

## How much can we borrow?

Rita, I need some money to buy new seeds and fertilizer for the next harvest. We are thinking of borrowing money from the co-operative. How much do you think I can borrow?

Rashid, I think it is a good idea to borrow money from our co-operative. They will lend you money at a lower interest rate, compared to money lenders. But, the amount of money you could borrow from our co-operative would be not so big, since you are still new to the co-operative. Besides, you should limit the amount according to the income you expect in the next harvest.



You mean that the amount which I can borrow should be set according to my expected income and credibility for paying back?

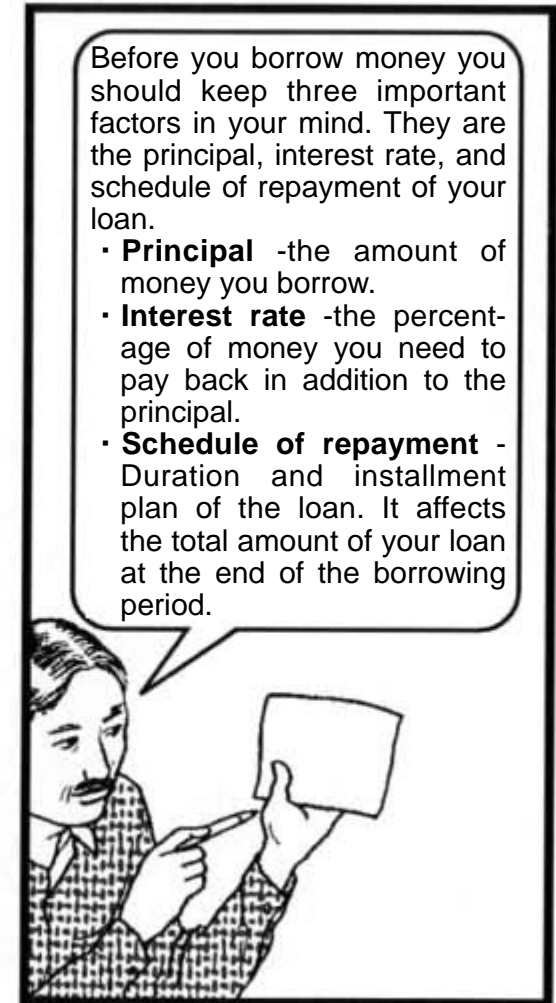
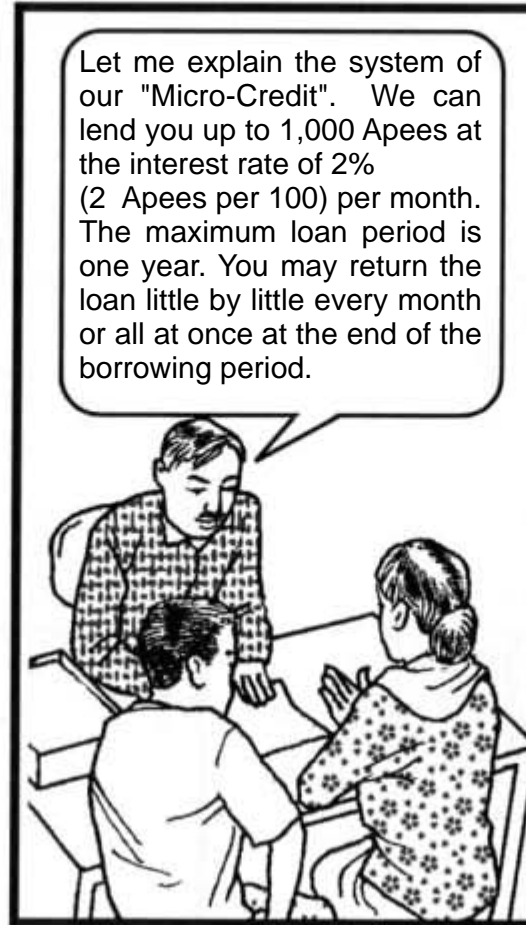
Yes, that is their policy. Once you gain credibility among the co-operative members, they could lend you larger amounts.



Rajni, I think we should go to the co-operative office and ask for the "micro-credit".



## Before we borrow money



# Before we borrow money

## Terms to remember 1: Interest Rate



The interest rate is one important factor that makes a great difference in the total amount of your loan to be paid back. Suppose you borrow 1,000 Apees for one month each from a money lender and the co-operative, let's see the difference in total amount of your loan by the interest rate.

	Principal	Interest Rate per month	Amount of Interest	Total amount of Loan
Borrowed from <b>Money Lender</b>	1,000 Apees	<b>10%</b> (10 Apees per 100Apees)	<b>100 Apees</b>	<b>1,100 Apees</b>
Borrowed from <b>Farmers' Co-operative</b>	1,000 Apees	<b>2%</b> (2 Apees per 100Apees)	<b>20 Apees</b>	<b>1,020 Apees</b>

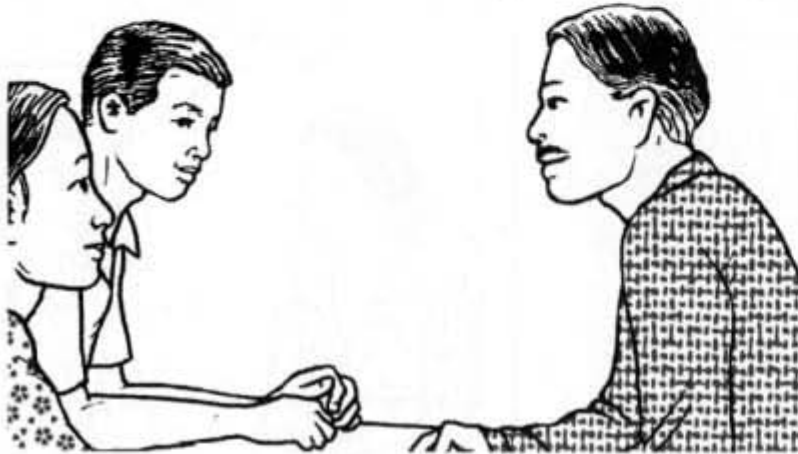
Rajni, there is such a big difference in the total amount of the loan depending on the interest rate. It seems far better to borrow from the farmers' co-operative.



# Before we borrow money

## Terms to remember 2: Schedule of Repayment

You should decide the schedule of repayment taking the following factors into consideration: [1] when you get income from your product (harvest time) and [2] how much you will get from your harvest. There are two options for a repayment schedule.



### Option 1:

#### **Paying back an installment every week/month**

Following this option, you pay back regularly little by little and you can avoid risk. Meanwhile, you need to have a regular source of income to cover the payment.

### Option 2:

#### **Paying back the entire amount of loan at the end of the borrowing period**

Following this option, you pay back the whole loan at the end of the borrowing period. You need to have a clear vision and plan of paying back all at once.