

## 1. Member Registration and Savings Management

- **Member Registration:**

Employees can sign up as members of the cooperative by providing personal and financial details (e.g., name, address, salary, employId, bank account details). This ensures accurate records for both identification and financial transactions.

- **Savings Management:**

- **Mandatory Savings:**

A fixed percentage (14% of payroll) is automatically deducted from members' salaries as mandatory savings. This ensures consistent fund mobilization for the cooperative.

- **Voluntary Savings:**

Members can contribute additional savings voluntarily, beyond the mandatory deductions. The system allows them to adjust these amounts as needed, offering flexibility.

## 2. Loan Management

- **Eligibility:**

Members qualify for loans after maintaining mandatory savings for three months. This ensures the cooperative has a baseline savings record and reduces risk.

- **Loan Applications:**

Members can apply for loans, specifying:

- Loan amount.
  - Repayment period.
  - Purpose (e.g., personal expenses, education, emergencies).

- **Approval Process:**

Applications are assessed based on:

- Member's savings balance (to evaluate their financial commitment).
  - Credit history (to check reliability in repayments).
  - Guarantors (co-signers who assure repayment in case of default).

- **Disbursement:**

Approved loans are released to the member. Approval timelines depend on the loan amount and the complexity of the application.

### **3. Repayment Collection and Tracking**

- **Separate Deposits:**

Loan repayments are treated as independent deposits and are not mixed with savings. This ensures clear financial tracking.

- **Repayment Tracking:**

The system maintains detailed records of:

- Payment schedules.
- Amounts paid.
- Remaining balances.

- **Payroll Deduction:**

- The cooperative communicates mandatory repayment amounts to the member's employer.
- The employer deducts the amount from the payroll and deposits it with the cooperative, ensuring timely repayments.

### **4. Financial Reporting and Analytics**

- **Comprehensive Reports:**

The system generates financial reports such as:

- General ledger: A detailed record of all financial transactions.
- Customer balances: Overview of savings and loan balances per member.
- Loan approval status: Track pending, approved, and rejected applications.

- **Insights:**

Reports help management monitor:

- Savings mobilization trends.
- Loan disbursement and repayment performance.
- Overall financial health.

- **Advanced Analytics:**

The system identifies trends (e.g., savings growth, repayment defaults) to aid decision-making and improve financial strategies.

## **5. Member Support and Compliance**

- **Grievance Redressal:**

A structured process for addressing member concerns:

- Members can lodge complaints about services or discrepancies.
- A dedicated team resolves these grievances promptly.

- **Compliance and Audits:**

- The system incorporates controls to adhere to financial regulations and prevent illegal activities.
- Regular audits ensure compliance, data integrity, and ethical operations, bolstering member trust.

## **Key Aspects of Repayment Collection and Tracking**

### **1. Loan Repayments as Separate Deposits**

- **Independent from Savings:**

Loan repayments are handled independently from members' mandatory and voluntary savings to ensure financial transparency.

- Example: A member's savings balance remains intact and separate from their loan repayment contributions.

- **Clear Financial Separation:**

This separation simplifies financial tracking, making it easier to generate reports and ensure compliance.

### **2. Detailed Repayment Records**

The system keeps comprehensive and real-time records of all loan repayment activities, including:

- **Repayment Schedule:**
    - This includes the due dates for repayments and the amount due for each installment.
    - Example: If a loan is for ETB 1,000 with a 10-month repayment plan, the system generates a schedule with ETB 100 monthly installments plus applicable interest.
  - **Payment Records:**
    - Tracks payments made by the member, including the date, amount, and payment method (e.g., payroll deduction or direct deposit).
    - Allows the member and cooperative to see how much has been repaid and how much is still outstanding.
  - **Outstanding Balances:**
    - Displays the remaining loan balance after each payment, ensuring clarity for both members and the cooperative.
  - **Notifications and Alerts:**
    - Members can receive automated reminders for upcoming due dates or notifications for missed payments to avoid penalties.
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### **3. Payroll Deduction for Loan Repayments**

- **Mandatory Deductions:**
  - Once a loan is approved, the cooperative informs the member's employer (HR or Finance department) of the repayment amount.
  - Example: For a \$200 monthly repayment, the employer deducts this amount from the member's payroll each month.
- **Employer's Role:**
  - The employer is responsible for:
    - Deducting the loan repayment from the member's salary.

- Depositing the deducted amount directly into the cooperative's account.
  - **Advantages of Payroll Deduction:**
    - Ensures repayments are consistent and timely, reducing the risk of defaults.
    - Simplifies the repayment process for members since deductions are automatic.
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#### 4. Tracking and Monitoring

The system provides robust tools for tracking repayment progress:

- **Automated Updates:**
    - Payments are automatically reflected in the system upon receipt, updating the member's outstanding balance and payment history in real time.
  - **Performance Monitoring:**
    - The cooperative can monitor:
      - On-time payments.
      - Delayed payments or defaults.
    - This helps identify members who may need assistance or adjustments in repayment terms.
  - **Reporting and Insights:**
    - Detailed reports provide insights into:
      - Total repayments received.
      - Default rates and overdue accounts.
      - Trends in repayment behavior, helping the cooperative improve loan policies.
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#### 5. Support for Manual or Alternative Repayments

While payroll deduction is the primary method, the system can also handle:

- **Direct Deposits:**

- Members can manually deposit repayments at the cooperative's office or through bank transfers if they prefer alternative methods.
- **Flexible Arrangements:**
  - In special cases (e.g., job loss), the cooperative can negotiate adjusted repayment schedules with the member to reduce financial stress and ensure compliance.

### **Example: Loan with Monthly Installments**

#### **Loan Details**

- Loan Amount: 1,200 Birr
- Loan Term: 12 months
- Annual Interest Rate (Flat Rate): 12%  
*(1% per month on the total loan amount)*

#### **Step 1: Calculate Monthly Interest**

- Monthly Interest =  $(\text{Loan Amount} \times \text{Annual Interest Rate}) \div 12$   
 $= (\text{ETB } 1,200 \times 12\%) \div 12$   
 $= \text{ETB } 12 \text{ per month.}$

#### **Step 2: Calculate Monthly Installment**

- Monthly Installment =  $(\text{Loan Amount} \div \text{Loan Term}) + \text{Monthly Interest}$   
 $= (\text{ETB } 1,200 \div 12) + \text{ETB } 12$   
 $= \text{ETB } 100 + \$12$   
 $= \text{ETB } 112 \text{ per month.}$

### Repayment Schedule

Month	Due Date	Principal Payment	Interest Payment	Total Payment
1	February 1	\$100	\$12	\$112
2	March 1	\$100	\$12	\$112
...	...	...	...	...
12	January 1	\$100	\$12	\$112
Total		\$1,200	\$144	\$1,344

### Summary

- **Due Dates for Repayments:** Scheduled payment dates during the loan term.
- **Monthly Installments:** Fixed or varying amounts paid monthly to repay the loan.
- **Applicable Interest:** The calculated cost of borrowing added to the principal repayment