

Training Manual on  
**Microfinance Innovation for  
Credit Unions**

for Trainers & MFI Practitioners



Association of  
Asian Confederation of Credit Unions

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## Preface

The provision of financial services has become a key element on any poverty alleviation program of Third World countries. In looking at the financial services being offered to address poverty alleviation, the programs, it seems, are not geared for sustainable development. Most financial services only focused on the short term goal of targeting a number of the have less people.

Meanwhile, an important institution, the Cooperative, with its financial services, has been in existence since 1854 or more than 150 years. Its role in providing financial services to rural communities over the past years is starting to be recognized.

At present, Cooperatives or Credit Unions have to cope with the changing environment in the marketplace. Credit unions are forced to improve their services and products so as to meet the present demands of their members. And, to be able to tackle this, more and better leaders with the ability to lead and with good communication and interpersonal skills are needed. Only then can a visionary leadership help people achieve what they are capable of and to establish a vision for the future of credit unions.

Therefore, training and education plays a vital role in preparing the leaders of Credit Unions acquire management skills on risk-taking, long-term visioning, and in facing the challenges of an ever-changing environment. This is necessary to address their member's, aspirations and socio-economic needs, but at the same time preserving the identity and values of the Credit Union.

This Training Manual on Microfinance Innovation, which embodies the Credit Union Microfinance Innovation (CUMI) Methodology, is a part of the continuing training and education for Credit Unions. It has been prepared to assist Credit Unions or Cooperatives prepare policies and to develop products for the "have less" people in a sustainable manner. It is our hope that this Manual can serve as a guideline for Federations of Cooperatives, on microfinance training, policy development, and product development.

Also, we would like to express our sincere thanks and gratitude to partner cooperatives, who are working with ACCU on the implantation of the CUMI Methodology. This manual will be a guideline for any cooperative, or any trainer who is willing to extend the microfinance service to the "have less" community in their operational area.

**Association of Asian Confederation of Credit Unions (ACCU)  
Bangkok, Thailand, 15 July 2006**

# The Purpose and Use of the Manual

## The Purpose of the Manual

This Training Manual on Microfinance Innovation, which embodies the Credit Union Microfinance Innovations (CUMI) Methodology, is part of the continuing training and education for member-Credit Unions of the Association of Asian Confederation of Credit Unions (ACCU).

Since 1994, the CUMI methodology has been applied by partner cooperatives of the ACCU. It has been effective in assisting credit unions in their microfinance training, policy making and product development. The methodology has been refined based on the experiences and feedback from partner cooperatives of ACCU.

The Training Manual on Microfinance Innovation for Credit Unions has a dual purpose. It was prepared as a Trainers Guide for credit union trainings. The Manual can also be used by Microfinance practitioners for their learning.

The manual is expected to assist credit union people in expanding their services for the have less people within the community. The Manual will enable the trainee or MFI practitioner to:

- learn the good practices of microfinance institutions (MFIs)
- identify microfinance policies and practices
- know the performance indicators and standards for MFIs
- understand MFI credit administration system
- be skilled on credit union management tools
- develop policy manual on credit union products and services
- have knowledge on monitoring and evaluation for credit unions
- appreciate the role of credit union leaders in the community
- know the stages of development for credit unions

## Use of the Manual

The Training Manual was prepared for the use of credit unions and microfinance people. The complete training course has 13 sessions. Duration per session varies, from one hour to 3 hours. The total training program will take 30 to 35 hours to finish. For those interested on microfinance, Sessions 1 to 5 of the Training Manual covers the fundamentals of a microfinance program, especially the design and preparation. Session Guide Notes and Handouts are also provided. Any user of the Manual is advised to also answer the exercises and questions for each Session to deepen their knowledge of the subject matter. The rest of the materials on credit union management are good references for any growing institution.

# Notes for the Trainers

The Training Manual was specially prepared for credit unions. The Training Manual is expected to build the skills of credit union leaders and their staff in providing microfinance services, but the manual is also a good reference on credit union management tools, such as the process of decision making.

## Training Preparations

### Target Group

The main target group for this Training Manual on Microfinance Innovation for Credit Unions is the present and potential credit union managers and the staff in charge of micro-finance programs. After the training, the participants would be skilled on MFI policies and practices, as well as management of credit unions. The Manual materials are also suitable for refresher courses for those long employed as managers of credit unions. Some parts of the training program can be skipped, or extended, as applicable to the target group.

### Duration

The Training Manual has a complete training course of thirteen (13) sessions. The conduct of each session varies from one hour to three hours. The total training program will take 30 to 35 hours or four to five days to complete, depending on the experience and qualifications of target group and training hours per day. The trainer must decide on the suitable duration of the training program. It is also advised to include a two- day field visit to credit unions with successful microfinance programs.

### Training Approach and Methods

To ensure that trainees acquire the knowledge and the skills, the training program should adopt a “participatory” approach. The common issues in designing and managing micro-finance programs, and usual management problems encountered in credit unions, where incorporated, as best as possible, in the questions and exercises for each session. Trainees (working in groups and on their own) will learn by doing the exercises and answering the questions, with the assistance of the trainer, as needed. The trainer will act more as a facilitator, than as a lecturer.

Every participant in the training has some ideas and suggestions which can benefit the others. The training program is designed to encourage the contributions of insights and experiences for greater knowledge of the group. The sharing of ideas is equally important as the training material itself. The trainer has the role to elicit this sharing from each participant.

### Structure

The training program has 13 sessions under two main topics--Microfinance (Sessions 1 to 5) and Credit Union Management (Sessions 6 to 13). Each training session has the following materials:

- a Guide for the trainer, giving the session objectives, time duration, materials needed, training methodology, and a “plan” how to conduct the session; and
- Handouts of all materials (exercises, case studies, etc.) to be reproduced and distributed to the trainees.

### **Adapting the Material**

The Trainer should study the material, and decide whether:

- the training program can be conducted as it is written in the manual;
- only certain sessions should be used; or
- additional sessions should be added.

The trainer's decision will depend mainly on the training needs of the participants.

Then, the trainer should carefully study the sessions to be used, especially the guides and the handouts. The trainer has the option to modify some materials to reflect local practices, currencies, names and the like. Such modification will help the trainees identify with the situations described and will increase the absorption of the material.

The trainer must be flexible in adapting, modifying or revising the materials as he sees appropriate.

### **Preparing the Hand-Outs and Other Learning Aids**

Handouts are important training materials. The trainer must check that enough copies of the handouts, arranged in the proper order, are made available to the trainees prior to the start of the training. Additional materials presented in each session should be reproduced and distributed to the participants as soon as possible.

Equipment to be used in the training shall be prepared beforehand, such as flipcharts, cards, papers, and LCD projector. Trainees should be encouraged to use these devices in presenting their work. A notepad is also useful so the trainees can take notes.

### **Preparing Yourself**

The trainer must study thoroughly the training materials. It is highly recommended to do the following steps:

- Read the Session Guides carefully, be sure to understand the content and expect what is intended to happen in the training;
- Work through all the exercises, and try to predict all the possible responses of the trainees;
- Write on the material other good examples to illustrate the points raised;
- Plan the whole session carefully, estimate the time (most likely) per session to fit the schedule of the training, and make time adjustment as necessary.

### **Conducting the Training Program**

In using the Training Manual, please be guided by the following suggestions:

- Arrange the seating and the groupings so that participants can have good interaction with other participants. For international trainings, the trainees can be seated and be grouped together with other nationalities.
- At the start of the training, point out the house rules like timeliness, and completing assigned exercises or group presentations.
- Present a clear outline of the session and point out changes (if any) then, summarize what has happened at the end.
- Keep in mind the objectives per session. Write the main points on the board, or a flipchart, make use of the trainee's words whenever possible. Encourage the trainees to take down notes.
- Avoid doing most of the talking. Trainee discussion should take up three-quarters of the total time. Ask, listen and guide rather than talk. Encourage responses from the trainees, for example calling on the silent ones, while moderating trainees who talked too much.
- Never ridicule a trainee's answer or suggestion, it may have some merit and the attempt itself is commendable.
- If you cannot answer a trainee's question, ask another trainee to respond.
- Be dynamic, move around, walk up and down the training room. The trainer's physical activity helps keep everyone alert.
- Additional lecturers can be invited, especially those with vast experiences on the topic, to further enrich the training program.
- After the study visits or field visits, allot one session for reflections and observations.

### **Closing the Training**

- Set aside one session for the trainees to write down the relevance of the training to their credit unions, and how they can apply their new knowledge or skills. It is much better to ask for action commitment, including the timeline.
- Prepare Certificates of Completion for the trainees. Give out the Certificates in a Closing Ceremony, preferably by a well respected leader of the Training Organization.
- Prepare Training Evaluation forms, or elicit comments or suggestions on the training. Ask the trainees to fill up Training Evaluation forms after the last training session. The results of the evaluation or the comments/suggestions will be useful in the conduct of the succeeding trainings.

### **After the Training**

- Keep a record of the trainees' action commitments. Six months after the training, contact each trainee, via mail or phone call, to see how well he has implemented his commitment. The successful application of the new knowledge indicates a very successful training program.

# Notes for the MFI Practitioners

## About the Manual

The Training Manual was also prepared as a good reference for MFI practitioners, and those interested on microfinance programs or credit union management tools.

Since 1994, the Credit Union Microfinance Innovation (CUMI) methodology has been applied by partner cooperatives of the ACCU. It has been effective in assisting credit unions in their microfinance training, policy making and product development. The methodology has been refined based on the experiences and feedback from partner cooperatives of ACCU.

The Training Manual, which embodies the CUMI methodology, was carefully written and revised based from the actual inputs from credit unions which are implementing microfinance programs. Thus, ACCU can confidently claim that the Manual captures the fundamentals of microfinance practices, policies, and product development.

## What the Manual offers as a Reference

### Easy to Follow Format

ACCU has prepared the Training Manual as a step-by-step guide in conducting trainings, but it is also applicable as a Study Manual on microfinance or credit union management. It is written in simple, non-technical English language for better understanding. As a Study Manual, the student can finish the complete course in one week, or slowly study the materials in two weeks. The Manual has two main topics with 13 sessions- Microfinance (Sessions 1 to 5) and Credit Union Management (Sessions 6 to 13). The reader has the option to focus on one topic or some sessions only, and skipped the rest of the materials. However, to maximize the learning from the Manual, it is highly recommended for the reader to finish the complete thirteen (13) sessions.

### Useful Learning Aids in Each Session

Each session has the following materials:

- A Guide, giving the session objectives, time duration, materials needed, and a “plan” for working on the session. The student can note the objectives to mentally prepare for the subject matter, and remember the time, to pace his own progress. For better absorption, the student is encouraged to also read the “plan” for the session, which has helpful hints in going over the material.
- Handouts of all materials (exercises, case studies, etc.) have to be read thoroughly and answered.

### Comprehensive Coverage of Topics

Each session adequately covers the subject matter. Each session can be a “quick” but concise reference material.



**Session 1** Basic Principles of Microfinance is a review of the good practices in microfinance. This introduces the reader on the unique characteristics of microfinance institutions. This will help the MFI practitioner develop their own policy document.

**Session 2** Microfinance Products Development covers the microfinance policies and products such as savings, loans and the formation of Self-Help Groups (SHG). Based on this the practitioner can draft their own savings and loan policy and delivery mechanisms.

**Session 3** Operating Performance Ratios explains in detail the performance indicators to be used in tracking the growth and viability of microfinance institutions. It also gives additional materials on the CAMEL Rating, and performance standards like COOP PESOS and PEARLS. The practitioner can regularly track the performance of his MFI, and pinpoint the weak areas.

**Session 4** Credit Administration highlights the appropriate ways to design and monitor loan delivery systems for microfinance. The practitioner will learn to manage his own loan portfolio, especially his loan pricing.

**Session 5** Risk Management fully tackles the issues on risk management, loan recovery and delinquency in providing financial services. This Section will assist the MFI practitioner in making actions to manage his risks and control loan delinquency.

**Session 6** Decision Making in Credit Union is a background on the decision-making process in credit unions. For his own MFI, the practitioner can draft a leadership development document for the use of MFI officers.

**Session 7** Nature of the Board of Directors is an introduction on the functions (authority, responsibility and accountability) of a Credit Union Board of Directors. The practitioner can prepare the management structure and delineate functions for the MFI.

**Section 8** Role of Credit Union's Board of Directors is a summary of the nine accepted roles of the Board of Directors within the credit union. This section will enable the practitioner to draft the roles of MFI officers in attaining the vision, mission, objectives and policies of the MFI.

**Section 9** Communication Skills Development provides some basic concepts of effective communication within an organization. The practitioner will adopt a communication plan to improve communication within the institution.

**Section 10** Policy Development on Products and Services outlines the policy manual on products and services to be offered by a credit union. The practitioner will draft a policy manual on MFI products and services.

**Session 11** Monitoring and Evaluation emphasizes the importance of monitoring and evaluation of activities in credit union. It also gives the steps on how to develop evaluation instruments. The practitioner will develop monitoring mechanism and evaluation instruments for the MFI programs.

**Section 12** Leadership in Credit Unions puts in a broad context the role of a credit union leader in relation to the community. The practitioner will assess the MFI's role in relation to the community.

**Section 13** Sustainable Development of Credit Unions discusses the concept of development and the Stages of Development of Credit Unions. The practitioner can identify the development stage of his MFI and prepare a plan for the next stage.

## What is the importance of Microfinance

Microfinance is about managing risks and costs. Granting loans to have less means no collateral requirement, only trust on the person's character. Thus, microfinance is about small savings or loans with high costs. Thus, credit unions have to learn how to manage or balance risks and costs, so the CUMI methodology and techniques have been developed. Microfinance has become a popular approach to reduce poverty in the Third World countries. Microfinance institutions (MFIs) for the poor have a simplified organizational structure and operating procedures. Microfinance has the following unique features or Principles:

- \* Offer short-term loan -- three to six months;
- \* Offer small initial loans -- example US\$ 5-25 and gradually increase;
- \* Concentrate on Working Capital; not for acquisition of machines, equipment or assets;
- \* Keep track of borrower's character & past performance -- repayment and savings habit;
- \* Diversify the types of loans -- different types of savings and loans;
- \* Simplify services -- simple loan format, reduce paper requirement for loans;
- \* Focus on local market -- what can be sold within the community;
- \* Shorten processing of loans;
- \* Incorporate savings -- compulsory savings (small amount and regular);
- \* Form Solidarity Groups or Self-Help Groups;
- \* Provide training;
- \* Loan Price to cover the cost.

An important aspect of microfinance which credit unions have adopted, is the formation of Self Help Groups or SHGs. SHG means "unlimited liability approach" which was introduced by Raiffeisen more than 100 years ago. SHG is a strategy to build trust and confidence and to share resources among the poor to improve living standards

The credit union approach is not credit driven, but it is savings based and about wealth creation. It incorporated wealth-building strategy (savings), rather than creating dependency on loan, continuous education, doorstep service, self-help group pressure, and graduation to the regular membership of the credit union.