

A GUIDE FOR SMALL HOLDER FARMERS ON SAVING, ACCESSING CREDIT, AND EFFECTIVELY MANAGING MONEY FOR IMPROVED LIVELIHOODS



What you need to know to effectively manage money matters

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Developed by: SMJR Consult

Editors: Stanley Musiime & Benson Atuha

Illustrations, Layout and design: Lubwama harunah

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Foreword

Access to agriculture finance is a hot topic in Uganda, especially for small scale farmers. There is a lot of talk in the sector about working together to remove barriers for small holder farmers to access value chain financing. Most recently the 2011 Zipping Finance and Farming Event in Kampala and The Bank of Uganda/ GIZ Agricultural Finance Yearbook¹ marked the issues well.

Meanwhile many try to find solutions. The government of Uganda (GoU) introduced incentives: tax holidays for commercial banks on interest earned from agriculture lending, and guarantee schemes. It also promotes SACCOs to bring financial services closer to the rural people. Development organisations assist farmers to access loans and credit by building their capacity as producer groups.

These are all welcome positive gestures. However in reality access to finance for small holders is still very limited.

- Small scale farmers access only small amounts in range of USD\$ 5 to \$1,000 from either village savings and loan associations (VSLA), SACCOs or MFIs (microfinance institutions).
- Investing in labour saving technologies, high yielding breeds or varieties and improving shelf life and value addition lags behind.
- Services of financial institutions that have developed tailor made services for agriculture sector are not widely known.
- Knowledge about how to access services is often not well packaged.

This Financial Literacy Guide aims to provide information in a manner appropriate for small holder farmers. The guide provides:

- Information on demand and supply of financial services, requirements for access, and proposed solutions to increase access
- Knowledge for small holders about appropriate behavior and practices that can increase chances of accessing commercial financing
- Case studies from successful producer groups and other small sized individual producers that have beaten the odds to grow and offer inspiration to others.

The work on this guide is part of a wider agenda promoted by the APF Agri-Hub Uganda. Through multi-stakeholder collaboration APF members seek to foster a better understanding of the financial services landscape and an appropriate design of interventions informed by realities of the ground. This includes regular financial market place events to bring together farmers, financial service providers and intermediaries. Findings and lessons are used to engage with government and civil society actors responsible for deepening financial services to smallholder actors. We welcome suggestions and comments to improve this guide.

We thank the members of the financial services group for this helpful document and with special thanks to Ivan Tumuhimise (SNV) for spearheading the process.



Roel Snelder
Network facilitator APF Uganda



Marieke van Schie
Coordinator APF Uganda

¹ <http://tinyurl.com/cdm4nxm>

What is Financial Literacy?

Financial Literacy refers to the set of skills and knowledge that allows individuals to make informed and effective decisions regarding money matters.

What does it mean to be financially literate for a small holder farmer?

Being financially literate means that you understand the basic financial principals such as:

- Why it is important to save your money.
- How and where to open an account with a financial institution so that you can save your money.
- Keeping proper records of your financial transactions so that you can manage your income and expenses wisely.
- How to access financial assistance in forms of loans so that you can sustain and grow your business.



Why is it important to be financially literate?

When you can make good decisions on money matters then you are more likely to succeed in your agricultural businesses. Also you will be able to have money to meet emergencies and for other important things like paying school fees for your children. When you are financially literate you will also be able to convince others to lend you money.

When people are not financially literate, there is a big chance that they will make poor decisions that can harm their families and their businesses.

Purpose of this Manual

In this manual you will learn about the following important topics on how to improve your money management.

You will learn:

- How and where to save your money.
- How to succeed in getting the right loan for your business
- How to manage money in your business so that your business can grow



Savings:

What is Saving ?

Saving is putting money aside to use in the future. When you store money away, for some purpose, then you are practicing savings.



Why is it Important for you to Save?

- First of all, saving allows you to meet your basic household needs- such as buying food and clothing for yourself and other members of the family
- Also when you save, you can use the money later to expand your business
- When you save, it allows you also to invest your savings by purchasing other valuable commodities such as a cow...which can provide milk for the children, or you can use the money to buy improved seeds and fertilizers so that you can improve the performance of the farm.
- It is also important to save because; many organisations that provide loans will want to see that you have the capacity to save before trusting you with their money.
- Saving is also important because it allows you to deal with emergencies and unforeseeable events- such as loss of loved ones, or medical emergencies.
- Savings enable households to meet education for children and other relatives
- Savings allow you to keep your money safe

So then, how and where can you save?

Normally after you harvest and sell your produce, you will receive your payment and it is very important to save this money in a safe place. To save your hard earned money, you can consider saving it in one of the following ways highlighted below:



IMPORTANCE OF SAVINGS



Set Goals: Determine the big achievements you want in life, such as educating your children or building a permanent house. Then try to understand smaller goals that you need to achieve—that will eventually deliver those big goals

Budget: By budgeting—you look at all the money you receive and all your expenditures. It helps you to see how much you can save

Be realistic: Set realistic savings goals. It is more important to develop the discipline than to punish yourself by saving more than you can afford.

Stick to it: Keep it going. Once you develop the discipline of saving keep it going, and always remember that there are several other ways of saving such as investing.

Invest: You will feel very good when you can convert your savings into investments. You can invest your savings by buying assets like land, machinery, improved seeds or fertilizers



The Experience of Mr Vincent Muhamy



Mr. Vincent Muhamy is a successful farmer in Rwakaringura village in Kizinda, an area, found in Ishaka town, Bushenyi District. Vincent is now a well respected member of his community, a happily married man and proud

father of 3 Children. He was also recently elected LC1 Chairman in the recently concluded elections.

Mr. Muhamy started off from very humble beginnings, as a shamba boy, hiring his services out to members of the community, looking after their gardens and animals.

Vincent always wanted to be successful from a very early age, and when he was old enough, he immediately started splitting his time between the family shamba and working for pay for other people's shambas. His hardwork and positive attitude were quickly recognized, and within a short time, he was working permanently on the Shambas of a few wealthy individuals in the village.

With the little money that he was paid, Vincent exercised great discipline by making sure he saved at least 50% of all his income. And initially, he saved his money at his home in his 'secret place.' Over time, as his savings accumulated, Mr Muhamy decided to

start saving his money by investing in cows. In that year, he bought one cow.

Over the next 5 years, Mr Muhamy was able to buy 5 more cows, which also birthed another 4 cows, such that he had accumulated 10 cows. In this time, one of his employers had been generous in allowing his cows to graze together on his land. When his neighbor decided to sell his land, Vincent sold 2 cows and bought the land. He was now able to keep his cows on his own land and to explore mixed farming, including planting Banana's.

It is said that luck smiles on the prepared person, and because of his hard work, Mr. Muhamy's efforts were recognized by his employers and some development organisations. As such, Mr. Muhamy and his wife both became beneficiaries of the Heifer project, where they each received a Dairy cow. These organisations also provided training in other farming methods, allowing Vincent to invest his savings in other agricultural practices like Piggery, goats and Bee Keeping.

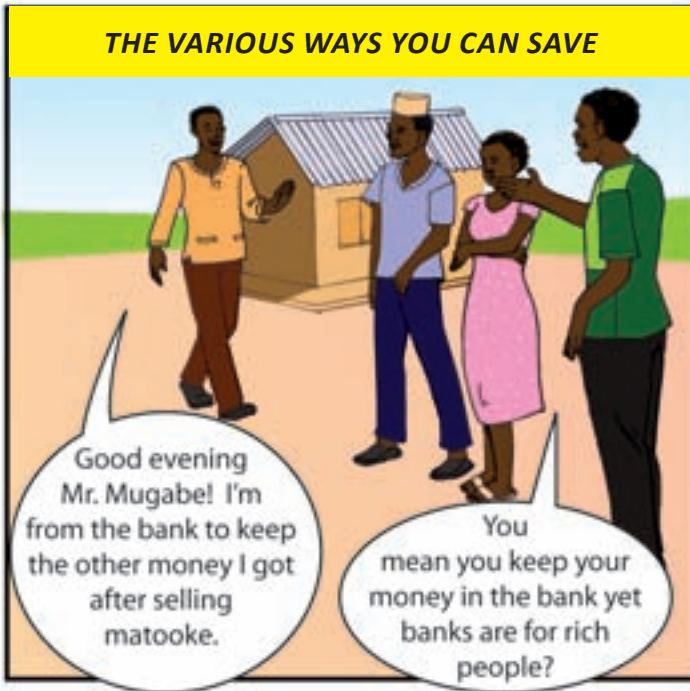
Several years later, Mr. Muhamy is now the chairman of the Kizinda Farmers Association, a Self Help Group, with a Savings and Credit arm. From his humble start, he now lives in a very big house by village standards, which he has been able to power with adopting biogas technology.

Mr Muhamy attributes his success to several key factors:

- He believes hard work played an important role in his success
- He also says that his disciplined culture of saving his money, allowed him to reach the success that he is enjoying today
- He also advises that to be successful, it is very important to abstain completely from drinking alcohol.
- Mr Muhamy also recognizes the contribution that his wife has played in his success, and he advises small farmers to respect their wives, and for wives to be hardworking and support their husbands.



THE VARIOUS WAYS YOU CAN SAVE



Let us look now more broadly at the attributes and benefits of saving in each of the different areas:

Type	Advantages	Disadvantages
Formal Institutions		
Commercial Banks	<ul style="list-style-type: none"> • Offer high interest rates on savings • Savings are more secure due to Bank of Uganda supervision. • When you save with commercial banks you can then qualify to access loans 	<ul style="list-style-type: none"> • High costs and charges • Limited outreach, bank branches might not be available in your community • You might find that minimum balance requirements are too high-
Money Deposit Taking Institutions (MDI's)	<ul style="list-style-type: none"> • Have a developed branch networks upcountry, so they are more likely to be closer to the farmer than commercial banks • Since they are formerly Microfinance Institutions, they have better developed products suitable for small holder farmers • They can provide increased savings security, since they are regulated by Bank of Uganda 	<ul style="list-style-type: none"> • Since there are still very few Money Deposit Taking Institutions (MDI's) they may not be easily accessible to you.
SACCOs	<ul style="list-style-type: none"> • They offer high interest rates on savings • SACCO's are closer to the farmers as they can be formed by groups in the rural areas. 	
Informal Institutions		
Village Savings and Loans Associations	<ul style="list-style-type: none"> • They are located in the rural areas, so they are closer to the farmers. • It mobilizes savings from the community • The savings stay within the community- not taken away to some head office- and are therefore accessible for borrowing later on 	<ul style="list-style-type: none"> • Savings accumulation is sometimes slow, and sometimes loans for borrowing are not always available when required
Rotating Savings and Loans	<ul style="list-style-type: none"> • Located in the village, therefore very close to the farmer • Members can access a lump sum amount at once • Groups are self managed by members who know each other. 	<ul style="list-style-type: none"> • Its timings are inflexible. You have to wait your turn to access your accumulated saving • High rate of default by members after they have received their share
Saving at Home & Investing		
Savings at home	<ul style="list-style-type: none"> • Saving at home is a convenient method for farmers who do not have access to other formal methods of saving • Money saved at home is also easily accessible for emergencies 	<ul style="list-style-type: none"> • Easy access to savings can give rise to mismanagement of the money • There is also the risk of theft from other family members and relatives.
Investing	<ul style="list-style-type: none"> • Saving through Investing allows you to purchase valuable commodities such as input seeds, and fertilizers, which can be utilized in future • By investing, small holder farmers can also diversify their businesses- for instance profits from maize harvest can be used to buy dairy cows- which can produce milk for sale. 	<ul style="list-style-type: none"> • You might require more money than is available to make a particular investment. For instance, your savings might be lower than the going price of a dairy cow.

Accessing Credit:

What is Credit?

Accessing Credit or Borrowing is defined as taking money in cash from a financial institution, a group or from any individual; with the commitment that this cash will be paid back at some defined time in the future.

Is accessing Credit important in the first place anyway?

Borrowing money can be very important for meeting the costs of your business, meeting family subsistence needs and growing your business. However borrowing money entails taking on risk, because when you borrow, money, it has to be repaid back fully with interest, and normally within a given period of time.

Why should small scale farmers require access to credit?

Some of the reasons why borrowing money is important for Small holder farmers or small scale agribusiness owners are as follows:

- (a) Credit can be used to hire laborers, or tractors to clear and prepare the site for planting.
- (b) To acquire improved inputs for planting- such as seeds, fertilizers, and pesticides/herbicides. Poor yields from small scale farmers are often because of use of poor input seeds and lack of fertilizer. With access to credit, this situation can be improved
- (c) With access to credit, small holder farmers can increase their production, so that they graduate from subsistence farming to production for sale. Therefore credit allows farmers to grow their businesses.
- (d) By borrowing, small farmers can solve any cash flow problems. For instance, the farmer might not have enough cash to bring in a big harvest, yet his produce has ready market. Accessing credit can allow the farmer to hire labour so that the proper harvest and post harvest is done.
- (e) To buy machinery and equipment such as tractors.
- (f) Credit is important also in fulfilling other personal and family needs such as paying school fees.
- (g) Ability to borrow also enables small scale farmers to deal with emergencies, such as medical emergencies or death of loved ones.

Without a doubt therefore, the ability to access credit can provide a significant improvement in the business operations of small scale farmers.

Are you ready to Access credit?

We have seen that ability to access credit is important for sustaining and growing our farming operations. It is important however for borrowers to remember that loans are meant to be paid back in full, with interest and within a defined period of time. This is important because farmers must ensure that their farm operations enable them to both pay back the loans and generate enough profits for savings.





Advice from a Microfinance Lending Specialist

Beth Akauret is a microfinance specialist who is passionate about ensuring that financial services reach underserved yet economically active individuals. She has the following advice to share with you.

Important Attributes for successfully accessing Credit.

Beth says that there are some key attributes that small holder farmers should develop in order to successfully qualify for credit from financial institutions:

1. It is important that as a farmer, you can demonstrate some experience in agriculture, for at least 2 seasons. When you demonstrate that they are experienced even as subsistence farmer, this gives the financiers more confidence
2. It is important that you can show that you are capable of saving. This can be demonstrated if the you have other sources of income that can contribute to repaying the loans.[as an example, if you want a loan to grow an acre of maize, it helps if you can demonstrate that you have another income generating activity, such as a Dairy cow or a small retail shop]
3. You must show that you are capable of working hard. A loan will enable you to farm on a larger scale, so you must demonstrate an ability to work hard.
4. As a small scale farmer, it is important for you to join and be part of a group. This provides several advantages, including the following key ones:
 - a) Members of the group co guarantee each other, so as an individual you do not need security such as land title to access a loan.
 - b) As group members it is easier to collectively market the harvested produce. When there is easy access to markets, then the financier is given more confidence to lend
 - c) As group members, you can access valuable training and support from development agencies, farmer associations and lending institutions. This training is very useful in managing loans effectively.
5. It is important to ensure that you use the borrowed money fully for the purposes for which it is borrowed. For instance if you acquire a loan of 500,000 for one acre, and you plant ½ an acre, you will not have enough harvest to repay the loan, and make savings. This then discourages one from borrowing further, hence stopping opportunities for growth..
6. If you choose to borrow money as an Individual, you will normally be required to present securities (such as a land title or car log book), in addition to at least 2 guarantors. This might be an appropriate option if large sums of money are required, and the securities are present.
7. If as a small business you seek to acquire an Individual loan, then you might need to present some collateral. HOFKAM for instance requires collateral that is 150% of the loan value.

To ensure that you are ready and able to borrow, ask yourself these questions below. If you can answer yes to most of them, then you are ready to borrow.

Borrowing Checklist:	
1	Do I have a clear business need for the loan?
2	Do I have a clear workplan or business plan?
3	Do I have a ready market for my produce?
4	Do I have experience in the activity for which I intend to take out a loan?
5	Am I a hard worker?
6	Do I have collateral to take to the bank?
7	Do I belong to a group through which we can jointly access agricultural loans?
8	Is my group registered?
9	Do my fellow group members feel that I have the capacity to manage a loan?

Now if you decide to go to the bank or microfinance to either save or borrow money, you should remember that you have certain rights and responsibilities

It is your right to:

- Be given enough information about various loan products for you to make a right decision
- It is your right to be given all relevant information including all the charges relating to your loan
- It is your right for the bank to keep all your information private and confidential
- If you open a savings account, it is your right to access your savings any time you need them
- You are entitled to guidance to all procedures and processes

In exchange it is your responsibility to ensure that

- You provide information accurately and honestly to the financial institution so that they can provide the best service to you
- You respect the loan contract and make timely payments as per your loan schedule

And once you get the loan, please remember the following big DONTs!!

- Don't forget to keep to your repayment schedule which you have agreed with your lenders
- Don't divert a loan, by using it for other purposes rather than investing in your farm. Once you do this, you are most likely going to fail to pay it back
- Don't get a loan to service another loan, this will only increase your debts and also spoil your name. Eventually no one will want to lend you more money in future.



Mr Bakampa, mixed farmer with his coffee plants



The Experience of Mr. David Bakampa, a Mixed Farmer

For many years, in Chambara LC1, Katanga Parish, Bugande Sub county, Buhagizi county in Hoima District, Mr. David Bakampa, lived in a mud and wattle house. A hardworking man who had migrated from Kigezi in the late 1960's, Mr. David was involved in Agriculture, farming a number of crops, practicing some mixed farming. He was able to use his meager savings to look after his family including paying school fees for all his many children.

With the Support of HOFOKAM and the Hoima District Farmers Association, David eventually joined Twekambe Chambara Farmers group in 2007 and indeed that is when his fortunes significantly improved. David feels that the training that he and other members of his group received from HOFOKAM and Hoima DFA was very important foundation for the success he eventually enjoyed. This training included preparation of work plans, information on improved agronomic practices, as well as lessons in Living a Healthy life.

Armed with these lessons, David acquired a loan from HOFOKAM of 500,000 Shillings. From this loan, David was able to plant 2 acres of Upland Rice. He used the money, to buy improved seeds, as well as for labour during harrowing, planting, weeding, harvesting, and post harvest handling.

David was able to sell the harvested rice, making a very big profit, as he was able to sell all his produce for about 1.7 million shillings. He was able to acquire a similar loan of 500,000 shillings in a second borrowing cycle from HOFOKAM, which he also used to plant rice. Again he made huge profits and was able to save some money.

After paying back the loans from the first and second cycle, he had saved enough money and decided to construct a permanent house for his first wife. In addition, in spite of the construction, he was still able to send all his Children to school.

In 2010 he acquired another loan of 700,000 shillings. He again used this money to plant rice. It was another successful season. He harvested and sold his produce in February 2011, and in April 2011, he also started the construction of another permanent house for his second wife.

David has now accessed a new loan in a 4th cycle, and he has again planted 2.5 acres of rice. In addition to construction of permanent houses, he has also invested his money in setting up One (1) acre of Palm Oil and Four (4) acres of tea plantation. From these operations Mr. David Bakampa is able to send 14 of his 22 children to school.

David feels that the following reasons are responsible for his success:

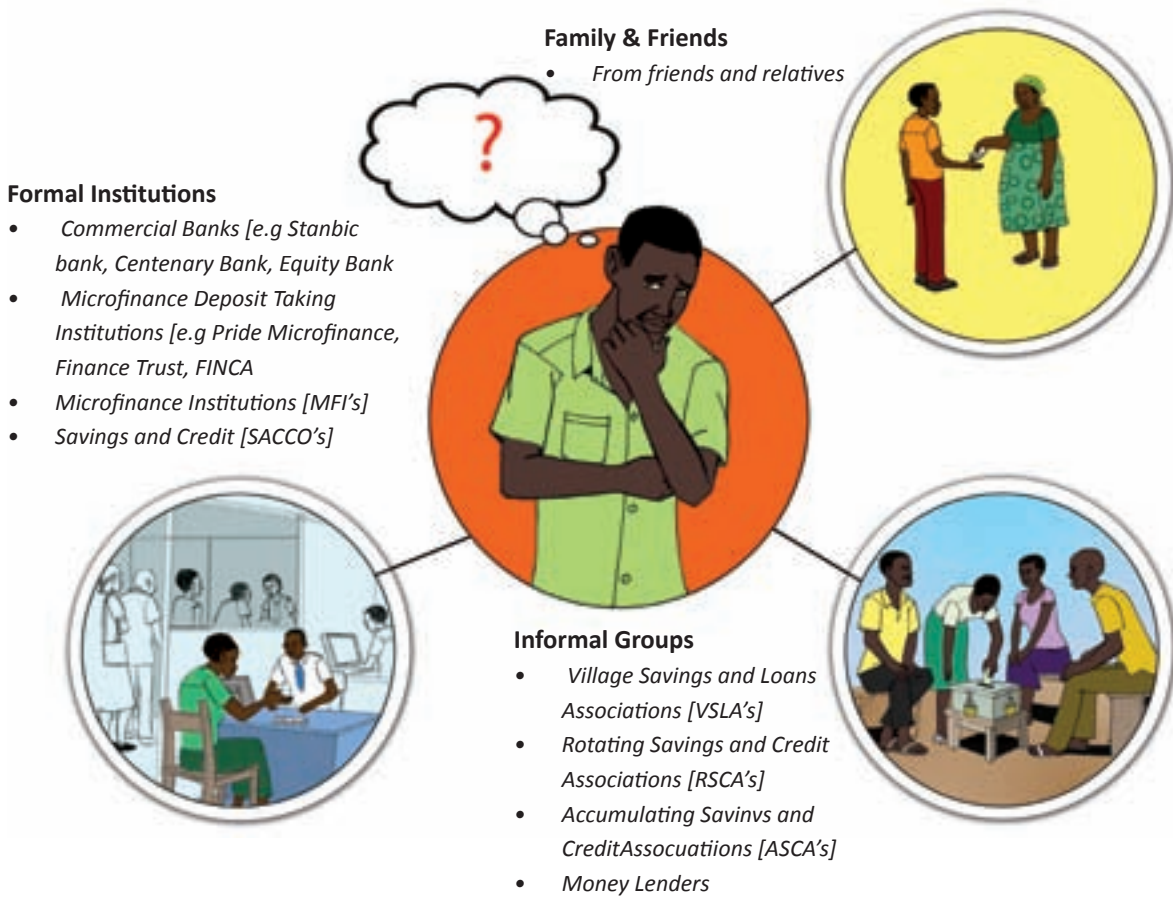
Hard work- David says that when he got the loan, he was forced to work even harder, because he knew he had to pay it back to HOFOKAM. This hard work resulted in the good performance of his farm

Overcoming fear of Investing in Agriculture: David realized that the more he invested, the more he benefitted. Being able to access loans enabled David to grow his farm in a way that would not be possible without it.

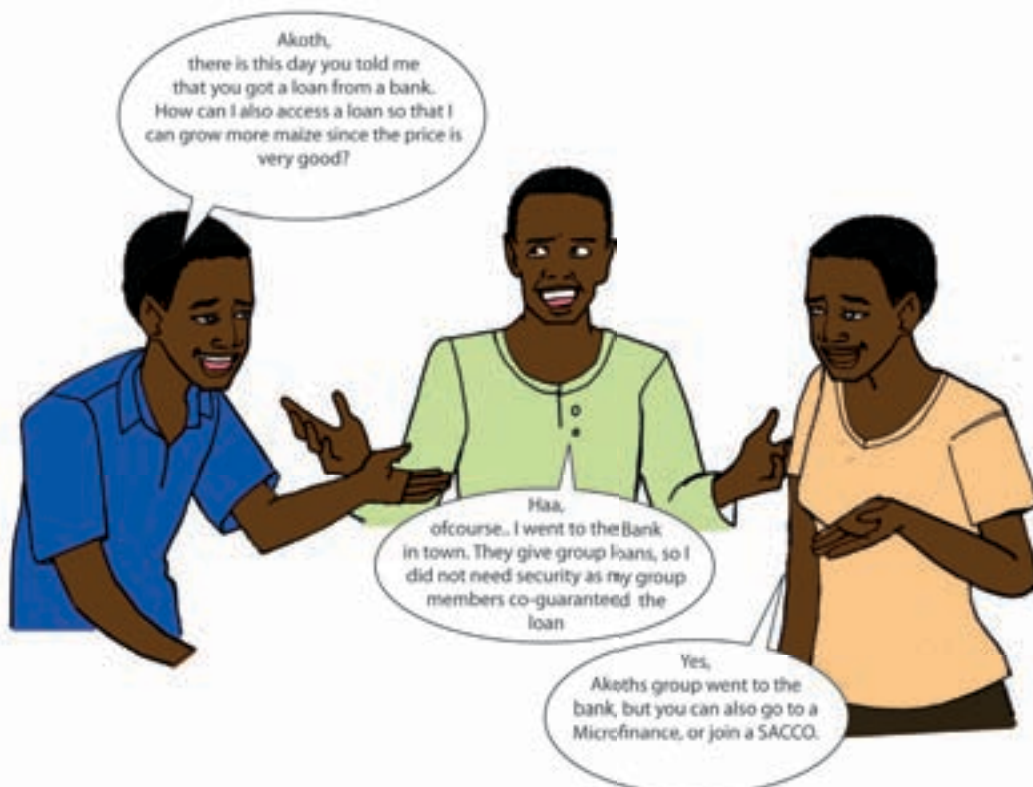
Discipline: David feels that his disciplined way of doing his business is also responsible for his success. He says that many colleagues failed because they diverted the loans to other activities, such as bride price, or squandered on alcohol. David however always invested according to the agreed work plan and only used his savings to divert into other areas. Right now, David is looking forward to the new harvest

Where can small holder actors access loans from?

There are different avenues for financing for small holder farmers. You have to evaluate each of these options so that you can make the best choice for your business needs.



Advice from Akoth and Agnes



The attributes of the various sources of Credit.

Type	Advantages	Disadvantages
Formal Institutions		
<p>Commercial Banks</p> <p><i>[These are Tier 1 financial Institutions, which are supervised and regulated by the Bank of Uganda]</i></p>	<ul style="list-style-type: none"> Banks can offer high loan amounts which can be a good option for farmers seeking farm equipment Banks also offer various agricultural products such as leasing and various other products that can be used by small holder farmers 	<ul style="list-style-type: none"> Banks are only slowly reaching out into agriculture, and they still perceive small holder farmers as high risk. Banks also require collateral, which small holder farmers might not have
<p>Microfinance Institutions</p> <p><i>[MFI's are organisations that provide financial services to the less well to do members in a community. The clients who are served by MFI's are usually more vulnerable and often poorer than the traditional bank client]</i></p>	<ul style="list-style-type: none"> Are closer to the small holder farmers since they are normally found in the village areas They can provide loans in small amounts which are more suited to small holder farmers Through experience of the farmers needs, many MFI's have developed products tailored to the specific needs of the farmers. Credit is normally group guaranteed, so small scale farmers can access financing even without collateral 	<ul style="list-style-type: none"> The interest charged might be high.
<p>SACCO's</p> <p><i>[SACCO's are member based cooperatives where individuals come together for the purpose of saving their money together. SACCO's can only collect money from amongst their own members, but can lend even to other members of the general public]</i></p>	<ul style="list-style-type: none"> SACCO's are located in the rural areas and are near to the small scale farmers Rates of interest are generally better than those of banks or MFI's SACCO's encourage savings from members, and the savings stay within the community. Owners are the customers SACCO's are a great model for savings and credit in deep rural areas where small holders are not served by other financial institutions. 	<ul style="list-style-type: none"> It is possible that SACCO's might not have enough capital to provide all the loans required by members
Informal Institutions		
<p>Village Savings and Loans Associations & Rotational Savings and Loans Associations</p>	<ul style="list-style-type: none"> They are located in the rural areas, so they are closer to the farmers. Resources mobilized are usually all available for borrowing by fellow village members. 	<ul style="list-style-type: none"> Accumulating Savings is often slow, and therefore funds for borrowing may not be readily available Terms often don't suit farmers (e.g. VSLAs have terms between 3 – 6 months)
<p>Money Lenders</p>	<ul style="list-style-type: none"> They are normally more accessible in the rural areas than formal lenders like banks and mfi's 	<ul style="list-style-type: none"> Offer extremely exorbitant interest rates Failure to pay can result in dire consequences as money lenders can adopt harsh collection methods
Borrowing from Family & Friends		
<p>Borrowing from friends and family</p>	<ul style="list-style-type: none"> This is normally very cheap, since family and friends might not charge interest This borrowing is also flexible, as the conditions can be determined by mutual agreement 	<ul style="list-style-type: none"> Friends might not have the capital required for your borrowing needs. Failures to pay can cause wrangles within the family.



The Experience of ASABA JULIET

Asaba Juliet is a widow, and mother of 5 children. She rents a small house in Kyesiga Kiwenga LC1 in Hoima District. After several hardships 49 year old Juliet, is now reaping from her hard work and determination.

Several years ago, Juliet's husband passed away, leaving her with the responsibility of raising the children left behind. To make her situation even harder, she was rejected by her own siblings from her parents land, where she had built a small house. This was because her brothers feared future wrangles with her children over land.

To fend for her children, she was forced to sell local waragi, and do some subsistence farming. This situation only allowed her to live from hand to mouth.

Eventually her hard work was noticed by the local LC1 chairman, who facilitated her to join a farmers group, Tweyombeke Farmers Group, which was eventually registered with the Hoima District Farmers Association.

Juliet was able to receive an initial loan of 200,000 shillings which she used to plant ½ an acre of Soya Beans. From this she was able to harvest highly, pay off the loan and make enough savings. With these savings, she was able to hire more land on which she now planted upland rice. She was able to achieve this through a second cycle loan from a Microfinance loan of 600,000 shillings. Again she harvested highly repaid the loan, and made big savings. From the accumulated savings she has succeeded in buying a plot of land at Kyesiga trading centre, and also started construction of her very own house.

Currently, Juliet has received a 3rd cycle loan of 1,000,000 shillings and has planted 3 acres of rice. She will use the money from the harvest to finish the construction of her house.

Managing Your Finances in Your Farm Operations

Plan

It is a good practice to develop a clear workplan. This work plan should indicate all the details about what agricultural activity you are going to engage in. A good work plan should capture some of the following key information:

- What is being planted and how much (e.g you can indicate that you are going to plant maize on one acre
- The stages from planting, to selling and what needs to be done at each of these stages
- The amount of money required and the sources of these funds

To develop this workplan, you can try to reach your District Farmers Associations (DFA) or NAADS or even NGOs for training.

Budget

Develop a clear budget. This should indicate how much money you need for all the activities. After creating a budget you should be able to see how much savings you need to meet the budget. At the same time you will be able to see how much money you need to borrow to meet the budget.

Record Keeping

To ensure that you manage your finances within your business, it is important to keep proper records.

Why is Proper record keeping important?

- i. Proper records allow you to track the performance of your farm.
- ii. Proper records will be a key requirement for you to convince the lenders such as Banks and Microfinance Institutions to lend you money
- iii. When you have proper records, it allows you to plan properly. For instance, when you fill out the financial requirement record demonstrated below, it shows you at the end how much money you need, and therefore how much loan you need to apply for.

All the above can be done if you can learn to use and adopt the following records below.

Financial Requirement Analysis Record

Work Plan Financial Analysis			
Financial Requirement for Planting Season _____ of Year _____			
		Panting begins	Harvesting
	What do you plan to plant?	<input type="text"/>	<input type="text"/>
		<input type="text"/>	<input type="text"/>
A	Clearance of land	Shs	
	<i>Labour for clearing</i>	<input type="text"/>	
	<i>Other clearing costs</i>	<input type="text"/>	
	Total Costs of Clearing	<input type="text"/>	
B	Inputs		
	1 Seeds	<input type="text"/>	
	2 Fertilizers	<input type="text"/>	
	3 Other Inputs 1	<input type="text"/>	
	4 Other Inputs 2	<input type="text"/>	
	5 Other Inputs 3	<input type="text"/>	
	6 Other Inputs 4	<input type="text"/>	
	Total Costs of Inputs	<input type="text"/>	
C	Planting		
	<i>Labour for planting</i>	<input type="text"/>	
	<i>Weeding</i>	<input type="text"/>	
	<i>Other costs 1</i>	<input type="text"/>	
	<i>Other costs 2</i>	<input type="text"/>	
	Total Planting Costs	<input type="text"/>	
D	Harvesting & Post Harvest		
	<i>Labour for harvesting</i>	<input type="text"/>	
	<i>Other Harvest & Post harvest costs</i>	<input type="text"/>	
E	Total Harvest & Post Harvest Costs	<input type="text"/>	
F	Total Costs for the Planting in the Season	<input type="text"/>	
G	Less: Own Contribution	<input type="text"/>	
H	Total Loan required	<input type="text"/>	

Why is this Report Important for You?

- This report will allow you to capture all the important costs for planting a particular crop within a season.
- This report also allows you to have a record to track actual performance.
- This report can be helpful when applying to a Bank or Microfinance institution for a loan.

Farm Income and Expense Analysis Report.

Work Plan Financial Analysis		
Planned Income and Expense Report for Planting Season _____ of Year _____		
	<u>Budget</u>	<u>Actual</u>
A	Income	
1	Income from harvest of _____	
	Other Income	
2	Income from _____	
3	Income from _____	
	Total Income for the Season	
B	Planting Expenses	
1	Seeds	
2	Fertilizers	
3	Labour costs	
4	Post harvest costs	
5	Other Inputs 1	
6	Other Inputs 2	
	Total Planting Expenses	
C	Farmer Household Expenses	
1	School fees	
2	Other family costs	
3	Other Inputs 1	
4	Other Inputs 2	
5	Other Inputs 3	
6	Other Inputs 4	
	Total Farmer Household Expenses	
D	Total Savings	

How to Use this Record.

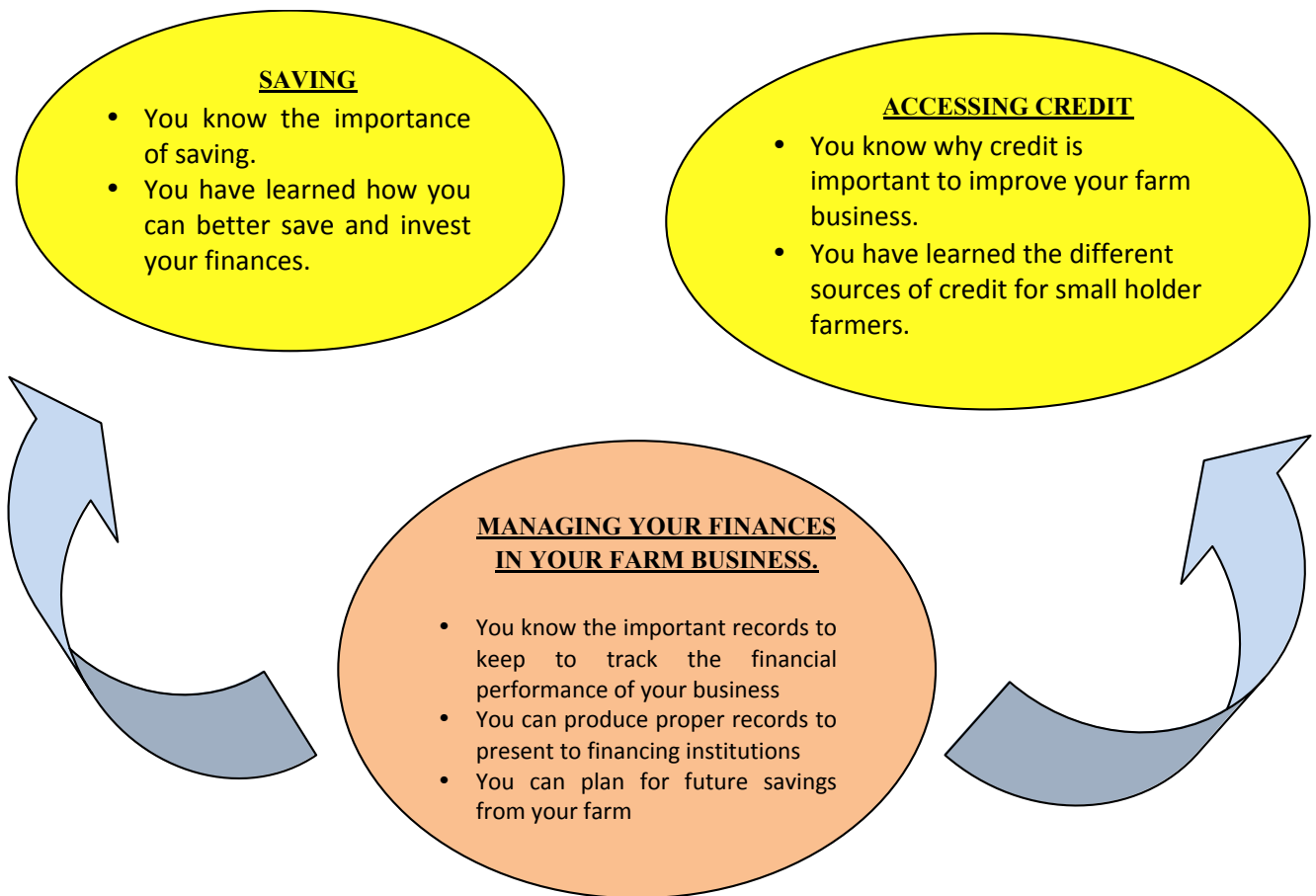
- a) Before the Season begins, fill out the budget component with all expected costs. You can use your experience of past seasons to fill in this section
- b) The Actual income and expenditure can be filled you're your other records at the end of the season.

Why is this Report Important for You?

- i. This report will allow you to capture all the different areas of income from your farm.
- ii. It also allows you to record all your expenses, including all the costs of planting in the season as well as the costs of looking after the household
- iii. As a result this record shows the farmer whether all his incomes are enough to meet all the costs, and how much money can be saved by the end of the season.
- iv. This comprehensive report of income and expenditure, allows the farmer to anticipate savings which he can start to plan for

In Conclusion

You are now financially literate because:



APPENDIX 1: Microfinance Lending- The Case of Centenary Bank

The **Mission** of Centenary Bank is to provide appropriate financial services, especially microfinance to all people in Uganda, particularly those in rural areas, in a sustainable manner. The main Objective of the Bank is to promote and enhance development in Uganda through providing secure savings facilities, together with loans for farming, small scale industries, fishing, processing of agricultural products and other income generating activities.

Agricultural Lending in Centenary Bank

In 1998, the Bank developed an appropriate agricultural lending methodology that enabled it to lend to smallholder farmers in Uganda. The bank is very careful in selecting commercially oriented farmers, irrespective of the size of their operations.

Some of the criteria that the bank looks for in prospective clients looking for an agricultural loan are as follows:

- The farmer must have experience of at least one season, with evidence of surplus incomes from agricultural production and other sources.
- The farmer must target a specific market, either through collective marketing with other farmers, by doing contract farming, or by selling to nearby markets or traders.

The Bank also employs a cash flow approach in analyzing the repayment capacity of the farmers; and can consequently provide loans that are tailored to the specific needs of small holder farmers. The Bank gives grace periods to farmer's equivalent to the maturity period of the enterprise being financed, and the loan payments are greater or equal to 50% of the monthly surpluses.

When the bank is determining the repayment capacity of the farmer- it considers the whole of her income to come up with a consolidated cash flow. Therefore

payment plans are designed considering monthly surpluses from all household sources of income.

Appropriate Loan Products

Some of the loans in Centenary Bank that are available for agricultural lending are currently as follows:

Micro Agricultural business loans: These Loans are intended for providing working capital for agricultural inputs like fertilizers, seeds, herbicides, veterinary drugs, livestock feeds and also for farm labour. They range from UGX 100,000shs to 15,000,000 shs, with a maximum loan period of 2 years.

Agricultural SME Loans: These are much bigger loans, above UGX 15,000,000, with a maximum period of 3 years. They target the bigger clients involved in marketing and processing of agricultural products.

Other Products:

Animal traction loan: Involves financing a span (pair) of oxen, together with yoke and chains, plough and other accessories. Its main intention is to provide farmers with appropriate technology to open up bigger acreages for commercial farming

Micro Leasing: this product is designed for small scale farmers and processors helping them to acquire agricultural equipment and machinery. This may include simple equipment like an ox plough or much bigger machinery like a tractor. Farmers can use this loan to introduce the use of appropriate post harvest equipment, to add value to their products in order that they might reach the standard required in their market and also increase the shelf life of the products. Minimum amount is UGX 100,000 and maximum of more than UGX 1 billion.

APPENDIX 2: Microfinance Lending- The Experience of HOFOKAM

HOFOKAM is a credit only Microfinance Institution, that was founded by the Catholic Dioceses of Hoima, Fort Portal and Kasese. It is one of the oldest and largest microfinance institutions serving the rural Poor of Uganda. The institution has branches in Hoima, Masindi, Buliisa, Kibaale, Kyenjojo, Kabarole, Kamwenge, Bundibugyo, Kasese, Bushenyi, Oyam, Ibanda, Kyegegwa and Ntoroko.

The **Vision** of Hofokam is to raise the average household income and standard of living of poor families in Uganda in order to stimulate growth and eventually contribute to national development. The Organisation tries to realize its Vision through its **Mission** of providing quality financial services information, and technical training to the economically active poor that will enable them realize their full potential.

What Products does HOFOKAM offer?

Hofokam offers 6 products including: Village Bank Loans, Solidarity Group Loans, Individual Business Loans, Agricultural Loans, Salary Loans and School fees loans.

The Agricultural loans and Village Bank Loans are most relevant to small holder farmers and are detailed further below:

Agricultural Loans For Groups: Agricultural Loans are given to groups of farmers. To get this loan, farmers must be in a group of between 15-40 members. The group must be registered at the Village level and with the District Farmers Association.

This loan is very suitable for small holder farmers who would like to upgrade from subsistence farming and improve the livelihoods of their families

Farmers do not need collateral to get agricultural loans as members co guarantee each other in the group.

Also since members are growing a common crop they will have easy access to markets through collective marketing.

Agricultural Loans For Individuals: Individuals can also apply for agricultural loans. Unlike the group loan, they have to present Security such as a land title. This security is normally about 150% of the loan value. Also they are required to present 2 guarantors.

Individuals can get agricultural loans from HOFOKAM of between 500,000 shs to 10,000,000 shs.

Village Bank Loans: These are given to groups of between 15-40 people, and while similar in other respects to the agricultural loan, this product targets small businesses such as retail shop owners, or produce dealers.

School fees Loan: Small scale farmers can also apply for this loan to pay for school fees before the harvest comes in.



For more information please contact:



Agri-ProFocus Uganda
(Coordination by SNV Uganda, Plot 36 Lithuli Rise Bugolobi,
P.O.Box 8339 Kampala. Tel: +256 (0) 392-20-0778)
Email: apf.agrihub.uganda@gmail.com
<http://apf-uganda.ning.com>

This document was collated for and on behalf of Agri Profocus Uganda by:
SMJR Consults, Plot 51 Luthuli Avenue, P.O.Box 2487 kampala
Tel: +256 (0) 312109015, Email: admin@smjrconsult.com
www.smjrconsult.com