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MICRO LENDING IN GUYANA - POOLED AND NON-POOLED ELEMENTS: AN INSTITUTIONAL REVIEW

by

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Micro Lending In Guyana - Pooled and Non-Pooled Elements: An Institutional Review.

By

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Purpose Of The Study

This paper reports on the progress of a study currently being conducted on micro lending in Guyana. The general study is two-fold. Firstly, it will review and analyse the operations of formal specialised micro credit organisations by focusing on the lending strategies and their effectiveness. Secondly, it will look at the impact of this service on the micro business sector. This will be considered at three levels: (1) its impact on the micro business itself; (2) its impact on the micro entrepreneur; and (3) its impact on the latter's economic situation. The study will close with a look at future prospects and challenges facing micro lenders.

In this review, we will look at the pooled and non-pooled elements of the various strategies used by four of the seven micro credit agencies in Guyana. We will also look at their performance in terms of: portfolio structures; size and geographic distribution of loans to the sector; lending criteria; repayment level; arrears rate; and activities funded.

Methodology

The research methodology combines literature review and analysis, data collection from the financial records, and annual reports of the micro-credit agencies, and interviews with relevant officers of these agencies. It also entails the generation of a random sample of names and addresses of borrowers from the loan records of approved credit applications, of each agency. This sample will be drawn in proportion with the male/female ratio of borrowers, and the geographical distribution and will be used to conduct interviews with borrowers.

INTRODUCTION

Financial Sector and the Micro Business Sector: Background

Historically, financial credit support to the micro sector was available through both formal and informal financial institutions. The former include not only commercial banks and non-bank financial institutions, but up until 1995, Guyana's only development bank, Guyana Agricultural and Industrial Development Bank (GAIBank). The latter covers a wide array of informal arrangements such as money-lenders, pawnbrokers, friends and family, personal savings and rotating credit associations such as the "box".

Commercial banks lend strictly, fully secured loans at commercial rates. This policy automatically crowds out the small/micro-borrower. Non-bank financial institutions on the other hand, offer mainly mortgage loans for housing. The development bank (GAIBank) which was established in May 1973, provided credit to the agricultural and industrial sectors of Guyana. Like the commercial banks, its loans were fully secured by both movable and immovable assets. Moreover, between the period 1992-1995, and prior to it being merged with the government owned commercial bank, it imposed even stricter policies, demanding that its loans be secured by immovable assets only. While this was due in part to serious liquidity problems and a rapidly increasing arrears portfolio which it was faced with, here again, small/micro-enterprises automatically became the "outsiders" since they could not have reached the requirements.

With regards to informal financial institutions, borrowing from money-lenders and pawn-brokers, who offer quick and easy access, is very costly, interest rates can be as high as 50 percent per annum. The personal savings option on the other hand, could be a very long and sacrificial process particularly for small income earners.

The "box " is one of the oldest informal pooled financing mechanism that caters to the needs of marginalised business *entrepreneurs. Practiced mostly by Afro-Guyanese women, this form of credit is usually organised by groups of individuals each of whom contributes (throws) a pre-determined amount of money to a pool on a weekly, fortnightly or monthly basis, for a predetermined period. During this period, each member of the group receives the total sum of the pool (also called the draw) at the end of the week, fortnight or month, depending on the time interval chosen by the group for the pooling of the money, until each person would have received their draw. The process is then repeated all over again.*

The Evolution of Formal Micro Credit Services in Guyana

Formal specialised micro credit services are a recent development in the financial market sector of Guyana. From 1986 when the first of this kind of institution made its entrance to the present, there are about seven such institutions now established in Guyana. These institutions have become a source of both financial and technical assistance for a broad range of activities in the micro-enterprise sector, to the extent that this type of lending is now attracting the attention of traditional financial institutions, which previously viewed the micro-business sector as poor credit risks.

Operating as intermediaries between multilateral, bilateral other international agencies, commercial banks and the small/micro business sector, micro credit service has been in existence for over thirty years in developing countries. In the case of Guyana, its development follows two basic weaknesses. The first of these can be pinpointed in the rigid lending policies of traditional financial institutions which avoided ventures that are unsecured and risky. The lack of collateral or other convertible property that can be used to offset the risks involved in lending to such enterprises, makes promising viable activities lose their eligibility for securing loans at commercial banks. The second weakness existed in the way the micro sector was treated, the *sector for decades was underestimated and overlooked.*

Background Of The Agencies Under Study

The four agencies chosen for this study are: a local private developmental organisation called Institute of Private Enterprise Development (IPED); a tripartite project - supported by the Government of Guyana the European Union and a European NGO known as Co-operation for Development International - called Small Business Credit Initiative (CD/SBCI); the micro credit window of the Bank of Nova Scotia called Scotia Enterprise Centre (SEC); and an international NGO that focuses on youth, the Commonwealth Youth Programme which initiated a credit programme for youths called Commonwealth Youth Credit Initiative (CYCI).

The Institute of Private Enterprise Development (IPED) is one of the first private developmental institution to offer financial services to private small business entrepreneurs. Commencing in 1986, IPED started by lending fully secured loans to the small business sector until December 1993, when it expanded its services to include the micro business sector, to which it now provide unsecured credit, training and technical assistance (see table 1 for a profile on the four agencies).

Over the period that the agency has been in operation, it has advanced from the status of a rented office situated in the capital city, Georgetown, with one staff, to a Headquarters in George-town, with three branches offices and eight sub-offices spread across the rural areas of Guyana. The staff population has also grown to some 62 persons, and the agency now boasts gross assets in excess of G$1 billion.

Table 1: Profile of four Specialised Micro Credit Agencies

Agencies	Date of Estb.	No. of Branches	No.of Employees	Total Assets	Type of Project	Products	Key Features
Institute of Private Enterprise Development *(I.P.E.D)*	April 1986	Main Office, 3 Branches & 8 *Sub-Offices*	62	G$972.0M	Private local	Secured & Unsecured Credit, Counselling, Technical Assi & Training	Developmental bank that offers credit to small businesses. Loan security is flexible, with relatively larger loans being fully secured. Operates a Window for Micro-Enterprises specifically targeted for women operates on the basis of the Grameen Bank Model.
Scotia Enterprise Centre (SEC)	May 1993	Main Office	7	G$39.0M	Foreign Commercial Bank	Savings & unsecured credit	Credit is disbursed based on the Grameen Bank Model. Loans disbursed to individuals who are members of groups; or disbursement to groups. Lending in productive & service sectors (Retail trades inclusive).
Cooperation for Development/Small Business Credit Initiative (CD/SBCI)	July 1993	Main Office	10	N.A	Tripartite GOG/EU/CDI	Unsecured credit, Technical Asst. Counselling & Training	Loans are disbursed in the agricultural, service & other productive sectors. No disbursements are made for the retail industry. Requirements for loan collateral are flexible - meaning some loans may be required to be fully secured while others are granted on softer terms. Has specific policies & loan conditions for women.
Commonwealth Youth Credit Initiative (CYCI)	June 1996	CYP Regional Centre Office Guyana	3	N.A	Int'l NGO	Unsecured Credit, Training. Technical Assistance.	Focus on youth. Loans are disbursed to the agriculture, Service and Manufacturing sectors. Loans are disbursed to groups based on group savings, individual savings and Revolving Fund. Training is very important. Compulsory.

Source: Guyana Human Development Report, 1996 and CYCI

The Small Business Credit Initiative (SBCI) Inc. was launched in 1993. This project, which has just completed its second phase (October 1995 - September 1997), was implemented specially to provide unsecured credit, technical assistance, training and counsel to micro entrepreneurs. From the outset, one of the main objectives of the project was to support the development of women entrepreneurs with the aim that forty percent of the value of all loans disbursed should go to women entrepreneurs involved in micro business. This agency at present, has only one office in the capital city, Georgetown, a staff of ten persons and an Executive Director.

Scotia Enterprise Centre (SEC) is a recent initiative of the Bank of Nova Scotia, which has been operating in Guyana for some three decades now. It is the only one of the seven commercial banks that has extended its services to the micro-business sector. In May of 1993, the bank opened this subsidiary to provide small unsecured capital to varieties of micro activities in the productive and service sectors. The services of the agency also include advice, training and personal savings. The SEC facility which has no branches as yet, is also situated in Georgetown, and has a staff of seven officers.

The Commonwealth Youth Programme (CYP) is an international NGO with a mandate to empower young men and women in Commonwealth countries to develop their potential, creativity and skills as productive and dynamic members of society. This NGO, in its bid to assist government to stimulate micro-enterprise development and create self-employment for youth, launched a credit support programme in June 1996 with the first pilot projects commencing in the host countries where the Regional Centres are located. For the Caribbean, this Centre is located in Guyana, hence the pilot project was initiated in Guyana to facilitate close monitoring and evaluation by the CYP's Caribbean Centre. The programme called Commonwealth Youth Credit Initiative (CYCI) targets young marginalised men and women between the ages of 18 - 30 years with an enterprising spirit, but possess no land or assets to access *loan capital from the formal financial sector.*

What is most interesting about these non-traditional financial intermediaries is that they have not only risen to the occasion of filling a fundamental gap in the financial sector, but offer a package that caters to the special needs of the micro business sector. Micro lenders have combined financing (without security) with training and technical assistance, a package which has never before been offered by other financial institutions in Guyana, whether formal or informal.

Source Of Loan Financing

There are several distinct sources of financing for these institutions, these are: grants, loans, deposits, pooled savings and revolving funds. IPED borrow loans at rates of 4 and 6 percents from three international agencies, i.e., USAID/PL480 programme, the Inter-American Development Bank and the European Investment Bank. They also receive grants for lending and institutional strengthening under bilateral arrangements with the Canadian High Commission and the British High Commission. SBCI Inc. on the other hand, receives financing from the Delegation of the European Union through a European NGO known as Co-operation in Development International, which it uses to operate its revolving loan fund.

In the case of Scotia Enterprise Centre, loans are financed by the bank of Nova Scotia and SEC.

Finally, the Commonwealth Youth Credit Initiative loan financing is derived from two sources: (1) the pooled savings of the groups, and (2) the agency's revolving funds which supplements the group savings by matching this on a dollar for dollar basis.

Lending Criteria

The criteria for lending differ among the agencies. IPED's criteria are that the activity must generate employment; utilize local raw materials; create benefits to the economy; save foreign exchange through import substitution, and earn foreign exchange through exports. SBCI's Inc. main criteria are that all projects must contribute to domestic production and must also be profitable to be eligible for credit form its agency. SEC on the other hand, requires that the economic activity be a viable and profitable one, and borrowers must be willing to join a group and agree with its requirements. For CYCI, potential entrepreneurs, after training, must be able to identify a business activity, draw up a feasible business plan, and must show an attitude of "readiness". CYCI also look for projects that has the potential to utilise local raw materials.

These micro financing agencies fund a wide variety of activities in the productive and service sectors of the economy. These include, agricultural, manufacturing, light industrial and service activities. They however do not support mining and forestry activities. SBCI in addition, does not fund vending and trading activities.

Only CYCI lend loans for start-up activities. For the other three agencies, the activity for which credit is being sought must have been in existence for at least six months (in the case of SBCI Inc. the minimum period is one year).

MICRO LENDING MODELS IN GUYANA:

As financial intermediaries catering to a particular sub-sector of the business economy that is observed to be weak in terms of assets, collateral, modern techniques and in some cases, even business capacity such as accounting, marketing, inventory control, and management skills, micro lenders in Guyana have applied several strategies with varying degrees of pooled and non-pooled elements in order to ensure efficiency, effectiveness of their service to the micro business sector. In this section of the paper, we will look at the different combinations of those pooled and non-pooled elements that characterise the lending approaches of the four agencies.

Pooled and Non-Pooled Elements

The Commonwealth Youth Credit Initiative (CYCI) programme combines the pooled savings element of the "partners", "box" or "susu" system, with the pooled borrowing element of the Grameen Bank of Bangladesh model known as the "solidarity group or group of backers system," along with the individual personal savings element of the Scotia Enterprise Centre (Bank of Nova Scotia) of Guyana.

In this model, potential borrowers are first required to form themselves into groups of five persons which are of the same socio-economic background. Each group member contributes or "throws" a predetermined amount of money which is affordable to each individual member, on a weekly or monthly basis, which is also predetermined by the group, to a savings pool of the solidarity group. Each member is also expected to have his/her own personal savings which is deposited into accounts at Globe Trust and Investment Company, CYP's partner through which it has implemented its pilot project. The group saving is augmented by loans from a matching Revolving Loan Fund by CYCI to a ratio of dollar for dollar. The capital available therefore for supporting a business activity of any member in a group, will depend on individual savings, group savings and the CYCI fund.

The group decides which member gets a loan from the group savings and what proportion of the group's savings he/she gets. This is providing that the member has completed the training and has identified a business activity and drawn up his or her business plan. A member will "draw the hand" when he/she is ready to launch his/her business. Because of the revolving nature of the funds, other members of the group could only launch their project when repayments are made.

The credit programme also includes a period of intense training in enterprise and business management for all potential *borrower (approx 6 months) before loans are disbursed.*

The CYCI programme also has the group management element in that it is managed by a Board of twelve persons: three of whom are from CYP, two from its partner, Globe Trust and Investment Co. and the remaining seven persons drawn from different youth and other credit and small business organisations. This Management Board among other things, provides technical guidance for the programme to help make it more adaptable to local conditions.

The Scotia Enterprise Centre (Bank of Nova Scotia) on the other hand, combines pooled borrowing and individual savings with a group indemnity insurance scheme to which each group member is required to contribute 1 percent of his/her loan amount. The indemnity insurance is a safeguard in the case of sickness or death of a client. In this model too, all potential borrowers form themselves into groups of 5 or 6 persons of similar social and economic backgrounds. Selection of group members is entirely the group's responsibility but each member must be from a different household. One of the members is selected as the group chairperson or group leader to transact business with the enterprise on behalf of the group and who also ensures that payment of installments are made on time. Each member of the group must open a savings account with the agency before he/she is granted a loan. Regular deposits are encouraged over the loan period. This compulsory saving, the agency feels, is necessary for the future sustainability of the enterprise. Group saving on the other hand, is not a part of this model, neither does the size of the loan a member gets depend on the amount of savings a borrower has with the enterprise. Loans in this model are disbursed by increments with every group member beginning at the lower limit, and based on the successful and timely repayment of loan installment, can graduate to the next loan level, and so on, until the group reaches the upper limit. Loans are disbursed to every member of the group at the same time, once all the requirements are met. Group members are required to meet at least once every month to share business ideas and to resolve any problems that arise.

IPED's lending model is also styled along a modified form of the Grameen Bank's model. The group borrowing element is also the main feature of this model. In addition, each group member is required to contribute to a group savings called an emergency fund. The specific amount to be contributed is G$1,000.00 or US$7.14 on a weekly basis. IPED holds this account, and members can access it only with permission from IPED. The amount of contributions each group member may have in this emergency fund account does not determine the size of the loan he/she gets. Here again, the incremental method of disbursing loans is practiced. The real purpose of the fund is to assist a group member who may for some reason, not be able to make his/her scheduled repayment. The decision to access the fund in order to help out a group member is solely a decision for the group and its leader or chairperson.

An additional feature to the IPED model is that its loans are channelled to the micro sector through Community Based Organisations (CBOs). This feature helps to enhance security and monitoring of the agency's portfolio. When IPED receives enquiry or applications for micro loans, the agency first establishes contact with a creditable CBO, operating for at least three months, in the area where the potential borrower(s) lives. Once this is done, IPED from then onwards deals with the client through the CBO. After recruiting the organisation through a brief training programme, IPED rely on the CBO to do the screening of potential clients/groups and make recommendations to IPED. The organisation is also used to do the monitoring, of the activity being funded by the agency. The CBO collects installments on behalf of IPED, as well as meet with the groups on a weekly basis to discuss progress, problems etc., all for a fee of 5 percent of all installments collected by the CBO for IPED. The CBO is also expected to assist clients in the preparation of the loan application form etc.

The Small Business Credit Initiative (SBCI) model combines the individual client approach with the operation of a Revolving Loan Fund. This institution is also managed by a group of partners, some of whom sit on its Board of Directors, which among other *things, review and approve loan applications. The loans are disbursed in phases with each phase lasting roughly two years. A number of loans are disbursed in each phase and the repayments from one phase is used for the next phase. In this model, no capital, individual savings, emergency fund or group savings are involved. Loans are disbursed to clients on an individual case by case basis. This, of course, does not preclude a partnership arrangement or a group of people who may be involved in a micro business activity applying to the agency for credit.*

Rationale Behind Some of the Features

The compulsory savings feature - whether it be group savings, individual savings or emergency fund - is very import in several ways. The essential purposes of the savings element are: (1) it provides a safety net which members (in the case of group savings/emergency fund) and/or individuals (in the case of individual savings) can resort to in times when due to some unforeseen circumstance, a group member may be unable to make his/her installment. (2) it is a guarantee of future capital need for the business. (3) it helps the micro entrepreneur to inculcate the discipline of saving or accumulating capital, and (4) provides a safeguard for the micro creditor against defaulters. In addition, the indemnity fee charged by SEC, and the IPED insurance scheme to which each of its successful clients is automatically attached, and which the agency claims, is of no cost to its clients, also provide a safeguard for loan default that may be caused by situations such as sickness or death of a client.

Another positive feature of the pooled elements is the group surveillance or "peer pressure" characteristic of pooled borrowing Since each member in the group accepts liability for each other's financial obligation by cross-guaranteeing each other's loan, each member automatically feels both responsible and compelled to ensure that his or her installments are made on time and that each other's obligation is also met on time. The issue here is that each *member's credit worthiness or opportunity to continue borrowing is at stake, because failure to make regular repayments may jeopardise the right of other members of the group to a loan.*

The incremental way of disbursing loans, practiced by two of the agencies.(IPED and SEC) accommodates micro type activity. The loan structure has a lower and upper limit and intervals as shown in table 2. Apart form placing a limit on the size of the loan a person can borrow, by starting with small amounts the micro entrepreneur is able to work out an affordable repayment schedule with the agency. The incremental increase in the loan amounts are expected to match the incremental growth of the micro business. The method also induces borrowers to repay their loans promptly so that they can move to the next level in the loan structure.

Table 2. LOAN AMOUNTS BY INCREMENT

IPED			SEC	
LOAN AMOUNT			LOAN AMOUNT	
STEPS	G$	US$	G$	US$
1	30,000	214.	15,000.	107.
2	45,000.	321.	25,000.	178.
3	67,500.	482.	40,000.	286.
4	100,000.	714.	60,000.	429.
5	-	-	100,000.	714.

Source: IPED and SEC

Another very important feature is the training and technical assistance provided to clients although this differs with each agency. Due to limited business capacities such as accounting, marketing, inventory control, and management skills, micro credit agencies have found it necessary to become engaged in regular monitoring and supervision of the entities they fund. In this regard, every project/activity that receives loan funding, is *visited periodically by the agencies' officers to ensure or verify that the loan is used as agreed by the agency and the client(s).*

Technical support goes "hand-in-hand" with the agencies credit programme. This is achieved in two ways. On the one hand, the agencies officers, as far as possible, offer technical advice relating to the project. The officers also establish links with relevant government agencies/officers and NGOs in the area where the project/economic activity is located in order to strengthen the technical assistance offered.

Group training is also organised in the form of special workshops and seminars, in some cases before loans are disbursed, but, in all cases, after. These group training programmes are designed basically to upgrade the level of education and skills of clients, and to inform them on acceptable standards and techniques in their respective areas of business. Micro lenders use the voluntary service of experts in areas such as furniture manufacturing, poultry rearing and management, dairy and herd management and food processing to carry on these workshop and seminar sessions. Training programmes also cover training in areas such as basic record-keeping techniques and business management.

SBCI's Inc. has also undertaken to establish and sustain healthy working relationships with a number of organisations that can lend support to the agency and the micro sector. To this end, the agency's Board of Directors recommended that a symposium be held to initiate this process. As a result, a symposium entitled "Promoting Entrepreneurship and Small/micro Enterprise Development, was conducted between SBCI Inc. and the USAID funded BEEP project in July 1996. This initiative brought together some 85 participants representing organisations and individuals who participate or have some affiliation with the small/micro-enterprise sector. Representation included banks, government agencies, specialist credit agencies, the Chamber of Commerce, CARICOM Secretariat, the Guyana Manufacturers Association, and several other institutions and NGOs.

The idea here was to provide an opportunity to collectively *identify the constraints affecting the micro sector and to arrive at possible solutions and policies that could effectively address these problems. Two of the outcomes of this symposium are: (1) a documented set of proposals and (2) the formation of a National Advisory Committee to serve as member to the Private Sector Commission, and which would work together with the Commission to streamline the micro sector.*

This aspect of micro credit services i.e., training and technical support, is very important to the micro sector since it can help to empower the individual entrepreneur by allowing him/her to operate on a more informed level, apart form improving his/her business activity. It is also important to the sustainability of the micro sector.

PERFORMANCE

This section reviews the performance of the agencies since they commenced operation. Three of the agencies, i.e., IPED, SEC and SBCI Inc., commenced lending to the micro business sector in 1993 (even though IPED existed since 1986). For CYCI even though the pilot project began in June of 1996, disbursement of loans were not made until July 1997, after the training of the participants and preparation of business plans. Table 3 below shows the amount of loans disbursed by each agency over the period 1993-1996, and for the year 1996. The figures recorded in the table for CYCI, represents disbursements for 1997. The data shows that SEC disbursed the most loans over the whole period 1993-1996, and has the lowest loan average value, with IPED ranking second. SBCI Inc. on the other hand, has disbursed less than 500 loans over the same period but at the same time, has a higher loan average value than the other three agencies. In 1996, IPED disbursed the most loans and has the lowest loan average value while SBCI Inc. continued to exhibit a high loan average value and disbursed the least amount of loans.

With regards to limit on loan size, IPED and CYCI have indicated that their upper limit is G$100,000.00 or US$714.00 and

G$140,000.00 or US$1,000.00 respectively. SBCI Inc. and SEC on the other hand have not indicated any limits, but have disbursed loans as large as G$700,000.00 or US$5,000.00 and G$500,000.00 or US$3,571.00 respectively.

Table 3. No. Of Loans Disbursed Between 1993-96 As Against 1996.

Agency	Total No. of loans disbursed 1993-1996	Value G$	Value US$	Loan Average G$	Loan Average US$	Total No. of Loans Disbursed 1996	Value G$	Value US$	Loan Average G$	Loan Average US$
IPED	4,100	196.7m	1.4m	47,976.	242.70	1,780	53.0m	378,571.	29,775.	212.68
SBCI INC.	418	88.4m	0.6m	211,483.	1,510.00	268	56.9m	406,428.	212,313.	1,516.50
SEC	6,759	211.0m	1.5m	31,218.	222.98	318	16.0m	114,286.	50,314.	359.39
CYCI*	-	-	-	-	-	21	2.9m	21,000.	140,000.	1,000.00

Note: * The figures for CYCI represents its 1997 loans disbursement.

Source: Financial records of IPED, SBCI Inc.,SEC and CYCI.

The loan average value and the amount of loans disbursed by SBCI as shown in the table above indicates that this agency lends on average, larger loans to the micro sector than IPED, SEC and CYCI. In contrast, while SEC will lend loans as large as US$3,571.00, their loan average value shows that large loans are extremely limited.

The implications for delivering such large sums with no security, are (1) it can impinge on commercial bank loan activity; and (2) it can put the portfolio at risk if there is a sudden business slump in the economy. A very good example of such a situation occurred in 1996 when Guyana experienced unusually heavy rains and unprecedentedly high tide that led to the inundation of agricultural lands on the coast. Thousands of cattle suffered and some 20,000 acres of cultivated rice lands were affected as well as other crops and economic activities. Because, as shown in table 4, some 68 percent of SBCI's Inc. portfolio is agricultural loans, the repayment level in 1996 was drastically affected showing some 65.5 percent.

Regarding the distribution of loans by sector, table 4 gives an idea. It should be noted that while data regarding the sector distribution of loans for IPED and CYCI, are not available in the way it is for SBCI Inc. and SEC, these two agencies fund a variety of economic activities under the three broad categories mentioned in the table. As can be observed however, SBCI Inc. has a major portion of its portfolio in agriculture while SEC's portfolio is heavily invested in the service sector, and as indicated by Scotia Enterprise, these service sector activities are basically vending.

Table 4 % LOAN PORTFOLIO BY SECTOR IN US$

SECTOR	SBCI INC.		SEC		IPED		CYCI	
	VALUE US$	%	VALUE US$	%	VALUE US$	%	VALUE US$	%
Agriculture	541,857	68	-	-	na	na	na	na
Manufacturing	142,221	17.9	8,286	2	na	na	na	na
Services	112,085	14.1	404,999	98	na	na	na	na
Total	795,893	100	414,285	100	na	na	na	na

Source: Reports of SBCI Inc., and SEC.

Table 5 LEVEL OF PORTFOLIO AND NUMBER OF LOANS BY SEX (1996)

AGENCY	PORTFOLIO LEVEL		TOTAL NO. OF LOANS	MALE/FEMALE BALANCE	
	G$M	US$		MALE	FEMALE
IPED	53.0m	378,571	1,780	25%	75%
SBCI	111.4m	795,893	264	72%	28%
SEC	81.0m	414,285	1,923	15%	85%
CYCI	2.9m	21,000	21	67%	33%

Source: Financial records of IPED, SBCI Inc., SEC and CYCI

In terms of the gender balance in the loan distribution, table 5 shows that, IPED and SEC both have a higher female ratio than SBCI Inc. and CYCI. The primary reason for the differences in the *male/female ratio, based on explanations received during interviews with the agencies, has to do with the agencies polices regarding the activities they fund. For example, SBCI Inc. has a lower female clientele because that agency does not support vending and trading activities. This policy of SBCI automatically crowds out female borrowers, since most female micro business entrepreneurs in Guyana are involved in trading and vending activities. The group borrowing system on the other hand, appeal more to women in Guyana, and IPED and SEC have no restrictions on lending for vending and trading activities. In the case of CYCI, their gender balance is based on the outcome of the first set of participants selected in the pilot project. Out of a number of 52 young men and women with a 50 percent male/female balance, thirty-six, participants completed the training aspect of the programme, and of this amount, 21 have so far submitted acceptable business plans and received loans in the male/female ratio as shown in the table.*

Repayment Period

Three of the agencies i.e., SBCI Inc., SEC and IPED, have similar repayment regimes in that loan repayment periods are agreed upon based on the crop/poultry cycle in the case of agriculture and in the case of other activities, on the ability of the client or the activity of service the loan. Payments can be made on a fortnightly, monthly or end of project cycle bases. SBCI Inc. offers the longest repayment period which is eighteen months. With regards to the other three agencies, the longest repayment period is one year. However, SBCI, IPED and SEC, have a minimum repayment period of three months.

Geographic Coverage

IPED and SBCI Inc. both have a wider geographic coverage with regards to their loan distribution than SEC and CYCI. But while this is a fairly comfortable position for IPED, since it has branches and sub-offices in five of the most heavily populated Regions of Guyana (for administrative purposes, Guyana has been divided into ten administrative Regions), for SBCI Inc., this kind of coverage is currently posing a strain on resources because, like SEC and CYCI, SBCI has only one office from which it operates, and which is situated in the capital city, Georgetown (Region 4). For this reason moreover, the majority of SBCI's borrowers, i.e., 66 percent are from Region 4. The same is the case for SEC, which has a 70 percent concentration in Region 4 as well. All of CYCI's programme participants are from Region 4 too. Information on the percentage of clients in each geographic area that IPED has its office is not available. However, the geographic distribution of loans for the other agencies, is a reflection of the concentration of economic activity in Guyana's economy. Region 4 is the Region in which the capital city, Georgetown, is situated and where most of the economic activities of the economy take place. Also more than one-third (41.4 percent to be precise) of the population of Guyana live in this Region.

Cost of Borrowing Unsecured Loan

The lending rates among the four institutions differ, ranging between 17 and 46.8 percent. There are also two different methods used in calculating these interest rates. CYCI, SBCI and SEC charge 17, 18 and 25 percent interest rate respectively, and calculate same using the add-on method. IPED on the other hand, charge an interest rate of 46.8 percent, but calculate this on the reducing balance method. In addition to interest rate, SBCI charges an administrative fee of 5 percent of the loan amount, while SEC charges and indemnity fee of 1 percent of the loan amount.

To calculate the total cost of a loan however, one would have to take several factors into account in addition to interest rate. These include: (1) the period within which the loan is repaid; (2) the type of repayment schedule, e.g., whether by installment, or, whether the total loan plus interest is repaid at the end of the loan period; (3) all other charges made (e.g., administrative fee and indemnity fee in the case of these three agencies); as well as (4) the method of calculating the interest.

The cost of a loan with these in mind therefore, varies with each agency. A loan for a one year period, and being repaid by installments can cost effectively, 17, 24.2, 23 and 26 percent at CYCI, IPED, SBCI and SEC respectively. In the case of IPED moreover, if the total loan plus the interest are to be repaid at the end of the loan period, the reducing balance method would have no effect, hence the cost of the loan could be as high as 46.8 percent as against 24.2 percent if the loan is being repaid by installments.

Repayment Levels

Each of the agency under study claim that generally, they enjoy a satisfactory repayment level, though the percentage differ with each agency. This of course, exclüdes the year (1996) when SBCI's repayment level suffered due to unexpected situation that occurred in the agricultural sector in that year we discussed earlier. In descending order, Scotia Enterprise Centre have achieved a repayment level of 98 percent with a 2 percent default rate. IPED came in second with a 90 percent repayment level and a 10 percent default level while SBCI Inc. has achieved a repayment level of 82.2 percent with a default level of 17.8 percent.