/2018			200		7200	
1/3/2018	"002"			7200	0	

SAVINGS BOOK

Currently the savings book doesn't calculate interest properly due to recording errors. To fix these problems, we've implemented the following changes to the books:

- Interest is calculated and added to the savings account every month
  - Interest = principle * 0.01
  - For example, if the savings account started out with100 Limpiras, 1 Limpira would be added to the account each month
  - Total amount of money (saldo) is interest plus the saldo of the previous month
- The amount of interest added **ONLY** changes if **PRINCIPLE** amount changes
  - Deposits increases the principle amount and **increases** the amount of interest
  - Withdrawals are taken first from the accumulated interest amount and then the principle amount
    - Principle **does not change** if a withdrawal is less than the accumulated interest amount
    - Principle **decreases** if a withdrawal is more than the accumulated interest amount

Here is what an example savings account record looks like:

Ahorrante					Identidad		
Beneficiario							
Observacion							
Fecha	**Principal**	**# de Recibo**	**Deposito**	**Intereses**	**Retiro**	**Saldo**	**Firma**
1/1/17	100			1%		100	
1/2/17	100			1%		101	
1/3/17	100			1%		102	
1/4/17	100			1%		103	
1/5/17	100		100	1%		205	
1/6/17	200			1%		207	
1/7/17	200			1%		209	

Many community members also indicated they don't have enough money to save 10 L per month. Thus, the Caja should consider changing the minimum savings from 10 to 5 L.

CASH FLOW BOOK

A cash flow book is very important for a few reasons:

- To keep track of cash and keep track of how much money is in the bank
- If members of the community have access to the cash flow book and can see how organized it is, it increases transparency and trust in the bank
- Could be used to check with other books and make sure they are right
- **The bank cannot be successful unless they know exactly how much money is entering and leaving the bank**

When we looked through the cash flow book, we found a few issues:

- There are many missing entries in the book
- Expenses are not recorded
- Few people in the Caja know how to record down entries
- Vague description entries

In response to these problems, we suggest implementing the following solutions:

- Cash flow book should be updated after every transaction and be updated for every meeting
    - This applies to **all accounts**, not just loans, savings and shareholders
    - For example: viajes should be included in the entries
- Cross check with the other books
- Be very detailed in entry descriptions
    - Make sure to write down people's names
- Auditing Committee (*see page 5*)

This is how all the books relate to each:

- **Loans**
    - When someone takes out a loan of 1000 lmp, you record the details in the loan book, but you also record outflow of 1000 lmp in the cash flow book
    - Same thing applies when people pay back the loan and interest
- **Savings**
    - When someone puts 1000 lmp into a savings account, you record the savings in the savings book, but you also record inflow of 1000 lmp in the cash flow book
    - Same thing applies when people withdraw their savings with interest
- **Shareholder**
    - When someone pays 40 lmp per month, make sure this is recorded in the shareholder book and the cash flow book
    - Same thing applies when shareholders receive dividends

To use the cash flow book, follow these steps:

1. Record date in chronological order
2. Record detailed description with name of person and purpose of transaction
   a. If separate accounts/reasons, make separate entries to clarify
   b. Example: If Marlon paid 480 lmp for interest and 1000 lmp for loan, there should be two separate entries
3. Record amount in either Entradas or Salidas
4. Update the total cash in Saldo and make sure it matches with all other records
5. Record reason of transaction under Detalles

We've included an example entry to help you with this process:

Fecha	Descripción	Entradas	Salidas	Saldo	Detalles de Entrada					Detalles de Salidos					
					Deposito de Ahorra	Pago de Capital	Interes	Acciones	Otros	Retiro de Ahorro	Prestamos	Interes Sobre Ahorro	Gastos de Admón	Utilidad distrubudas	Otros
12/1/2016	Pago de Accion de Marco Sanchez	40		40				40							
11/2/2016	Pago de prestamo de Jose Lopez	3000		3040		3000									
11/2/2016	Pago de intres de Jose Lopez	60		3100			60								
3/7/2016	Retiro de ahorro de Andrea Garcia		1000	2100						1000					
5/10/2016	Pago de fotocopías		60	2040											60

SHAREHOLDER'S BOOK

The shareholder book was already nicely organized. As a result, we have only made the following minor tweaks:

- A table of contents has been added to the front of the book to help keep track of which shareholder is on which page
- "Continuacion de la pagina _____" has been written on the tops of pages where records of shareholder payments continue on a later page

However, we noticed that dividend payments are currently not consistently paid and hard to calculate.

In fact, shareholders haven't received dividends in 3 years, so they have no incentives to remain with the bank. They only receive dividends once they leave the bank, and they calculate the dividends using total deposits rather than profits, so they are overpaying the shareholders who leave.

We suggest:

- Remove the A, B, C structure for the shareholders
- Dividends will be paid out yearly based off of 75% of the net profits from loans and any future microenterprises/investments operated under the bank
- 25% of the net profits will go back to the bank's capital

$$Yearly\ Dividends\ per\ Shareholder$$
$$= \frac{Shareholder's\ Total\ Deposit}{Total\ Bank\ Capital\ Amount} * 75\%\ of\ Yearly\ Net\ Protfit$$

To become a shareholder:

- Deposit L40 a month to remain as a shareholder
- Shareholders can deposit more money at any time to receive a larger percent of yearly dividends

There is a shareholder application you might want to use in *Appendix D*.

The bank might also consider increasing the interest on savings accounts for shareholders from 1% to 2% to attract more shareholders.

We hope that by implementing these recommendations we'll see more shareholders which means more profit for the bank which can be used for microenterprises.

A. Survey Results and Pricing

We surveyed 16 medicine sellers for the cost of the medicines in their stores. Taking these prices into account, we suggest the following prices for medicines in the PVM:

RECOMMENDATIONS FOR MEDICATIONS	SUGGESTED SELLING PRICES
PANADOL	3
PANADOL NINOS	2
PANADOL EXTRA FUERTE	3
SALANDREWS	3
GRIPEX	3
MENTOLINA	5
AMOXYCILIN	2
IBUPROFEN	2
MUFLEX	9
SUDAGRIP	4-9
IBOPRODOL	2
TABCIN	3
ACETAMINOFIN	1
ALBENTAZOL	38 (pill) 48 (liquid)
ALKASELTZER	3
ALEVE	3

The survey also showed the following information:

First, medicine stores are sustainable based on their current prices with most in business for more than a year (See *Graph 1*). This means our adjusted prices should return profit for the PVM while offering cheap, accessible medications to the people of El Tomatin.

Graph 1. Amount of Years in Business for Medicine Stores

AMOUNT OF YEARS IN BUSINESS

1-6months 18%

1year+ 55%

6months-1year 27%
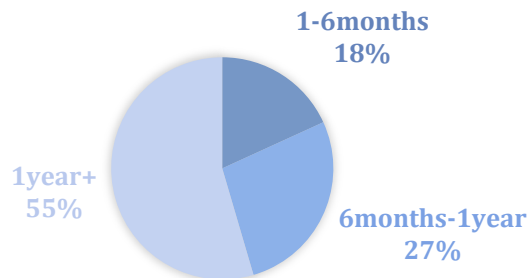
Second, we asked whether suppliers came to the stores or not. Nine of the convenience stores said yes, and six said no. Most of the suppliers are in the city of Tegucigalpa, such as in the bodega, rosbeth, galok, Calox, and there are also independent vendors.

B. Further Recommendations

In hopes of running a successful PVM, we have provided the following suggestions:

> **Promotions**. The PVM should advertise to the members of El Tomatin, by offering delivery to chronic patients and cheaper prices.

> **Advertising**. The PVM can advertise through word of mouth at community meeting places such as the church, schools and at the Caja Rural.

> **Caja**. The caja can also offer loans to chronic patients who need funds for medications at the reduced rate for members.

> **After turning a profit**. Once the PVM makes a profit on the sale of medications, they could offer checkups to customers by a doctor who would come to the community and write prescriptions. This would eliminate the cost of transportation to El Canterranas for community members and help them get the medications quickly. The PVM would also be able to purchase more medications after making a profit.

> **Records**. The PVM should keep a separate book for monthly sales, a cash flow book, an income book which would include profit and costs for medication, and an inventory book which would serve as a reminder to the PVM for when to order more medications.

APPENDICES

APPENDIX A. CAJA PROMOTIONAL MATERIALS

On the following pages, you'll find examples of promotional flyers to put up around El Tomatin to help improve Caja membership.

Hola! Sabias acerca de la caja rural?

La caja rural es la **mejor opcion** comparado a un banco comercial y algunas cooperativas

En la caja rural puedes:

- Pedir prestamos
- Crear cuentas de ahorro

La tasa de interes es mas baja que en la ciudad y tu dinero se queda en la comunidad! No gastas tu dinero yendo a la ciudad.

Si te unes a la caja puedes llegarn a ser un accionista. Puedes tener acesos alos dividendos y un interes mas bajo incluso en los prestamos.

La Importancia de Ahorrar

Ahorrar en la caja significa que estas **ganando mas dinero** del que puedes poner debajo del colchon.

Si tienes alguna **emergencia**, tienes tu dinero para ayudarte a salir de el.

Porque un prestamo?

Los prestamos pueden ayudarte cuando necesites el dinero en el momento. No tienes dinero para tus siembros, o costruir una letrina? Pide un prestamo en la caja.

La caja ofrece plan de pagos flexibles y una baja tasa de interes para que salgas adelante.

Paga después de tu cosecha.

On the following pages, you'll find a new loan contract that includes information about our suggested refinancing policy.

Solicitud de Préstamo

Fecha: _____   **Codigo del Préstamo:** _____

_____

Nombre del Cliente: _____

Dirección del Cliente: _____

Numero de Identidad: _____   **Caja Miembro(a):** Si [ ] No [ ]

Sex: M [   ] F [   ] **Edad:** _____   **Ocupación:** _____

Estado Civil: Soltera [ ]   Casado [ ]   Unión libre [ ]   Viuda [ ]   Sin hijos [ ]]

Miembros de habitación: _____   **Ingreso Mensual:** _____

Ahorros en la Caja Rural: _____   **Préstamo pendiente:** Si [   ]   No [   ]

_____

Cantidad Solicitada: _____   **Plazo Solicitado:** _____

Destino del Préstamo: _____   **Tipo de Pago:** _____

Plan de Inversión

Descripción	Cantidad	Precio Unitario	Valor

Ingresos mensuales esperados: _____

Garantías que ofrece: Aval [ ]   Prenda/Hipoteca [   ]

Nombre del Aval o Descripción de la prenda:

_____

Firma del Cliente:

_____

Solicitud de Préstamo

Por Lps: _____

      Yo, _____, mayor de edad, hondureño(a) con tarjeta de identidad No. _____. Residente de la comunidad de _____, municipío _____, departamento de _____.

      Prometo que pagaré incondicionalmente, sin protesta y a la vista, a la Caja Rural de Ahorro y Crédito _____ o a su orden, la cantidad de _____ comprometiéndome a pagar un interés normal del _____ cada mes.

      Entiendo que se me permite refinanciar mi préstamo un máximo de dos veces antes de recibir una penalización. Mi préstamo puede ser refinanciado cuatro meses después de que el préstamo inicial se crea y cuatro meses después de la primera refinanciación.

      Iniciales: _____

      Después de dos refinanciaciones - o un período de un año - entiendo que incurriré en una multa tardía equivalente a un interés adicional del 1% para el resto de mi préstamo, hasta un máximo de un año.

      Iniciales: _____

      En el caso de que no pueda devolver mi préstamo al final del segundo año, entiendo que mi obligación de préstamo recaerá en mi aval o perderé mi garantía, lo que se especifique en la solicitud.

      Iniciales: _____

Firma del Cliente _____ Fecha _____

On the following page, you'll find a co-signer agreement that explains to co-signers their responsibilities in paying back the loan.

Solicitud del Aval

Fecha: _____   **Código del Préstamo:** _____

Nombre Completo del Aval:
_____

Dirección del Aval:
_____

Numero de Identidad: _____   **Caja Miembro(a):** Si [ ]   No [ ]

Sex: M [ ]   F [ ]   **Edad:** _____   **Ocupación:** _____

Estado Civil: Soltera [ ]   Casado [ ]   Unión libre [ ]   Viuda [ ]   Sin hijos [ ]

Ingreso Mensual: _____   **Ahorro en la Caja Rural**: _____

Prestamos Pendientes: Si [ ]   No [ ]   **Cantidad del Préstamo:**_____
_____

Cantidad: _____

Acuerdo: Yo, _____, mayor de edad, hondureño(a) con
                 tarjeta de identidad Numero _____. Residente de la comunidad
                 de _____, municipio _____, departamento
                 de _____. En caso de que el aval del préstamo no acepta los
                 términos y condiciones del contrato, Yo, _____ prometo
                 incondicionalmente pagar sin protesta y sin términos legales a la Caja
                 Rural_El Tomatin_

Firma del Aval:
_____

On the following page, you'll find a shareholder application to be used for community members would like to become shareholders of the Caja Rural.

Solicitud de Miembro

Fecha: _____

Nombre del Cliente:

_____

Dirección del Cliente:

_____

Numero de Identidad: _____

Sex: M [ ] F [ ]   **Edad:** _____   **Ocupación:** _____

Ingreso Mensual: _____   **Ahorros en la Caja Rural:** _____

Préstamo pendiente: Si [ ]   No [ ]

Yo, _____ entiendo que como accionista, estoy obligado a pagar L40 mensualmente mientras sea accionista. A cambio, se me dará un tasa de interés del 2% sobre todos los préstamos que tomo fuera. Además, se me pagarán dividendos relativos a los beneficios netos de la Caja.

Firma del Cliente:

_____

Compounding was not included in current records but might be considered in the future. When implementing compounding consider the following issues:

- Harvest occurs seasonally rather than monthly, making compounding interest every month unfairly punishing to community members
- Compounding interest drastically increases the profit of the bank but unrealistically expects community members to pay back astronomical amounts
- Mathematical ease should be taken into consideration