

GRET

Professionnels du
développement
solidaire



Good organizational practices

Delta Project

Hire Purchase (Farmer -Managed Financial Service)

S'engager, agir et innover pour un monde plus juste

Introduction

Context and challenges

- 2 Usually, small farmer cannot rent equipment in time so they face delay for harvest and post harvest. Farmer cannot invest in their own equipment because of lack of saving capacities and low access to credit.



Users

Main beneficiaries of HP are small farmers for purchase of farming machine **70%** (thresher, tiller...) but also some landless for income generation activity **30%** (sewing, boat machine...)



→ Through Cluster group, Hire purchase allows beneficiaries to **get access to expensive productive equipment** quickly and at limited cost (credit with low interest rate)



Geographical Coverage

- Cluster base formation gathering 5 or 6 villages
- Progressive extension according to the demand (1 pilot in 2012, 3 in 2013, 1 in 2014)

→ 5 Hire Purchase (HP) established in 26 villages, 9 village tracts, 2 townships

Ma Gu CL	Wet Kaw CL	Chaung Wa Gyi CL	Padamyar Kone CL	Machinery Gr
Ma Gu	Wet Kaw	Chaung Wa Gyi	Kan Su	Pain Hle Chaung Wa
Kaine Taw	Pike Salat	Taung Tha Lai	Shwe Bo Su	Leik Kabar
Yay Theik	Kyone Lamu	Zee Phyu	Kyun Htike	Chaung Wa Gyi
Pay Chaung Lay	Myit Kalay	Sin Yoke	Kyet Taung Chaung	Zee Phyu
Thar Yar Kone	War Net Kone	U To	Pain Hle Chaung Wa	Hnet Theik
	Shwe Gaung	Shauk Chaung		Zee Phyu
		Hti Sa Kaung		

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Methodology

➤ Service managed by Cluster Committee

- trained (management, accounting) and supported (monitoring, technical) by Gret
- committee elected by members
- involvement of both men and women
- adaptation of Committee rules to each cluster specificities
- agreement with shop

➤ Service adjusted to farmers needs

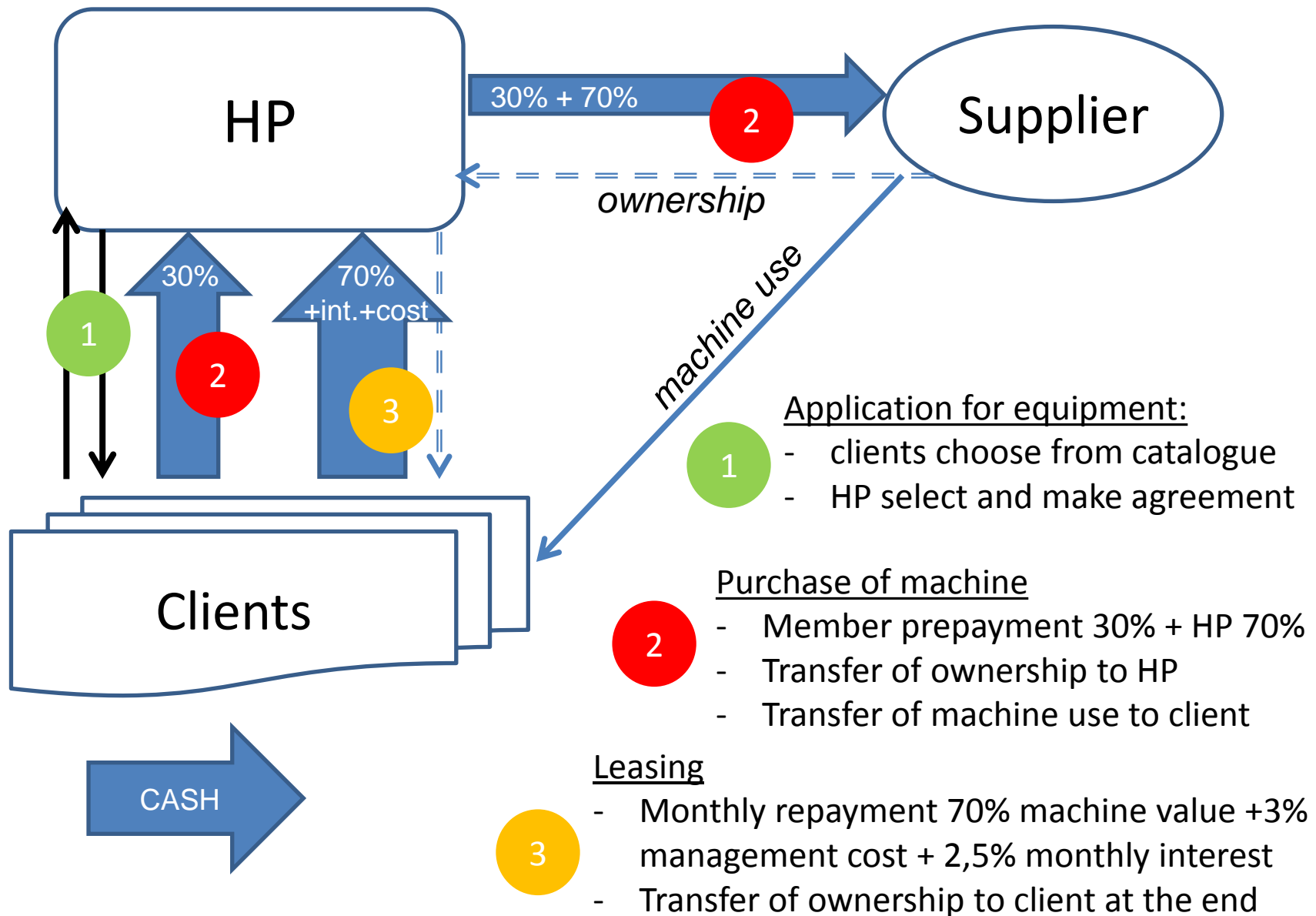
- Free choice of brand among 3 on catalogue
- Fast and easy communication on price
- Loan duration according to the equipment value (max 18 months)
- Number of installment according farmer financial constraints

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Procedure

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Validation

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- 5 HP clusters emerge within 2 years
- Constant increase of number of villages and members (26 villages, 142 members)
- High demand from new villages
- Several members on second cycle

- Regularly insufficient fund to face the demand
- HP capital (fixed assets +cash) increased from MMK 20 millions (initial Gret donation) to MMK 61 millions (dec 2013)

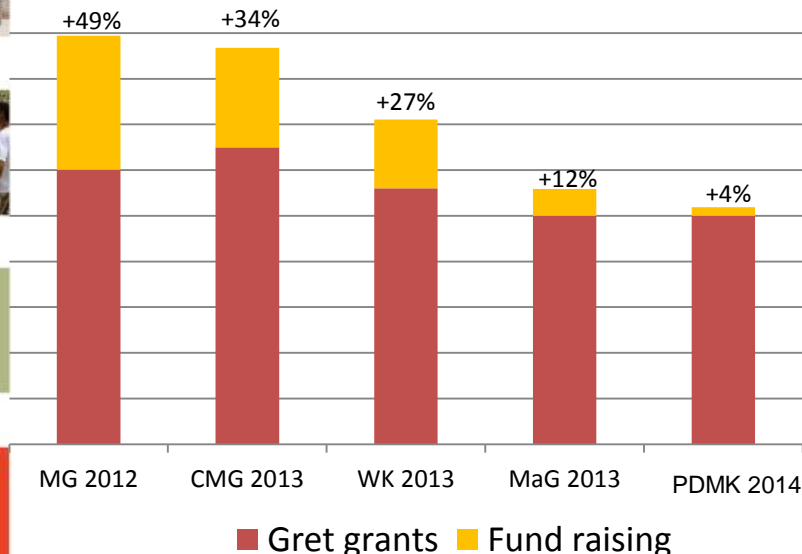


Economic model

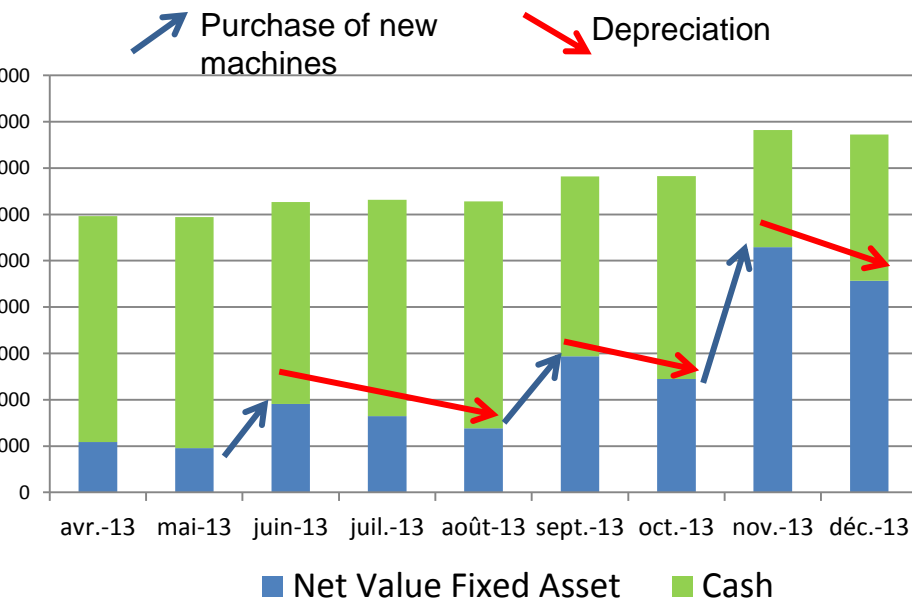
Accrual Accounting

- Income = Receivable – Depreciation NOT Income = cash in – cash out
- 30% down payment are directly given to supplier but they are considered as advance for HP, so we consider 100% of the machine as “fixed assets “ of HP
- Net value fixed assets = machine gross value (purchase price) – monthly depreciation
- Ex Wet Kaw **Fund increase** (margin) = + 9% after 9 months
BUT Capital increase (fixed assets +cash) = + 30% after 9 months

HP Fund increase since creation



Capital increase (ex.Wet kaw)

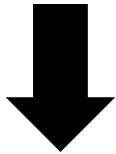


Lesson learned on supplier selection

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HP committee make contract with supplier in order to :

- Get and share a updated view of equipment available (catalogue with price)
- maintain free choice of brand for members (minimum 3 brands/ equipment) and clear and competitive price
- facilitate operational delivery (limit delivery delay...)
- build good business relationship (guarantee, fidelity, adaptability, technical advice...)



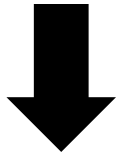
**In 2013
issue with 1
supplier**

Inconsistent price
Refuse the choice of customer
Fail to provide update catalogue, flyer or booklet
Rude behavior towards farmers and GRET staffs
No respect of contract
Not taking his responsibility of ordering wrong king of product



Lesson learned on supplier selection

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Actions taken

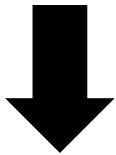
Initial meeting to decide to change supplier

Committee visit others shop to check :

- equipment price and diversity
- customers services provided

Sharing meeting and selection of new supplier by committee

Meeting with new supplier to agree on contract.



Result and advices for future

new contract improve the relationship between HP and supplier , HP can provide a better service to its members

- Discussion on supplier should be held as soon there is non respect of contract
- Committee should regularly check stock in shop and catalogue offers
- Direct linkage with companies should be considered in priority when it is possible



Impact of Hire Purchase

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- Reduction of production loss for farmer thank to access of farming equipment facilitated and in time (no need to rent or wait)
- Increase income for casual labor thank to development of income generation activity through access to equipment
- Develop self management, community decision making and operational capacities of villagers
- Committee member develop strong negotiation and communication abilities and reinforce their recording and accounting skills (bookkeeping, application filling ...)
- Leaders have gain respect from others villagers
- Improved cooperation and unity of cluster member



Innovation and success factors

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- Annual committee reformation and leadership rotation
- Timely delivery services to the member
- Monthly meeting are really held in regular basic
- Proper selection of clients
- Committee involved in monitoring
- Village fund establishment using bank account
- Updated book keeping system
- Capital belong to members not outside funder (bank)
- Planning of activities
- Transparency (all cash flow done in front of members)
- Gret was the 1st to work at cluster level instead at village



Constraints

For clients,

- 30% cash down can be difficult to get
- Farmer repayment capacity can be easily affected by external factor (climate change, natural disaster...)

For HP :

- difficulties to deal with local supplier and less advantageous than direct linkage with Yangon supplier
- Increasing competition from companies more and more implanted in village
- Insufficient fund
- Governance and capital ownership system is not yet fully established (planned for project extension)

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Lesson Learned and Up scaling

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- Capacity building training (leadership, operational and organizational management, bookkeeping...) are necessary to develop committee member skills, increase their ownership and open them to change
- Regular exchange between HP (annual workshop) are useful to improve quality of committee's work and involvement and to extend networking
- HP repayment strategy must be compared in detail to competitor strategy to show HP advantages
- Auditing committee should be initiated to develop participatory monitoring and progressive improvement according to local specificities
- Sharing experience through success story or exchange visit is a good way to promote and extend Hire Purchase



THANK YOU

