Growing your internal finance

A toolkit to guide forest and farm producer organisations

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Cover photo: Saving and Credit Cooperative Organisation of Setidevi Dairy Cooperative, Nepal. Credit: Duncan Macqueen

Forest and Farm Facility

The Forest and Farm Facility (FFF) is a partnership between the Food and Agriculture Organization of the United Nations (FAO), the International Union for the Conservation of Nature (IUCN), the International Institute for Environment and Development (IIED) and the European Agri-agencies (Agricord). FFF strengthens the organisations of Indigenous Peoples, forest communities and family smallholders to secure their rights, organise their businesses, sustainably manage their forests, and provide social and cultural services to the poor and marginalised.

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Abbreviations

AFID	Alternative Finance for Development
CMG	Community microfinance group
FFPO	Forest and farm producer organisation
KANBAOCU	Kassena Nankana Baobab Cooperative Union
MFI	Microfinance institution
MVIWAARUSHA	Network of Groups of Farmers and Breeders of Arusha
NGO	Nongovernmental organisation
ODA	Official development assistance
SACCO	Savings and credit cooperative organisation
UNORCAC	Union of Peasant and Indigenous Organizations of Cotacachi
VSLA	Village savings and loans association


A farmer in Tanzania drying coffee that was harvested on his farm. Credit: ©Roshni Lodhia/Panos/IIED

Introduction

Why is this toolkit needed?

Approximately 1.6 billion smallholder and family farmers, Indigenous Peoples and local communities live within 5 kilometres of forests of different sorts (Newton et al., 2020). Their forest and farm producer organisations (FFPOs) play a critical role in producing, aggregating and selling forest and farm products. The vast numbers of people and the extensive areas of land that belong to their collective membership make FFPOs key players in global income generation, food security, biodiversity conservation and climate change mitigation and adaptation. Yet across many rural contexts, limited access to appropriate finance remains a major constraint to their ambitions. As a result, many FFPOs set up their own savings groups. With more than 67,000 credit unions worldwide marshalling in excess of US$3.8 trillion in capital (WOCCO, 2024), the overlooked potential of self-mobilised finance deserves more attention. This toolkit is designed to help FFPOs consider how to mobilise and manage internal financial resources to better serve their members.

The toolkit is not a detailed guide to financial management, although it points to some available resources. Rather, this toolkit examines practical pathways that an FFPO might follow: evolving from the management of small savings groups to managing fully fledged financial cooperatives. It highlights how internal finance can contribute to building stronger, more self-reliant organisations.

Three main modules guide users through: an understanding of the potential of internal finance; mechanisms for mobilising internal finance; and the core building blocks of effective financial service provision. For example, the final module introduces the need for sound internal governance and risk management, designing and delivering appropriate financial services, and identifying strategies for sustainable growth. Real-life case studies illustrate how organisations have navigated these choices in practice, while self-reflection questions support honest reflection and help leaders plan concrete improvements tailored to their members' needs and long-term vision.

Who is this toolkit for?

This toolkit was developed for FFPOs and their savings groups and financial cooperatives that want to start, strengthen or expand their financial services. Whether starting with small savings groups or managing more advanced financial structures, the toolkit provides inspiration from various organisations around the world about possible ways to evolve further. The toolkit is also intended for federations, apex bodies, nongovernmental organisations (NGOs), development agencies and technical support organisations that accompany and support these member-based institutions.

Objectives

The main objectives of this toolkit are to:

- ☑ Understand the concept of mobilising internal finance and its importance for strengthening producer organisations' self-reliance and resilience
- ☑ Recognise the different mechanisms through which producer organisations can provide financial services, from simple savings groups to advanced financial cooperatives and credit unions, and
- ☑ Reflect on their organisation's current financial practices and opportunities to improve or expand internal financial mechanisms.

Module 1. Understanding the potential of internal finance

1.1 Objectives of Module 1

The objectives of this module are to:

☑ Understand some basic terminology

☑ Reflect on the different sources of finance for producer organisations

☑ Understand the potential of internal finance in producer organisations, and

☑ Recognise some initial ways to generate internal finance.

1.2 Definitions

Our starting point is to ensure that the reader understands some basic terms:

- **Financial cooperatives:** member-owned financial institutions that pool money from their members to mobilise savings and provide loans and other financial services for the benefit of their members.
- **Financial services:** services to members such as a place to deposit savings, take out loans or credit, make payments and buy insurance that will help members manage cash flow, invest in production and reduce financial risk.
- **FFPOs:** formal and informal member-based groups that depend on and manage forested landscapes. FFPOs vary widely in size and institutional form and may focus on forests or combinations of forest- and farm-related activities (Pasiecznik and Savenije, 2015). They can be associations, cooperatives, community enterprises, unions, federations and other diverse groups.
- **Internal finance:** the money that a producer organisation generates from within its own membership (for example, from membership fees, service fees or shares, from savings deposited by members, or from retained profits from the sale of products or services).
- **Mobilising internal finance:** pooling money from members — such as from membership fees, service fees or shares, members savings, or retaining some profits from the sale of products and services — into a fund or funds that can support member activities and organisational growth.
- **Savings groups:** small, self-managed groups that regularly pool their members money to provide loans to members. They are known by many names worldwide, such as village savings and loans associations (VSLAs).

1.3 Barriers to finance for FFPOs

FFPOs have very limited access to finance. It is estimated that over 70% of demand for smallholder finance goes unmet, equivalent to US$170 billion per year (ISF Advisors, 2019). In addition, 70% of farm organisations in Africa report that less than half of their financing needs are met (IFAD, 2023). Although the size of the gap varies across countries and regions and is difficult to measure precisely, there is broad consensus that a significant financing gap exists.

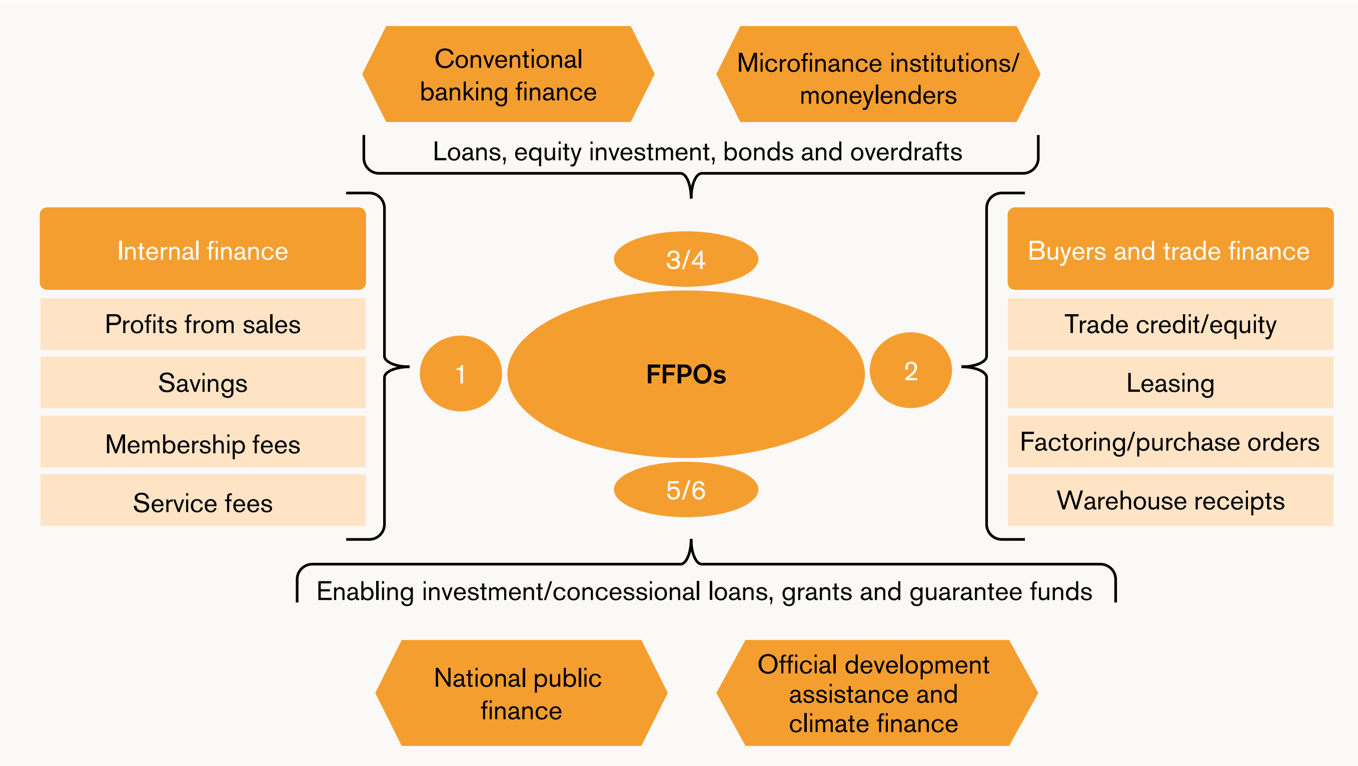
Diverse crops. Credit: Mary Pinan

1.4 Sources of finance for FFPOs

There are various sources of finance that can play a role in improving access to finance for FFPOs, as shown in Figure 1. Each of these has advantages and disadvantages, which are briefly described in Table 1.

All sources of finance have strengths and limitations, but given the constraints FFPOs face, internal finance stands out as a promising and often overlooked option. FFPOs generate internal resources through profits, member savings and fees, which can strengthen financial self-reliance in ways external funding cannot. Additionally, the stronger the institutional and member capital base of FFPOs, the more likely it is that external lenders such as banks and suppliers will provide additional financing.

Figure 1. Sources of finance for FFPO



Adapted from Macqueen et al. (2018).

Table 1. Advantages and disadvantages of sources of finance for FFPOs

Sources and types of finance	Advantages	Disadvantages
Conventional formal banking (for example, loans, credit, equity investment, bonds)	▪ Significant amounts of funds ▪ Repayment enables access to more funds ▪ Builds credit history	▪ Requires collateral ▪ High initial costs ▪ High interest rates and repayment risks
Buyers, trade and value chain finance (for example, trade credit/ equity, leasing, factoring, purchase orders, warehouse receipts)	▪ Access to working capital ▪ Medium preparatory costs ▪ Repayment enables access to more funds	▪ Limited providers ▪ May create dependency ▪ No flexibility in use of funds
Microfinance institutions (MFIs) and moneylenders (for example, loans, group lending)	▪ Easier to access than banks ▪ More flexible ▪ Some MFIs may provide financial literacy and other services	▪ Very high interest rates ▪ Shorter repayment terms ▪ Where informal, it does not build a track record ▪ Limited amounts
Government, official development assistance (ODA), climate finance (for example, grants, enabling investment)	▪ No interest to pay ▪ No repayment obligation ▪ Enables growth ▪ May leverage other funding	▪ Restricted availability ▪ Restricted to funder interests ▪ Short term ▪ May create dependency
Internal finance (for example, membership and service fees, shares, retained profits, savings)	▪ **Enables financial self-reliance** ▪ **Increases flexibility** ▪ **Lowers cost and risk** ▪ **Builds financial literacy and management** ▪ **Strengthens operational autonomy**	▪ **Initially limited amounts** ▪ **Can entail a long-term process (but is worth it!)**

Adapted from Núñez del Prado Nieto (2024).

Box 1. External finance versus internal finance

Internal finance refers to financial resources generated within the organisation that can be set aside for future needs and reinvestment.

External finance refers to funds obtained from outside the organisation, such as bank loans, supplier credit, donor funding or government programmes.

- **Cost:** borrowed external money often must be repaid, usually with interest and sometimes other fees. Internal finance may actually earn the organisation some interest back and cost nothing.
- **Risk:** failure to repay external loans can lead to loss of assets, whereas internal finance helps the organisation to manage risk.
- **Conditions:** external finance is restricted to specific uses and a repayment schedule. When it comes to internal finance, the organisation has control and flexibility over the use of the funds.
- **Impact:** external loans can create financial pressure and dependency, and do not build lasting capital. Internal finance strengthens the capital base and builds financial records.

1.5 What is internal finance?

Internal finance grows when members contribute regularly, when the organisation generates income and when surpluses are reinvested. In producer organisations, members play a dual role: they are both users of services and investors in the organisation. This dual role is a key driver of internal capital formation.

The main sources of internal finance are:

- **Membership fees:** fees paid by members to join and remain part of the organisation.
- **Service fees:** fees paid by members when they use services such as marketing, storage, processing or financial services (user role).
- **Member shares:** capital contributions that give members ownership and voting rights in the organisation (investment role).
- **Regular member contributions:** periodic payments (monthly or seasonal) that steadily build collective capital.
- **Retained profits from sales:** surpluses from commercial activities that are reinvested rather than distributed, strengthening the organisation's capital base.
- **Deposits and savings:** money from members that is deposited as savings and may accrue interest, and which members may withdraw according to agreed rules.
- **Interest on loan repayments:** interest that accrues from members who take out and then repay loans from the organisation.

Each of these sources of internal finance has their advantages and disadvantages, which are briefly outlined in Table 2. The best way to make use of them will depend on each organisation's situation and priorities.

Table 2. Advantages and disadvantages of sources of internal finance

Sources and types of finance	Advantages	Disadvantages
Fees for membership and other services	▪ Short-term cash flow ▪ Covers administrative costs ▪ Predictable revenue stream	▪ May deter members from joining ▪ May exclude some members if set too high
Members' share capital	▪ Stable source of capital	▪ Limited by the members' financial capacity and willingness to invest
Member contributions	▪ Builds capital and maintains member control	▪ Limited appeal unless linked to clear benefits (for example, dividends, services)
Retained profits	▪ Builds capital for growth ▪ No repayment obligation ▪ Strengthens long-term sustainability	▪ Member expectations for profit distribution may create pressure to distribute rather than retain
Deposits and savings	▪ Enhances stability and liquidity ▪ Enables provision of loans to members	▪ Requires careful liquidity management limited by members' savings capacity
Loan repayments and interest	▪ Generates revolving capital and steady income to sustain operations	▪ Requires strong credit management ▪ Risk of default ▪ Sensitive to interest rate changes

1.6 Self-reflection questions for Module 1

Take a few minutes to reflect on your organisation and its members. Write brief answers to the following questions:

- ? **Current finance sources:** where does your organisation currently get its finance from? What are the advantages and disadvantages of these sources?
- ? **Serving member needs:** how well do these sources meet your members' needs? What are the gaps or unmet needs?
- ? **Internal finance potential:** what internal sources (for example, fees, savings, contributions, retained profits) could you mobilise more effectively? What challenges and risks might arise?

A Farmers Group meeting in Tanzania. The activities of this group are knowledge sharing of best farming practices and micro-finance.
Credit: ©Roshni Lodhia/Panos/IIED

Module 2. Mechanisms for mobilising internal finance

2.1 Objectives of Module 2

The objectives of this module are to:

☑ Understand mechanisms to mobilise internal finance through the provision of financial services

☑ Learn from real examples of FFPOs providing financial services, and

☑ Reflect on your organisation's mobilisation of finance and what can be done to improve it.

2.2 Additional ways to mobilise internal finance

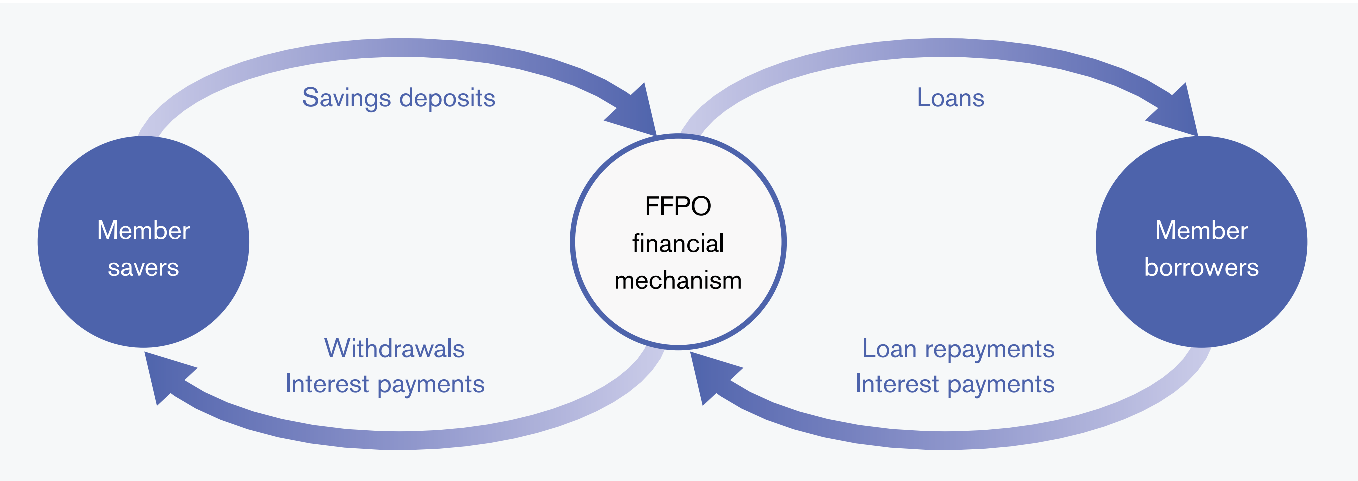
2.2.1 Using interest payments to generate income

In Module 1 we introduced several initial ways that FFPOs can mobilise internal finance — such as through collecting membership fees, service fees, shares or retained profits. But we also introduced the idea that membership fees, shares, profits and savings can be offered as loans that must be repaid with interest, and that this interest can grow internal finance. Here we explore this topic in more detail.

FFPOs can mobilise internal finance by providing financial services to their members. For example, they can offer a saving service, where members can deposit money and then withdraw it later with some additional interest. FFPOs can also offer a loans service, where members can withdraw money and then pay it back at an agreed time and with an agreed (and higher) rate of interest. By offering savings and loans products, the organisation uses members' contributions and its own resources to grow internal funding. The interest repaid on loans can become an important source of income, while the circulation of money among members builds an organisation's financial knowhow, track record and strength. Profits from these financial services can then be reinvested to benefit members, creating a sustainable cycle of internal financing. Figure 2 illustrates this cycle.

FFPOs can essentially transform members' savings into loans, acting as an intermediary between savers and borrowers. They shift risk from savers to the organisation, administer financial transactions and generate funds through lending.

Figure 2. Mobilising internal finance through financial service provision



2.2.1 How to decide interest payments on savings and loans

To generate income through financial services, an FFPO must carefully set the interest rates on savings and loans. To determine interest rates, a producer organisation needs to balance three things: how much money members are depositing as savings (supply of funds), how much money members want to withdraw as loans (demand), and how much money is needed to cover the organisation's financial management costs and risks. For example, if members have saved a total of US$10,000 (high supply) but borrowers only need US$5,000 (low demand), the FFPO might set a modest rate of interest on loans to encourage members to borrow (for example, 6%) and pay a relatively low rate of interest on savings (for example, 4%), because funds are plentiful relative to demand. If instead many members want loans and savings are low, the organisation could raise the rate of interest on loans to dampen demand (for example, 10%) and, if needed, pay a higher rate of interest on savings (for example, 6%) to attract more saving deposits.

The difference between the rate charged on loans and the rate paid on savings — the interest margin — must be large enough to cover operating costs and expected loan losses, and still allow the organisation to grow its internal finance. This requires some experience and can quickly go wrong if interest payments and operational costs exceed interest from loans. Loosing members' savings is a serious matter — and for that reason, financial services are often regulated, as described in Box 2.

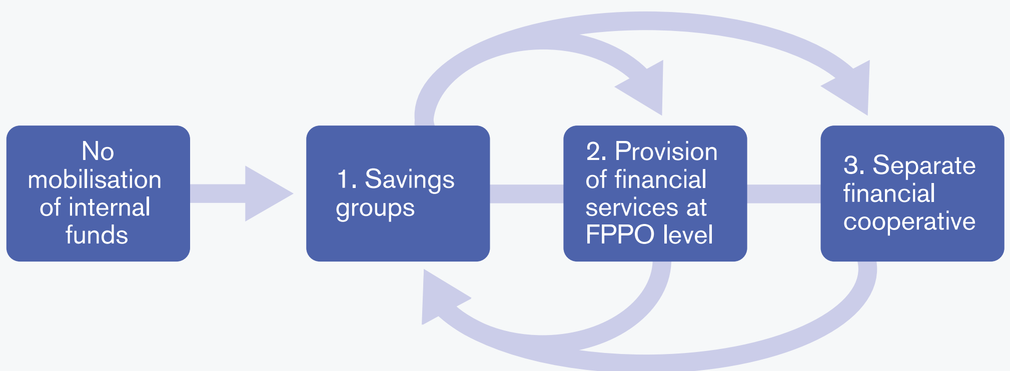
Box 2. Important considerations: regulation and licensing

Every country has its own rules for offering financial services, and in some cases a special licence or registration is required. Before starting or expanding any savings or loan activities, producer organisations and financial cooperatives should check national laws on financial services and cooperative institutions to understand what is allowed and whether authorisation is needed. Starting small and informal among members is common, but once activities grow — and involve larger amounts — compliance with regulation usually becomes essential. Getting clarity early on protects the organisation and its leaders, and helps keep members' money safe.

2.3 Pathways for FFPOs to provide financial services

FFPOs have several pathways to develop and provide financial services to their members. Figure 3 shows a progression from no internal fund mobilisation to more structured and formal approaches. FFPOs often start with simple, micro collective savings mechanisms among members, then gradually build capacity to offer financial services at the producer organisation level, and eventually — where scale, demand and regulations allow — establish or partner with a separate financial cooperative. This section explores each pathway, highlighting the key features, benefits and considerations for FFPOs at different stages of development.

Figure 3. Pathways to providing financial services



2.4 Savings groups

2.4.1 What are savings groups?

These are informal and voluntary groups that are based on trust. Savings group members aim to mobilise their finances by each contributing savings that together can be used to fund loans and generate interest. Savings groups have existed for a very long time — probably since money became a medium of exchange and are found around the world with a variety of structures and procedures (Rippey and Fowler, 2011). There are over 14 million savings groups members across 80 countries collectively managing over US$300 million (SAVIX, no date). These groups are widespread, varied and have a bewildering array of different names, such as savings and internal lending committees, community microfinance groups (CMGs), self-help groups (SHGs) and the widely known VSLAs. An example is the Masopo Women's Club savings and loans group given in Case study 1.

Savings groups often establish a management committee and assign roles. These usually include:

- **Chairperson:** assumes leadership of the group and ensure its successful functioning
- **Secretary (or record keeper):** responsible for ensuring all operations run well and proper record-keeping
- **Treasurer (or box keeper):** responsible for ensuring the group's funds are kept safe
- **Two money counters:** responsible for verifying the all funds are properly and openly counted at meetings, and
- **Three key holders:** to ensure the security of the contents in the cash box and responsible for the cashbox key (there are three to limit the risk of misappropriation of funds).

2.4.2 Main characteristics

Savings groups typically have several features in common:

- Groups are voluntary, autonomous and self-managed
- Membership consists of 10 to 20 people
- Regular meetings are held, where members consistently save a minimum amount
- Savings can be used for loans, which are paid back over an agreed time period (often by the end of the year) at an agreed interest rate that grows the fund over time
- Members contribute a smaller amount to a social fund to be used for emergencies
- All transactions take place during meetings in front of all the members, and
- Profits (or sometimes the entire fund) are shared out at year end.

2.4.3 Benefits

The main benefits of these savings groups are that they:

- Provide flexible financial services
- Cultivate savings habits
- Allow for experimentation and investment in new businesses
- Strengthen women and youth empowerment through access to financial services, and
- Can increase member and community resilience.

Case study 1. Masopo Women's Club and the benefits of creating a savings and loans group

Country: Zambia

Number of members: 34

Formed in 2015, the Masopo Women's Club earned about US$165 per month mainly from basket and bushel making. Their income was limited and there were few options to save or invest collectively, which made it harder to cope with emergencies such as drought or to plan for growth.

In 2020, the club established a savings and loans group after receiving training from the Cotton Association of Zambia. Members pooled their savings, paid small weekly contributions to a social fund, and accessed small loans with interest. This system allowed them to manage their money systematically, earn interest on savings and invest in individual and collective businesses. Part of the pooled savings was also used to start a mobile money business with financial providers Zambia National Commercial Bank (Zanaco), Airtel and MTN, generating additional income through transaction fees and providing cash for loans.

As a result, the club's assets grew from US$85 to US$2,320 over three years. Membership increased from the initial 26 members to 34 active members, while monthly income per member rose to about US$290. Members also diversified into livestock, agroforestry and other enterprises. The savings group not only boosted financial resources but also strengthened resilience to droughts, improved livelihoods and fostered social cohesion, as members supported each other and the wider community through the social fund.

For more information about this case study, see Ngulube and Ziba (2023).

Baskets from Masopo Womens club. Credit: Vincent Ziba/FAO-Zambia

2.4.4 How to decide on whether or not to redistribute savings

One practice that occurs in some savings groups is the redistribution of savings to the contributing members at the end of the year, including any interest that has accrued from the repayment of loans (there is no fixed interest rate offered on savings). A new cycle of savings and loans is then initiated in the subsequent year. This has the advantage of establishing trust and ensuring that people feel comfortable that they can get their money back. But it means that the fund available for loans does not grow over time.

As groups mature, it may be better to agree to maintain the money that has accrued in the savings groups and allow both regular savings and the interest repaid on loans to grow the funds that are then available for larger loans in subsequent years. Usually, this transition towards a growing savings fund also involves treating members' savings as an agreed service that offers an agreed rate of interest per year (as there is no longer a share-out at the year's end). Maintaining and growing the savings fund has the advantage of increasing the volume of funds available for loans and the quantity of interest paid back on those loans, which further accelerates the growth of the fund.

2.5 Financial cooperatives

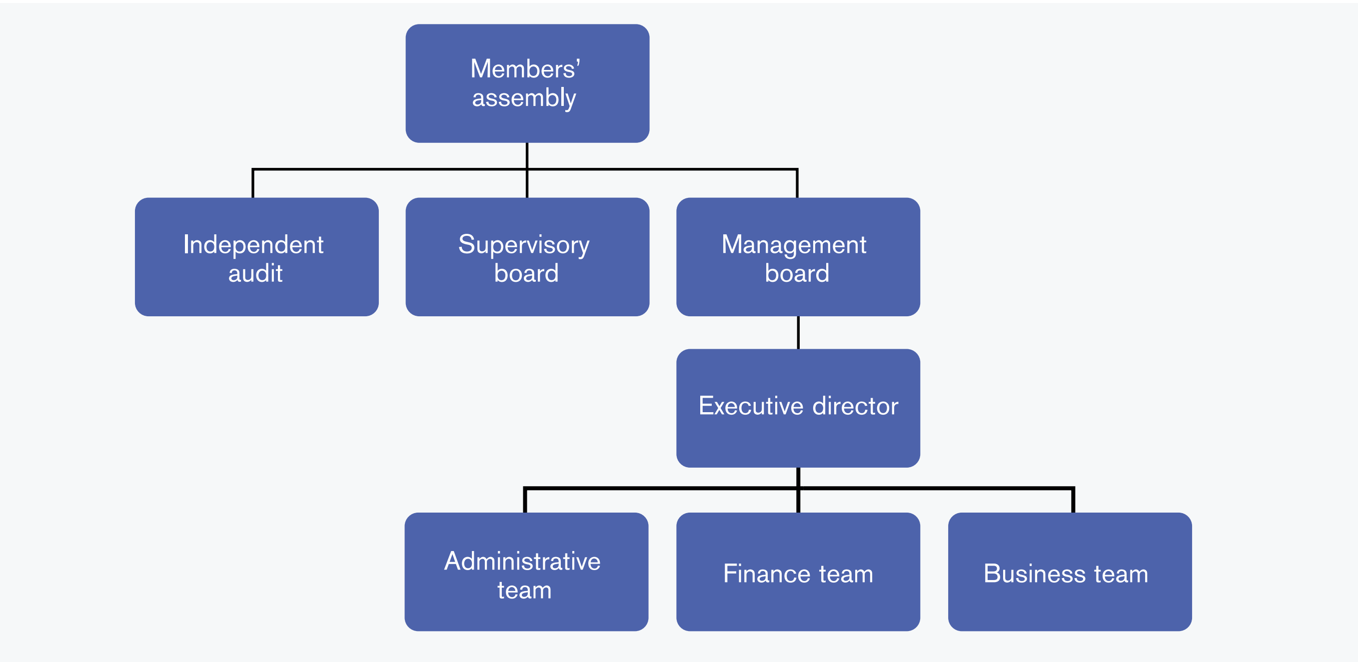
2.5.1 What are financial cooperatives?

When savings groups start to grow and formalise the services they offer to members, they often need to register as financial cooperatives. Financial cooperatives are member-owned financial institutions that provide savings, credit and other financial services to their members. Members usually share a common bond (for example, community, trade or interest).

Financial cooperatives have many names around the world, including credit unions, savings and credit cooperative organisations (SACCOs), cooperative banks and others (McKillop et al., 2020). Unlike savings groups, they are formal businesses that can grow and expand capital over time, as shown by the example of the Santa Anita Savings and Credit Cooperative in Case study 2. There are currently over 67,000 credit unions across 104 countries with over US$3.8 trillion in assets (WOCCU, 2023).

A financial cooperative is built around its members, who define the needs that shape its mission and vision — often focused on fair, sustainable access to finance. Governance is structured across different levels — strategic (boards), tactical (managers) and operational (staff), ensuring that the cooperative's vision is aligned with day-to-day delivery. Oversight by supervisory boards and independent audits safeguards transparency, accountability and trust (see Figure 4).

Figure 4. Governance of financial cooperatives



Farmers working in Tanzania. Credit: ©Roshni Lodhia/Panos/IIED

2.5.2 Main characteristics

Financial cooperatives typically have several common features:

- They operate on cooperative principles with voluntary and open membership and democratic control
- Members buy shares to provide the cooperative's main capital
- Profits are partly reinvested as reserves to grow capital, benefitting members
- They offer savings, loans and other services (such as insurance)
- They diversify membership and manage risk better than savings groups, and
- They have the ability to federate to create impact at scale.

2.5.3 Benefits

The main benefits of financial cooperatives are that they:

- Mobilise members' savings and reinvest in local businesses
- Promote financial inclusion, especially in rural areas
- Provide emergency support through solidarity funds
- Offer loans and services tailored to members' needs
- Strengthen entrepreneurship and financial literacy
- Support agricultural development and technology adoption
- Build social cohesion and trust among members, and
- Foster community development through cooperation and federations.

Case study 2. UNORCAC and the Santa Anita Savings and Credit Cooperative

FFPO: Union of Peasant and Indigenous Organizations of Cotacachi (UNORCAC)

Country: Ecuador

Number of members: 3,500

Members of UNORCAC's 45 Indigenous communities faced barriers to accessing formal finance. Limited savings and scarce credit options made it difficult for families to invest in agriculture, livestock or other productive activities. To address this, UNORCAC decided to create a cooperative that could provide financial services directly to its members.

In 2001, the Santa Anita cooperative was founded by a group of 20 committed members, with additional contributions from UNORCAC and a supporting partner. To start, members first pooled resources by buying shares, which became the initial capital. The cooperative then set up basic financial services, including savings accounts, fixed-term deposits and microcredit for both productive activities and general needs. It also provided financial education and guidance to help members manage their money effectively. To ensure sustainability and access to more resources, the cooperative formed partnerships with national and regional microfinance networks.

Over the past two decades, the Santa Anita cooperative has grown from 20 founding members and an initial capital of about US$129,000 to 15,000 members and assets of US$14.6 million, serving communities across the Cotacachi canton. It manages a loan portfolio of US$11.3 million with a very low default rate. Members have used loans to invest in agriculture, livestock, equipment and community enterprises. Beyond finance, the cooperative has strengthened financial literacy, empowered women in leadership and contributed to community development projects. The cooperative has also generated long-term returns for UNORCAC, supporting its financial self-reliance and sustainability.

For more information about this case study, see Carrera Rueda and Vallejo Rojas (2023).

Members of UNORCAC preparing land for planting. Credit: Denise Loga

2.6 Providing financial services

2.6.1 What financial services do FFPOs offer?

Some FFPOs start providing financial services directly to their members. They do this by designating an internal department and team that manages savings and loan operations. The department provides members with loans, charges interest and grows an internal fund. This is often the starting point for the FFPO when amounts of money are small and financial services can be managed internally with low administrative costs. To be scaled, it would usually be necessary to establish an additional entity to comply with financial regulations. A good example of this is El Ceibo's Alternative Finance for Development (AFID) rural investment fund in Bolivia (see Case study 3).

Case study 3. El Ceibo's Alternative Finance for Development (AFID) rural investment fund

FFPO: El Ceibo

Country: Bolivia

Number of members: 1,300 cocoa-producer families

El Ceibo is a second-tier cocoa cooperative in Sapecho, Bolivia, that today represents 48 first-tier cooperatives and more than 1,300 producer families. El Ceibo was founded in the 1970s and was successful in supporting its members with marketing, processing and technical assistance. However, access to suitable credit remained a major challenge. Although several financial institutions operated in the area, none offered loans adapted to the realities of cocoa production, limiting farmers' ability to increase yields and improve quality.

To respond, in 1994 El Ceibo first created a US$100,000 revolving fund from its own profits, providing loans in seedlings and later in cash. After facing challenges in managing credit and loan recovery, in 2009 El Ceibo partnered with Pro-Rural, a local NGO, to establish Alternative Finance for Development (AFID), a specialised rural investment fund under a shared-risk model. The initial capital totalled US$314,500, with El Ceibo contributing US$214,500 (68%) and the Bolivian Association for Rural Development (Pro-Rural) contributing US$100,000 (32%). These resources were further strengthened by a US$400,000 loan from the Inter-American Development Bank's Multilateral Investment Fund, channelled through Pro-Rural.

AFID developed clear credit procedures, governance structures similar to a cooperative, and tailored loan products for cocoa producers. Members contributed share capital, savings and deposits were mobilised to fund loans, and profits were reinvested to grow the fund. Over time, AFID became an autonomous civil association and joined a national network of community financial institutions to strengthen its capacity.

As a result, AFID's assets grew from nearly US$700,000 in 2011 to US$2.5 million in 2021. Producers gained access to credit designed specifically for organic cocoa production, enabling them to increase production and quality. Access to AFID loans also helped members qualify for government programmes and build a positive credit history with private banks. By creating its own financial mechanism, El Ceibo strengthened its members' productivity, market access and long-term financial sustainability.

For more information about this case study, see Usnayo Ramos and Fernández Arancibia (2023).

View of agroforestry systems of El Ceibo.
Credit: Boris Fernandez

2.6.2 Evolving from savings groups to financial cooperatives

An FFPO can move from savings groups to a financial cooperative by building on the trust, discipline and capital already created within member savings groups. As savings grow and members' financial needs become larger, the organisation can analyse collective share-outs, mobilise members to purchase shares, and formally register a cooperative owned and governed by its members. This allows the FFPO to offer more structured savings and loan products, mobilise larger capital and provide sustainable financial services beyond what individual savings groups can manage alone. A good example is the evolution of the Jwa Ngwaane Community Cooperative Credit Union in Ghana (see Case study 4).

Case study 4. Evolution of KANBAOCU's Jwa Ngwaane Community Cooperative Credit Union

FFPO: Kassena Nankana Baobab Cooperative Union (KANBAOCU)

Country: Ghana

Number of members: 12,300

KANBAOCU is a majority-women FFPO mainly engaged in shea butter processing and baobab production. Although members were active in VSLAs, they still lacked access to larger, affordable credit to invest in their value chains. While VSLAs helped members save weekly, the amounts available for borrowing were limited, and there was no permanent financial institution owned by the members themselves.

After analysing five years of VSLA share-outs (which had grown from US$340,000 to US$780,000 between 2017 and 2021, with groups increasing from 372 to 429), KANBAOCU members realised the strength of their collective savings. Through consultations and awareness raising, they agreed to establish their own credit union. Members were encouraged to purchase shares (minimum US$90 each), and in 2020 the Jwa Ngwaane Community Cooperative Credit Union was officially formed. Initially, 96 VSLAs with 2,920 members joined. The credit union focused first on mobilising savings and building strong systems before offering loans. It provided savings accounts, fixed deposits and later tailored loans for agriculture, petty trading and medical needs. Members could borrow up to three times their savings after at least six months of continuous saving.

Within three years, Jwa Ngwaane's membership grew by 116%, reaching 198 VSLAs and 6,326 members (89.2% women). Savings increased from US$3,000 to US$25,000, and assets grew from US$6,830 in 2020 to US$22,000 by 2022. The credit union advanced US$24,000 in loans, mainly for agriculture and value-chain activities, enabling members to expand production (for example, one community increased shea butter processing from 7.5 to 22.5 tonnes per month). The credit union is now the most trusted source of finance for members, strengthening women's leadership, improving resilience in times of emergency, and creating a strong institutional bridge between VSLAs and a sustainable, member-owned financial cooperative.

For more information about this case study, see Adagenera and Kuudaar (2023).

Photo above: KANBAOCU member. Credit: Clifford Amoah Adagenera

2.6.3 Using financial cooperatives to encourage the creation of savings groups

An FFPO or a financial cooperative can also encourage the creation of savings groups among their members to cultivate savings habits and to reach members in more remote locations. FFPOs can use this dual approach to efficiently mobilise internal finance and support both small and larger-scale investments. A good example is shown in Case study 5.

Case study 5. How MVIWAARUSHA mobilises internal finance at multiple levels

FFPO: Network of Groups of Farmers and Breeders of Arusha (MVWIAARUSHA)

Country: Tanzania

Number of members: 13,453

MVIWAARUSHA is a network of smallholder farmers in northern Tanzania. For its members, access to finance was a challenge so it established district-level savings and credit cooperative organisations (SACCOS) to provide formal financial services to members and support sustainable agriculture. To reach members who lived far from SACCOS, the GGPO trained community microfinance groups (CMGs): local savings groups where members save collectively, access small loans and contribute to a social fund for emergencies.

By linking local-level CMGs to district-level SACCOS, members could deposit savings and access larger loans — up to three times their deposits — while SACCOS benefited from reliable repayments due to the trust and cohesion within CMGs. Group loans were disbursed internally among CMG members, combining the flexibility and accessibility of small savings groups with the capital and structure of formal financial institutions.

This combination allows MVWIAARUSHA to mobilise internal finance at multiple levels: CMGs provide short-term, local liquidity for small activities, while SACCOs offer longer-term loans for bigger investments. Together, they enhance their members' ability to invest in productive activities, manage cash flow and strengthen social cohesion and resilience. This dual approach also enables MVWIAARUSHA to reach more members as it has a combined 203 CMGs benefitting 5,000 members and eight SACCOS they can connect to.

For more information on this case study, see Kayombo et al. (2025).

Woman feeding maize stover to her livestock in Tanzania. Credit: ©Roshni Lodhia/Panos/IIED

2.7 Self-reflection questions on Module 2

- **Current status:** Where on the pathway of mobilising internal finance is your organisation? How many members do you have? Do members already save through savings groups? Does your organisation provide financial services?
- **Best fit:** Which of these mechanisms could work for your current organisation? Why?
- **Results and challenges:** If your organisations is already implementing these mechanisms, what are the results and challenges you have experienced?

2.8 Further guidance materials

2.8.1 Guidance on forming savings groups

CARE (2025) Village savings and loan associations training manual: a step-by-step guide for community-based trainers. www.care.org/our-work/economic-growth/savings-groups/resources

USAID (2018) Trainer's guide: group savings and loan associations (GSLA). fhi360.org/resources/trainers-guide-group-savings-and-loan-associations/

International Rescue Committee (2012) Facilitator guide: village savings and loans association (VSLA). www.fsnnetwork.org/sites/default/files/EA$E%20Facilitators%20Guide-VSLA.pdf

LETS SAVEE (2022) Savings groups methodology and training curriculum. https://mfc.org.pl/saving-groups-methodology-and-training-curriculum

Various training guides from VSL Associates: www.vsla.net/vsla-tools/training-guides

2.8.2 Guidance on forming financial cooperatives

World Council of Credit Unions (WOCCU) tools and resources: www.woccu.org/global_programs/tools

USAID (2013) Savings and credit cooperative organization (SACCO) training manual. www.crc.uri.edu/download/Financial-Literacy-Training_508.pdf

Financial Conduct Authority (2026) CREDS credit unions sourcebook. https://api-handbook.fca.org.uk/files/sourcebook/CREDS.pdf

Module 3. Overview of financial service provision

3.1 Objectives of Module 3

The objectives of this module are to:

- ☑ Understand the foundations and processes required for providing financial services
- ☑ Learn about possible strategies to grow financial service provision and when they are suitable, and
- ☑ Reflect on the readiness of your organisation to provide or upscale financial services.

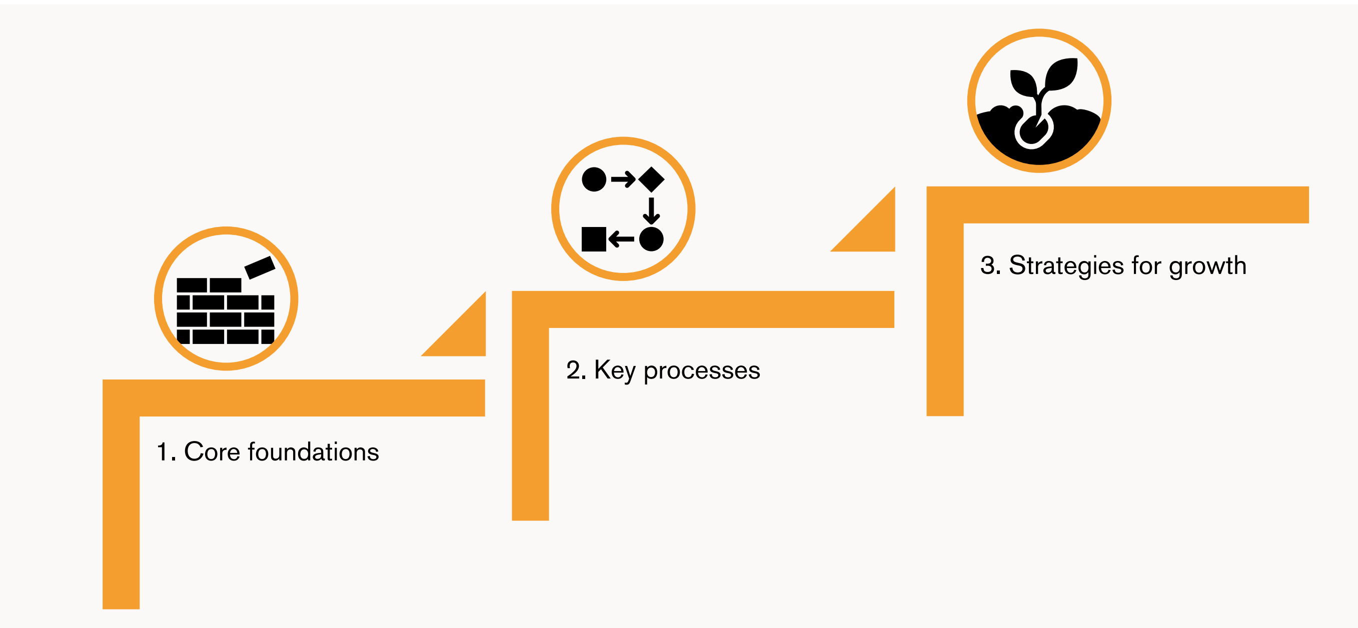
3.2 Overview of financial service provision

As noted in Module 2, FFPOs can evolve over time: from organisations that offer simple savings groups to organisations that have departments registered as financial cooperatives, or which create separate entities that are registered to provide such financial services. This evolution requires care, as mismanaging money — especially members' money — might well destroy the FFPO that has been set up to help its members.

Providing financial services therefore requires careful consideration and preparation, in at least three main areas. Producer organisations looking to grow their internal funds through this pathway need to understand the:

- **Core foundations** required to start providing financial services successfully
- **Key processes** that need to be put in place to design and deliver the services, and
- **Possible strategies for growth** once service provision has been in place and working well for some time (see Figure 5).

Figure 5. Overview of financial service provision



3.3 Core foundations for financial services provision

3.3.1 Strong internal governance

An FFPO wishing to manage savings groups or set up a financial cooperative must have good internal governance. Internal governance is about who gets to decide what: who holds the power to make decisions, how those decisions are enforced and the relationships through which power is exerted. To achieve good internal governance, it is vital that organisational structures, systems and practices establish clear boundaries regarding who gets to decide what, so that the members of the organisation can trust decision-making processes — especially on the management of financial resources.

'Structures' refer to the relationships between the components of an organised whole. Organisational structures are how the staff and different units or departments within an organisation are laid out and relate to one another. For an organisation wishing to develop its financial services it is vital to have an established finance department with competent staff to run those financial services, and a transparent and preferably digitised financial accounting system that is banked and audited publicly.

'Systems' involve sets of interacting policies or rules that are joined together to achieve common goals. In practice, organisational systems are multiple and are usually guided by some form of written policy (such as the constitution, membership policy, leadership and decision-making policy). In an organisation wishing to offer financial services, there should be a detailed written financial policy that defines for finance staff the financial procedures and accounting practices (including any requirements such as external audits). There should also be financial reporting around services offered to ensure transparency and accountability.

'Practices' can be defined as the ways in which an organisation's actions are normally performed. This could mean how an organisation applies its policies, theories, conceptual ideas, beliefs and/or methods to achieve its goals. An organisation's practices might be thought of as its useful 'tricks of the trade'. For an organisation wishing to offer financial services, for example, useful practices might include hiring a chartered accountant to manage a digital finance system, conducting both internal financial audits and regular field visits to recipients of financial services to check on their financial situation, and strong communication efforts to report on the financial services offered and the financial health of the organisation.

Various self-assessment tools exist to help FFPOs think through the various elements of good internal governance including elements specific to finance (see Mwangi and Macqueen, 2025).

3.3.2 Collective savings

For the FFPO to start providing financial services, it needs to have in place some form of collective savings. To understand this key concept, it is important to directly compare it to individual savings (see Table 3). Collective savings can be grown through an internal fund the producer organisation puts in place, for example by setting aside a portion of the profits from selling products or through members' collective savings mechanisms such as savings groups.

Table 3. Individual savings versus collective savings

	Individual savings	Collective savings
Ownership	Belongs to one member	Belong to all members of the organisation
Purpose	Personal goals	Group investments, loans to members, shared asset
Scale	Limited to one member's capacity to save	Larger pool of funds through contributions from many members
Risk	Vulnerable to personal shocks	Risk spread across many members, higher resilience
Impact	Cultivates individual savings habit	Strengthens capital base of the organisation

3.3.3 Rules and roles

Clear rules and roles are a core foundation for any producer organisation that wants to mobilise internal finance. Rules set out who can save and borrow, how much, at what cost, and what happens if someone does not follow the agreement. Roles define who is responsible for tasks such as keeping records, holding cash, approving loans and reporting to members, so that responsibilities are shared, transparency is maintained and trust in the financial services can grow. An example is given in Case study 6.

Case study 6. Masopo Women's Club: rules and roles

Country: Zambia

Number of members: 34

The Masopo Women's Club savings group is governed by the club's constitution, and members of the club elect members to run the management of the savings and loans. The elected representatives fulfil seven roles:

- The **chairperson** and the **vice chairperson**, who are the main leaders
- The **secretary** and the **vice secretary**, who are responsible for record-keeping, including updating individual member's savings in their individual passbooks (which are updated at weekly savings meetings)
- The **treasurer**, who is responsible for counting the money received during the savings meetings, and
- **Two keyholders**, who are responsible for safeguarding the savings cash box (used for keeping the weekly savings).

The members of the group agreed on the following rules to govern their savings and loans activities:

- Members save weekly (between 20 and 50 Zambian kwacha per account, for up to three accounts).
- Savings cycles last six months; savings earn 10% monthly compound interest.
- At share-out, savings and loan profits are distributed proportionally to each member's savings.
- Members can borrow at a monthly interest rate of 10%; trusted non-members at 20%.
- Loans must be repaid within one month at the agreed interest rate.
- Members commit to regular saving, responsible borrowing and timely repayments.
- A separate social fund (2 Zambian kwacha weekly per member) supports emergencies and is not repaid or shared out.
- Decisions on profit use are made collectively during regular weekly meetings.

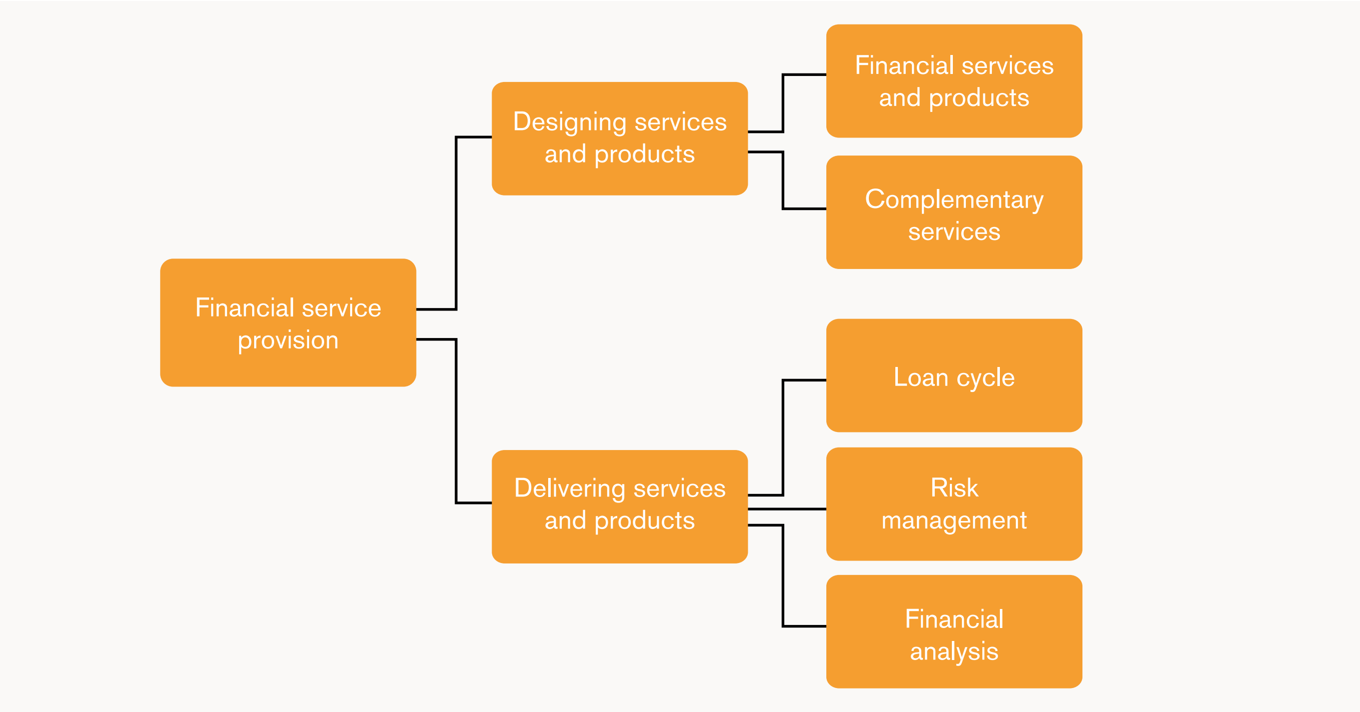
For more information about this case study, see Ngulube and Ziba (2023).

Capacity building session. Credit: Vincent Ziba/FAO-Zambia

3.4 Key processes for financial service provision

Financial service provision involves designing appropriate products for members' needs and delivering them in a sustainable and well-managed way. This includes defining financial and complementary services, managing the loan cycle, controlling risks and ensuring sound financial analysis to maintain the organisation's stability and growth (see Figure 6).

Figure 6. Key processes of financial service provision



3.4.1 Designing financial services

Key points for designing financial services include:

- **Tailoring products to members' needs and income patterns.**

> **Example:** Offering agricultural loans that are repaid after harvest rather than monthly, matching when farmers have cash from crop sales.

- **Building a diversified portfolio of products and services that complement each other to meet different member needs and reduce risk (see Table 4 and Case study 7).**

> **Example:** Combining savings accounts, short-term working capital loans, longer-term asset loans and an emergency fund for unexpected shocks.

- **Prioritising savings before offering credit.**

> **Example:** Before launching a loan programming, establish regular member savings for 6–12 months to build an internal lending pool.

- **Designing for inclusion, especially for women and youth.**

> **Example:** Setting lower minimum loan amounts and allowing flexible collateral (such as group guarantees) so women with less capital or land can still access credit.

Table 4. Common financial and complementary services

Financial services	Complementary services
Savings	Financial education
Loans	Business support
Insurance	Social welfare products
Payments	Specific trainings

The key financial services that are put in place first are savings and loans, and it is important to build a solid internal fund of savings before moving to providing loans to ensure sustainability and financial stability (see Table 5 for an overview of these two financial products). Other financial services, such as insurance and payments, can be layered in once the performance of savings and loans has proved positive for a considerable period of time (at least a year).

Table 5. Key financial services: savings and loans

Financial service	Key considerations	Example
Savings: a way for members to safely set aside money over time for future needs or goals.	**Security:** how will money be kept safe? Member trust is key. **Contribution amount:** how much can or must members save (weekly, monthly, flexible or fixed)? **Access rules:** when can members withdraw (anytime, end of cycle or emergencies only)? **Interest or returns:** will savings earn interest? How much?	Members save US$5 every week in a group lockbox. Savings can be withdrawn at the end of each 12-month cycle, plus a share of any interest earned from group loans.
Loans: money lent to members for productive activities, emergencies or other needs, to be repaid with interest.	**Loan size:** minimum and maximum amounts members can borrow. **Purpose:** what can loans be used for (for example, inputs, equipment, emergencies, education)? **Interest rate:** how much does it cost to borrow (for example, fair, affordable, covers costs)? **Repayment terms:** how long to repay (for example, weekly, monthly, lump sum after harvest)? **Approval process:** who decides (for example, committee, group vote, criteria)?	A member borrows US$100 to buy seedlings at 2% monthly interest. They repay US$110 in one lump sum after harvest in 5 months, when they have cash from crop sales.

To complement these key financial services and to mitigate risks, FFPOs can and should offer tailored complementary non-financial services. Though there are a variety of these, two common and relevant to the context of FFPOs are financial education and business support. Table 6 outlines the key considerations and provides some examples for illustration.

A farm in Karatu District, Tanzania. Credit: ©Roshni Lodhia/Panos/IIED

Table 6. Common complementary services

Complementary services	Key considerations	Example
Financial education: training and support to improve money management and to use financial services effectively.	**Content topics:** what do members need to learn (for example, budgeting, saving habits, understanding interest, loan management, record-keeping)? **Delivery method:** how will members learn (for example, group workshops, one-on-one coaching, peer learning, visual aids, simple handouts)? **Delivery:** who will deliver training (for example, trained member leaders, external facilitators, experienced peers)? **Language and level:** use of local language, simple terms, practical examples from members' daily lives. **Frequency:** ongoing learning (monthly sessions) or intensive initial training with refreshers?	An FFPO offers monthly one-hour sessions where members practice keeping a simple household budget using a one-page form. Members learn to separate business income from household expenses and plan for seasonal cash shortfalls, helping them borrow only what they truly need.
Business support: technical assistance for improving members' enterprises and increasing their income, strengthening their ability to repay loans and save.	**Type of support:** technical training, market information, marketing, business planning? **Links to finance:** how does business support connect to loans or savings? **Delivery approach:** demonstrations, field days, farmer-to-farmer learning, mobile advice? **Timing:** align support with production cycles and cashflow needs **Measuring impact:** track how support improves yields, income and financial service use.	An FFPO provides ongoing training on marketing and labels for members who have received a loan to invest in packaging.

As mentioned, a diversified portfolio of services is key for success, and what is equally important is that these diverse services complement each other. FFPOs have a unique advantage here because they often have deep technical knowledge of their members' productive activities, including crop cycles, market opportunities and business potential. When financial services are provided directly or through a closely linked financial cooperative, this technical knowledge can inform loan design and any complementary service that the FFPO can provide directly, such as business support. This results in more appropriate and lower-risk financial products. An example is provided in Case study 7.

Case study 7. Complementarity between UNORCAC and Santa Anita Savings and Credit Cooperative

FFPO: Union of Peasant and Indigenous Organizations of Cotacachi (UNORCAC)

Country: Ecuador

Number of members: 3,500

A strong example of complementarity is found in the experience of UNORCAC in Ecuador. As a producer and territorial organisation, UNORCAC has an in-depth knowledge of its members' livelihoods and identified community tourism as a viable income diversification opportunity. It launched the Runa Tupari Native Travel initiative, supporting Indigenous families to host visitors and develop hospitality skills. At the same time, its affiliated savings and credit cooperative, Santa Anita, provided tailored loans to participating families. These loans enabled families to adapt their homes and invest in the necessary training. The close coordination between technical support and appropriate financial services ensured that credit was aligned with real business opportunities. As a result, participating families increased their income by 40%, demonstrating how strong linkages between productive services and financial services can significantly enhance member impact.

For more information about this case study, see Carrera Rueda and Vallejo Rojas (2023).

View of the fields of UNORCAC members. Credit: Pareto Paysages

3.4.2 Delivering financial services

Key points for delivering financial services include:

- **Investing in staff training and capacity development to ensure they have the skills and knowledge to manage financial operations effectively and serve members well.**

  Example: Train record keepers on accurate bookkeeping, loan officers on credit assessment, and all staff on fraud prevention and member confidentiality.

- **Establishing clear roles and responsibilities so everyone knows who is doing what and accountability is established.**

  Example: Require two people to approve loans, separate the person who keeps records from the person who handles cash, and rotate roles periodically.

- **Digitising processes where possible for efficiency, transparency and accountability.**

  Example: Use a basic mobile app or spreadsheet system to record transactions instantly, generate automatic reports, and allow members to easily check their balances.

- **Starting small and growing steadily, beginning with basic services, building trust and systems, then gradually expanding as capacity and demand grow.**

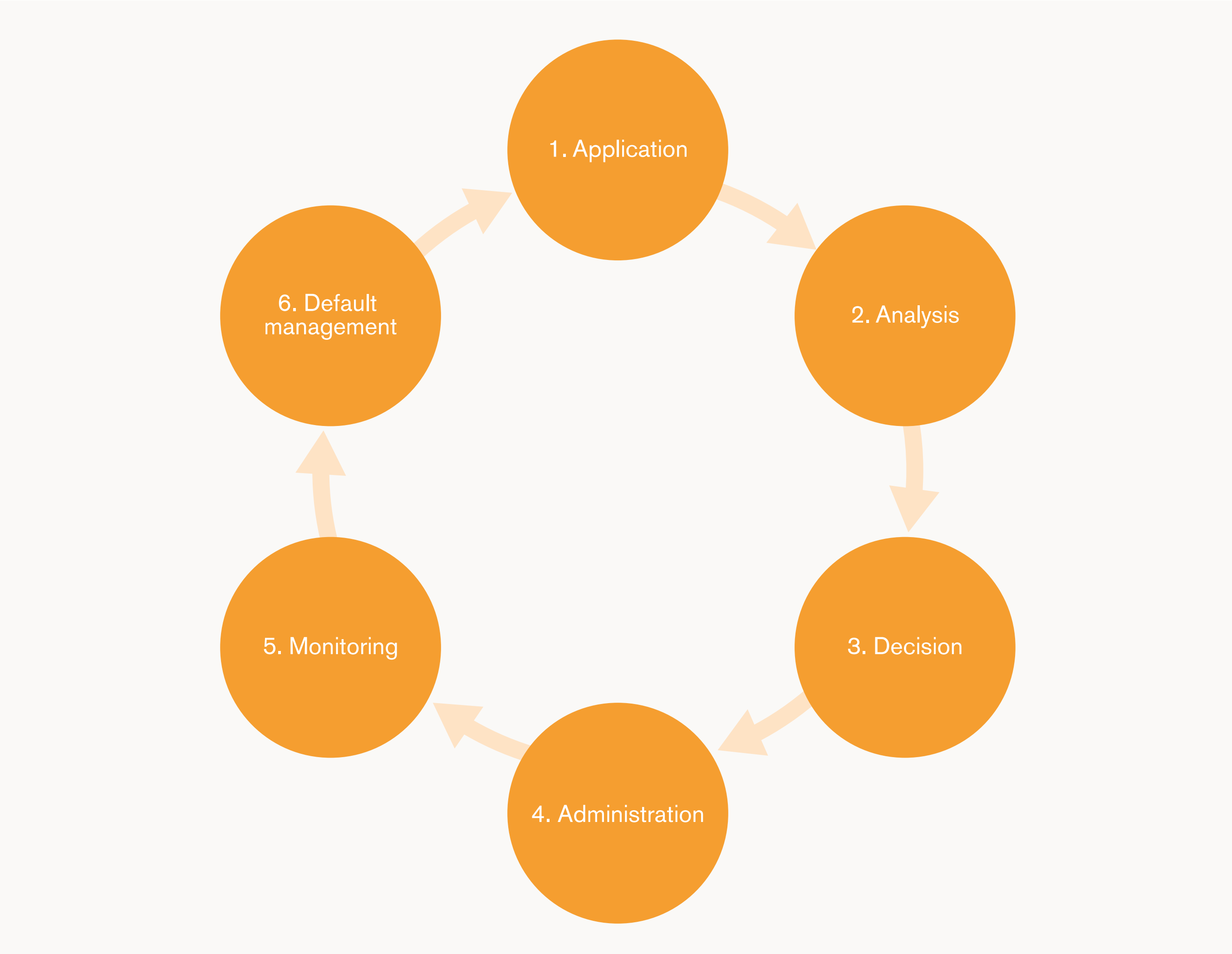
  Example: Start by mobilising member savings for 6–12 months, then introduce small short-term loans to a few trusted members, and only scale up loan sizes and types once repayment patterns are strong.

3.4.3 Loan cycle

The loan cycle is a core part of delivering financial services because it ensures that loans are provided responsibly, risks are managed and the organisation's capital is protected so it can continue serving members over time (see Figure 7).

- The cycle starts with the **loan application**, when a member requests financing (for example, to buy inputs, livestock or equipment).
- This is followed by **loan analysis**, where the organisation assesses whether the activity can generate enough income to repay the loan, reviewing basic costs, expected sales and any existing debts.
- Based on this assessment, a **loan decision** is made by the responsible committee to approve, adjust or decline the request.
- If approved, **loan administration** includes preparing the agreement, recording the loan and disbursing the funds with a clear repayment schedule.
- During the repayment period, **loan monitoring** ensures that the activity is progressing and instalments are paid on time. If payments are missed, default management involves taking timely action, such as follow-up, restructuring or other agreed measures to recover the funds.
- The cycle ends when the **loan is fully repaid**, strengthening the fund so it can support other members.

Figure 7. The loan cycle



3.4.4 Risk management

Key elements of risk management include having:

- Clear, written **risk policies** so that everyone understands about lending limits, savings protection, record-keeping standards, and other related procedures
- Defined **organisational structure and responsibilities** so everyone knows their role in identifying, reporting and managing risks
- Reliable **information systems** that enable accurate, up-to-date records of all transactions, loans, savings and member accounts, that can be easily checked and audited
- An **organisational culture** that takes risk seriously where members and staff are aware of the potential risks and are fully committed to protecting group funds, and
- **Financial reserves** for unexpected losses and **diversified income sources** beyond loan interest to ensure stability.

Table 7. Common risks and how to manage them

Risk	Example	Mitigation strategy
Credit: the risk that borrowers do not repay their loans.	Various members default on their loans for different reasons (for example, crop failure, sickness or inability to work).	▪ Conduct rigorous credit analysis before granting loans considering an applicant's repayment capacity and financial history. ▪ Start with small loans and increase gradually.
Liquidity: the risk of not having enough cash available when members need it.	Many members want to withdraw savings at the same time (for example, during the planting season), but all the money has been loaned out.	▪ Develop and monitor a liquidity management plan with cashflow projection, maintaining a minimum level of liquid reserves and limiting how much can be loaned relative to total savings.
Markets: the risk of loss because or volatility in prices of key products, inputs or financial conditions (for example, interest rates).	Loans provided to purchase inputs are no longer enough due to an increase in the price of fertiliser, leaving the organisation with a higher demand for credit but also a higher risk of default.	▪ Implement a market monitoring system. ▪ Develop an adaptive strategy to the portfolio, assessing the impact on fluctuations. ▪ Build reserves. ▪ Diversify income sources.
Operational: unexpected losses due to human errors, technological failures or problems with internal processes.	Treasurer mismanages funds or records, or cash goes missing.	▪ Regularly train staff and establish procedural manuals to reduce human error. ▪ Use simple but clear record-keeping with regular checks.
Legal: non-compliance with regulations, which can lead to sanctions or even prosecution.	The organisation fails to register with local authorities and is fined.	▪ Ensure regulatory compliance through registration, regular legal audits and continual review of changes in applicable legislation.
Money laundering: without proper control, the organisation could be used for illicit activities.	Someone makes large transactions with unexplained origins.	▪ Apply policies to monitor unusual transactions to detect suspicious activity.
Reputational: the risk of losing trust and respect of members, customers, partners and supporters due to scandals or poor performance.	Rumours of theft or mismanagement drive members away.	▪ Share financial reports openly with members. ▪ Actively manage communication with partners and customers. ▪ Resolve conflicts in a transparent manner.

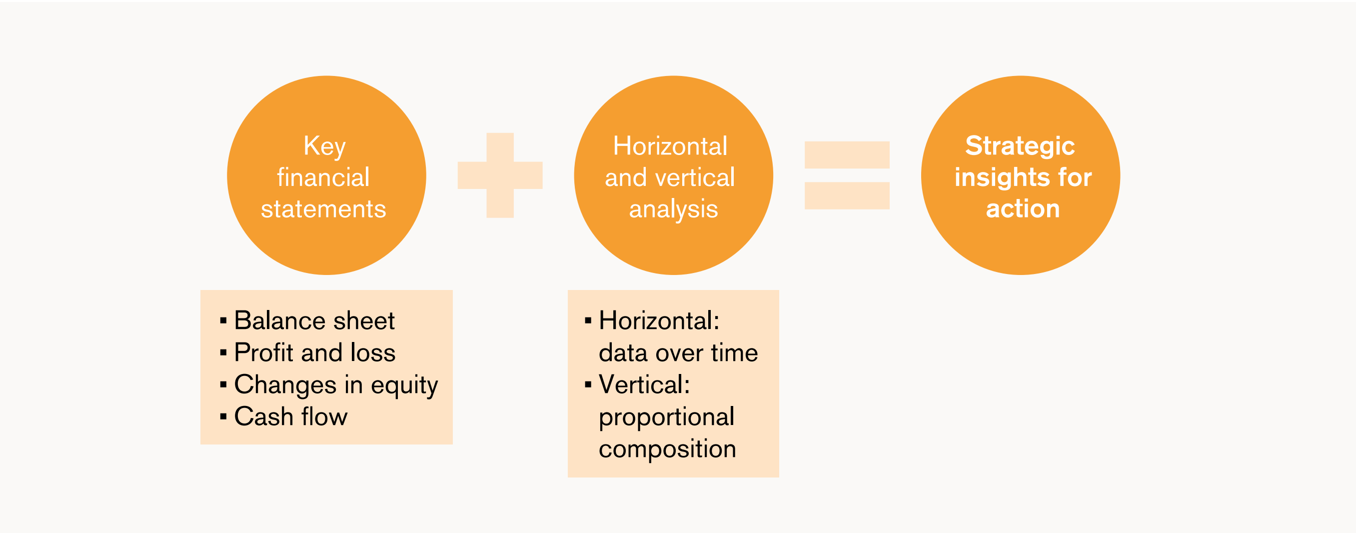
Farmer sorting pigeon peas. Credit: ©Roshni Lodhia/Panos/IIED

3.4.5 Financial analysis: why does it matter?

Financial analysis:

- **Shows where you are and where you can go:** regular financial analysis reveals whether your organisation is healthy today and has the capacity to grow or expand services tomorrow.
- **Guides better decision making:** understanding your organisation's financial strengths and weaknesses helps leaders make informed choices about loan sizes, interest rates, new services and investments.
- **Protects members' money and builds trust:** sound financial management based on regular analysis ensures members' savings are safe, loans are sustainable and that the organisation remains reliable for the long term.

Figure 8. Financial analysis



3.4.6 Key financial statements: balance sheets, profit and loss accounts and cash flow analysis

Any FFPO needs to question where its financial resources are at any point in time, whether it is making a profit or loss, when it will need to put money in and when it is safe to take money out. There are key financial records or statements that need to be prepared and kept to answer those questions. Simplified examples of the key financial statements that a financial cooperative needs are shown in the following tables:

- Balance sheets (see Table 8)
- Profit and loss accounts (see Table 9)
- Cash flow analysis (see Table 10)
- Vertical analysis (see Table 11), and
- Horizontal analysis (see Table 12).

A farmers market/store in Monduli District, Tanzania. Products sold here are from local farmers. Credit: ©Roshni Lodhia/Panos/IIED

Balance sheets enable an organisation to know who put what into the business and where that money went. This enables the organisation to check that no money is missing as the two sides should be balanced (the simple example given in Table 8 is for a small financial cooperative operating over one year).

Table 8. Example of a simple balance sheet

The money came from:	US$	The money was used for:	US$
Person A	200	Loans to members	1,200
Person B	100	Producing flyers about the saving and loan facility	10
Person C	150	Staff costs	60
Person D	250	Rent	60
Person E	200	Payment of interest on savings	18
Capital grant	700	Bank account	396
Interest from loans	144		
TOTAL	**1,744**	**TOTAL**	**1,744**

Profit and loss accounts enable an organisation to know for a particular period in time (for example, for one year in the example shown in Table 9), whether the business has made a profit or loss, by totalling the business costs incurred and then subtracting them from the income generated during that time period (although Table 9 shows that the business made a small loss over the year, it might make a profit in its second year without the initial start-up costs).

Table 9. Example of profit and loss accounts

Costs over one year:	US$	Income over one year:	US$
Interest paid on savings (2% interest on US$900 savings)	18		
Flyers	10		
Staff costs	60	Interest payments received (12% on US$1,200 of loans)	144
Rent	60		
Total costs	**148**		**-148**
Profit or loss			**-4**

Cash flow analysis enables an organisation to know to know how much money will be have to invested into the business before it generates a profit, and when it will start to generate a profit. In the example shown in Table 10, in addition to the start-up costs of US$10, the business must also have at least US$120 to cover rent and staff costs before the first income is received from loan repayments, and the financial cooperative will not break even or generate a profit in the first year despite generating income of US$144 in loan interest payments.

Table 10. Example of a cash flow analysis (US$)

Months	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Start-up costs												
Flyers	-10											
Running costs												
Staff costs	-5	-5	-5	-5	-5	-5	-5	-5	-5	-5	-5	-5
Rent	-5	-5	-5	-5	-5	-5	-5	-5	-5	-5	-5	-5
Payments for interest on savings												-18
Income												
Loan interest												+144
Cash in/out	-20	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	+116
Net balance	**-20**	**-30**	**-40**	**-50**	**-60**	**-70**	**-80**	**-90**	**-100**	**-110**	**-120**	**-4**

These three key financial statements apply both to a financial cooperative and to any individual entrepreneurs or group businesses the financial cooperative might lend money to. But it is also vital to understand both the vertical components on these statements at any one time, and the horizontal trends over time, as explained in the next section.

A Santa Anita cooperative member selling produce. Credit: Pareto Paysages

3.4.7 Why are vertical and horizontal financial analyses important?

Vertical analysis is a financial analysis method where line items in a financial statement (such as a balance sheet) are expressed as a percentage of the total assets. For a financial cooperative, this helps show the structure of income, expenses, assets and liabilities in relative terms. So, for example, a financial cooperative may wish to look at the balance between its loan portfolio (the money it has lent out to members — 68.9% in the example shown in Table 11) and the members' deposits (51.6% in Table 11). If there was a very high proportion of the equity that had been distributed as a portfolio of loans, the analysis might conclude that there was high risk. If loans were not repaid, the financial cooperative would have few remaining assets with which to continue operating and to cover its costs.

Table 11. Example of a vertical analysis

Item	Amount (US$)	Vertical analysis (%)
Loans to members	1,200	68.9
Cash and bank	396	22.7
Expenses/investments	148	8.4
Total assets	1,744	100
Members' deposits	900	51.6
Capital grant	700	40.1
Income from loan interest	144	8.3
Total equity and liabilities	**1,744**	**100**

Horizontal analysis is a financial analysis method used to compare financial information across different periods of time to identify increases, decreases and trends. For example, a financial cooperative might want to compare this year with last year, or with multiple past years. This can show both absolute change (for example, in US$) and percentage change (%). So, in the example shown in Table 12, if in the second year the financial cooperative increased the interest rate on loans to 15% rather than 12% and no longer had to pay start-up costs of US$10 for advertising flyers, it could register a 20% increase in income, a 7.2% decrease in costs to give an overall increase in net surplus of 109%. A steady increase in annual revenues over several years is taken to indicate growth and a strong financial position.

Table 12. Example of a horizontal analysis

Item	2024 (US$)	2025 (US$)	Change (US$)	Change (%)
Interest income	144	180	36	20
Operating expenses	148	138	-10	-7.2
Net surplus	**-4**	**42**	**46**	**109**

In addition to these overall analyses, a financial cooperative might also want to collect data on loan repayments and sources of income (including any borrowing from other financial institutions). Table 13 describes four commonly used metrics to assess the financial health of a financial cooperative. Evolving FFPO financial services should have staff who can perform the analyses behind these metrics.

Table 13. Four essential metrics for financial health

Metric	What it measures	How to calculate
Portfolio at risk (PAR)	The percentage of your organisation's loan portfolio at risk of not being repaid (loans overdue more than 30 days).	(Outstanding balance of loans overdue >30 days ÷ total outstanding loan portfolio) × 100
Deposits-to-loans ratio	Whether you have enough member savings to safely cover the loans your organisation has given out.	(Total member deposits and savings ÷ total outstanding loans) × 100
Debt-to-equity ratio	How much the organisation depends on borrowed money compared to member-owned capital.	Total debt (borrowed funds) ÷ total equity (member capital + reserves)
Operating self-sufficiency	Whether the organisation can cover all its operating costs from its own income (without external support).	(Operating income ÷ operating expenses) × 100

SEWA savings group meeting. Credit: SEWA

3.5 Strategies for growth

Growth strategies will differ depending on where an FFPO is in its pathway to mobilising internal finance. An organisation may be operating as:

- A collective micro-savings scheme,
- A producer organisation directly providing financial services, or
- A financial cooperative (for example, SACCO) serving producers.

Each stage requires different capacities, governance structures and regulatory compliance. Moving from one stage to another represents a strategic decision that should be carefully assessed.

Before pursuing growth or expansion, organisations should consider:

- Is the current financial service financially sustainable (for example, portfolio quality, liquidity, profitability, repayment rates)?
- What are the main financial needs of members (for example, larger loans, longer terms, savings products, insurance)?
- Does our organisation have the governance and management capacity to grow?
- Can we comply with regulatory requirements if we formalise or expand?

Growth should strengthen the organisation — not increase risk beyond its capacity to manage it. The right strategy depends on members' needs, financial performance, governance capacity, regulatory environment and long-term vision.

3.5.1 Strategies for growth in savings groups

Collective savings groups can grow in different ways depending on their ambition, capacity and member needs. Growth does not always mean becoming a formal financial institution; it can also mean strengthening and scaling what already works.

Growth in collective savings mechanisms can happen through federation, partnering or capital retention. We now consider each in turn as follows.

Federations: pooling collective savings into a larger structure

Small groups (such as VSLAs) can pool their funds and establish a larger, second-tier financial federation such as a credit union or financial cooperative. This increases capital, spreads risk and enables access to larger loans. For example, KANBAOCU in Ghana mobilised 96 VSLAs to establish the Jwa Ngwaane Community Cooperative Credit Union, creating a stronger and more formal financial institution owned by the groups (see Case study 4).

Partnering: working with a formal financial service provider

Savings groups can remain independent but negotiate collectively with a bank or to access larger loans than their internal savings would allow (see Case study 8).

Case study 8. How SEWA Bank scales financial services while supporting local savings groups

FFPO: Self Employed Women's Association (SEWA) — Shri Kheda District Association

Country: India

Number of members: 1,300+ village savings groups (10–15 members each), part of a national movement of 2.5 million women

SEWA is a national trade union of women workers in the informal economy, working to promote full employment and self-reliance. It operates through autonomous district associations, which are legally independent but closely supported by SEWA at state and national level.

In Anand and Kheda districts, most members are smallholder farmers, agricultural labourers, livestock keepers, tobacco workers and microentrepreneurs. Many women had no access to formal banking and relied on irregular income and informal lenders. They began forming small village savings groups to save regularly and provide small internal loans. As these groups grew in number and maturity, they federated to become the Shri Kheda District Association.

To meet increasing demand for larger and more secure financial services, the association links its members to the SEWA Bank, a women-owned cooperative bank. The district association acts as a trusted intermediary: it builds savings discipline, provides financial literacy training, helps women open bank accounts, and facilitates loan applications once members have demonstrated at least one year of savings. Through this linkage, members can access savings accounts, fixed and recurring deposits, pensions, microinsurance and productive loans, while the association maintains close support and follow-up.

As a result, women have transitioned from informal savings to secure and regulated financial services. Members have strengthened their businesses, invested in productive assets, increased resilience during crises and improved their long-term financial planning. This example shows how savings groups can scale up safely by partnering with a trusted financial institution while maintaining strong local organisation and member confidence.

For more information about this case study, see Pathak and Rathod (2023).

SEWA savings group doing the accounts. Credit: SEWA

Capital retention: retaining part of the capital instead of a full share-out

Many savings groups distribute all accumulated funds at the end of each cycle and restart from zero. While this provides immediate liquidity to members, it limits long-term growth. By retaining a portion of the savings and profits as permanent collective capital, groups can:

- Gradually increase their fund size
- Provide larger loans
- Support bigger investments
- Strengthen long-term sustainability

For example, if a savings group that previously shared out all funds every six months decided to retain 30% of its annual surplus as a permanent reserve, the group would double its loan fund within two years. This would enable members to access larger loans for livestock and irrigation equipment instead of only short-term consumption loans.

3.5.2 Strategies for growth in FFPOs and financial cooperatives

For FFPOs and financial cooperatives, growth involves strengthening and expanding financial services in a way that remains financially sound and well governed. Unlike informal savings groups, these organisations manage larger capital volumes, more complex products and, in many cases, regulatory obligations. Growth therefore requires both strategic vision and institutional capacity.

Strategies for growth include membership growth, partnerships, federation and service diversification. Growth should not only increase the size of the fund or loan portfolio, but also improve sustainability, risk management and member impact.

- **Membership growth through targeted outreach:** increasing the number of members strengthens the capital base, spreads risk and increases outreach. A key strategy is establishing a dedicated outreach or education function to promote the benefits of membership and build trust.
- **Partnerships to diversify funding sources:** partnering with banks, development organisations or other financial institutions can provide access to additional capital, technical expertise or commission-based income (see Case study 9).
- **Joining or forming federations for collective strength:** joining federations or creating new ones amplifies impact and harnesses strength in numbers. Through federations, producer organisations and financial cooperatives can access shared training, technical tools and management systems, supporting professionalisation and digitalisation. Federations may also provide shared services that reduce individual costs and improve efficiency. In addition, they create a stronger collective voice, enabling members to advocate more effectively for supportive policies and legal frameworks. Some financial cooperatives have joined existing federations (see Case study 10) while others have grown their federation from the ground up (see Case study 11).
- **Service diversification by expanding service reach:** growth can also occur by expanding the client base and strengthening the financial flow within a territory (see Case study 11). Strategies include:
  - Diversifying the membership base (for example, by including members from different geographic areas or income segments), and
  - Offering services to non-members where legally permitted (however, caution is required: expanding to non-members requires careful management to preserve cooperative identity, member ownership and equitable benefit sharing).

Case study 9. Jwa Ngwaane credit union: driving growth through outreach and partnerships

FFPO: Kassena Nankana Baobab Cooperative Union (KANBAOCU)

Country: Ghana

Number of members: 12,300

KANBAOCU's Jwa Ngwaane Community Cooperative Credit Union has used structured outreach and education to drive growth. A dedicated education committee is responsible for informing members about the benefits of belonging to the credit union and encouraging new members to join. It engages members through awareness meetings, radio campaigns and financial literacy sessions, highlighting savings, loans and agribusiness support tailored to their needs. By actively engaging communities and clearly communicating value, the credit union builds trust and visibility.

In addition to growing membership, the credit union has strengthened its financial base through strategic partnerships. For example, Fidelity Bank Ghana has partnered with the Jwa Ngwaane credit union to act as a banking agent, serving customers in Paga and surrounding areas on a commission basis. This partnership not only provides Jwa Ngwaane with a new revenue stream but also enhances the credit union's credibility and reach.

Between 2020 and 2022, the combination of outreach and partnerships has driven membership growth of 116%, increased savings from US$3,000 to US$25,000, and strengthened assets from US$6,830 to US$22,000.

For more information about this case study, see Adagenera and Kuudaar (2023).

Jwa Ngwaane Credit Union Team. Credit: Clifford Amoah Adagenera

Case study 10. El Ceibo and AFID: joining a federation of producer-based financial institutions

FFPO: El Ceibo

Country: Bolivia

Number of members: 1,300 cocoa-producer families

Federating has enabled community financial organisations like AFID to build capacity, gain legal recognition and access resources, driving growth beyond what is possible individually. To grow beyond being an internal fund of El Ceibo and to strengthen its capacity and influence, in 2011 Alternative Finance for Development (AFID) joined the National Organisation of Community Financial Institutions of Producers (FINDEPRO), a national federation of producer-based financial institutions. Through this federation, AFID professionalised staff, adopted digital portfolio management systems and collectively advocated for legal recognition.

Three years later, these efforts succeeded: Bolivia's Financial Services Law No. 393 officially recognised communal financial entities, providing AFID and similar organisations with formal legal status and an operating framework. Membership of FINDEPRO also enabled knowledge sharing, technical support and access to resources that individual organisations could not achieve alone.

For more information about this case study, see Usnayo Ramos and Fernández Arancibia (2023).

A woman in the agricultural fields in Bolivia. Credit: Denise Loga

Case study 11. Cresol credit union: growing from one cooperative into a regional confederation

Country: Brazil

The Cresol credit union began in 1995 with 27 smallholder farmers in southwest Paraná, pooling modest contributions (about US$13 each) to provide credit and financial services to rural communities excluded from traditional banks. The success of this first cooperative inspired the creation of additional credit unions across Paraná, highlighting the potential of cooperative solidarity. Expansion continued in 1998 to Rio Grande do Sul and Santa Catarina, forming new first-tier credit unions.

In 2000, Cresol began establishing second-tier central credit unions, with Central Cresol Baser providing shared services and enabling coordinated growth. By 2002, Cresol's second- and first-tier cooperatives began collectively advocating through the National Forum of Family and Solidarity Economy Cooperatives, giving the network a stronger voice with government and regulators. Further growth included the recognition of Central Cresol Baser as an agent for the Brazilian Development Bank in 2004; the creation of Cresol Central Brasil and the Cresol Institute (for cooperative and financial training) in 2005; and the establishment of the apex third-tier Cresol Confederation in 2008, strengthening systemic integration and governance.

Strategic consolidation in 2015 reduced the number of cooperatives from 160 to 72 for stronger regional representation. At the same time, Cresol expanded membership to urban residents in addition to rural members, to create a more diverse membership base. By 2022, Cresol was operating 734 branches across 18 states, serving over 786,000 member families. Cresol supports diverse agricultural financing (265 value chains), technical assistance programmes, and risk management tools, helping members improve production, incomes and resilience to climate and market risks.

For more information about this case study, see Alessio et al. (2023).

Main CRESOL office in Francisco Beltrão, Paraná, Brazil. Credit: CRESOL

3.6 Self-reflection questions on Module 3

- **Governance:** how strong are your organisation's internal governance systems and structures? Are roles, responsibilities, decision-making processes and accountability mechanisms clearly defined and followed by all?
- **Collective savings practices:** does your organisation maintain collective savings? How are these funds currently used? What rules govern access, withdrawals and replenishment?
- **Savings groups across membership:** are there savings groups across the membership? How are they functioning? If none exist, is your FFPO equipped to provide training and support to establish them?
- **Current financial services and growth potential:** is your FFPO providing financial services (for example, savings, loans)? What types, to what scale and how are they performing (for example, repayment rates, member satisfaction)? What growth opportunities exist?

Final thoughts

Mobilising and managing internal finance is a gradual process that requires trust, discipline and strong governance. There is no single pathway for growth: each organisation must assess its starting point, its members' needs and its institutional capacity before starting or expanding financial services. The reflection questions in this toolkit are not a test, but a compass. They aim to help you understand where your organisation stands today and what your next responsible step could be.

If governance systems are still weak, the priority is not expansion but strengthening roles, accountability and decision making. If collective savings exist but are small or inconsistently managed, focus on improving rules, discipline and capital retention before increasing loan sizes. If savings groups are active across your membership, you may explore how to connect or scale them. If your organisation already provides financial services with strong repayment and member trust, you may be ready to professionalise, diversify products or build partnerships to channel external finance.

There is no single model to follow. What matters is that growth remains rooted in your members' needs, financial discipline and long-term sustainability. Internal finance, when well-managed, is more than money: it is a tool for autonomy, resilience and collective strength.

A farmer in Karatu District, Tanzania watering plants. Credit: ©Roshni Lodhia/Panos/IIED

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Knowledge Products

Toolkit

July 2026

Forests

Keywords:
Community organisations, Forest and Farm Facility (FFF), forest co-operatives, producer organisations, smallholder farmers, microfinance

Approximately 1.6 billion smallholder and family farmers, Indigenous Peoples and local communities inhabit forest landscapes. Many of them struggle to access finance from banks and microfinance institutions, government support programmes or private-sector partners. To improve their access to markets and finance, individuals work together to establish forest and farm producer organisations (FFPOs). These FFPOs play a critical role in producing, aggregating and selling forest and farm products. The vast numbers of people and the extensive areas of land that belong to FFPOs collective membership make them key players in global income generation, food security, biodiversity conservation and climate change mitigation and adaptation.

To address their members limited access to finance, many FFPOs set up their own savings and loans groups. Over time, the contributions from membership and service fees, shares, retained profits, savings, and interest on loans can grow these funds. Simple savings and loans groups can evolve into larger, formally registered financial cooperatives and credit unions. With more than 67,000 credit unions worldwide marshalling more than US$3.8 trillion in capital, the overlooked potential of self-mobilised finance deserves more attention. This toolkit is designed to help FFPOs consider how to mobilise, manage and grow internal financial resources and develop financial services that better serve their members.

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