

ENTERPRISE DEVELOPMENT AND FINANCIAL LITERACY TOOLKIT



FACILITATOR'S GUIDE



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Table of Contents

SECTION A

ENTERPRISE DEVELOPMENT	8
Introduction	9
SESSION 1: Enterprise Selection	10
STEP 1: EDT and Five important points	10
STEP 2: Setting Expectations for the training	11
STEP 3: Identify promising Enterprise	13
STEP 4: The Story of the Bean Storage Business	15
STEP 5: The Summary and the Think About	17
SESSION 2: Enterprise Selection	18
Step 1: Review the Business enterprise Selection	18
STEP 2: The Story of the New Tree Nursery	18
STEP 3: The First Important Point	20
Step 4: The Summary and the Think About	23
SESSION 3: Important Point #2 – Knowledge and Skills	23
STEP 1: Review the Sales and Market “Think About”	24
STEP 2: The Second Important Point	24
STEP 3: The Summary and the Think About	27
SESSION 4: Point #3 – Start-up Costs, Capital, and Working Costs	28
STEP 1: Review the Operations “Think About”	28
STEP 2: The Third Important Point	28
STEP 3: Start-up and Ongoing Costs	28
STEP 4: The Summary and the Think About	30
SESSION 5: Important Point #4 – Sales and Income	31
STEP 1: Review the Costs and Capital “Think About”	31
STEP 2: The Fourth Important Point	32
STEP 3: Estimate Sales, Income, and Profitability	32
STEP 4: The Summary and the Think About	34

SESSION 6: Point #5 – Weekly Family Income and Expenses	34
STEP 1: Review the Sales and Income	35
STEP 2: The Fifth Important Point	35
STEP 3: The Story of the Ambitious Son Time: 60 Minutes	35
STEP 4: Determine Short-Term Income Needs	37
STEP 5: The Summary and the Think About	40
SESSION 7: Enterprise Selection	42
STEP 1: Review of Selection	42
STEP 2: Presentation of Enterprise Selection	42
STEP 3: The Think About	43
SESSION 8: PLANNING	44
STEP 1: Review the business Selection “Think About”	44
STEP 2: Tasks and Resources	44
STEP 3: The Summary and the Think About	47
SESSION 9: MANAGEMENT	48
STEP 1: Review the business Planning	48
STEP 2: The Mystery of the Disappearing Goods	48
STEP 3: Cash Control	50
STEP 4: Minimizing the Effects of Risk	53

SECTION B

FINANCIAL LITERACY	57
INTRODUCTION TO FINANCIAL LITERACY	58
MODULE 1: SAVINGS MANAGEMENT- “YOU CAN DO IT”	58
SESSION 1: SAVINGS: WHAT ARE THEY AND WHY SAVE?	59
SESSION 2: SETTING SAVINGS GOALS	61
SESSION 3: INCREASE YOUR SAVINGS	65
Session 4: Save for Emergencies	67
Session 5: Decide How to Save	69
Session 6: Compare Saving Services	71
Session 7: Select Savings Products	74

Session 8: Meeting with the Providers of Savings Services	77
Session 9: Make a Saving Plan	79
MODULE 2: DEBT MANAGEMENT: HANDLE WITH CARE	82
Session 1: My Money and Someone Else’s Money: Managing the Difference	82
Session 2: Good Loans/Bad Loans	86
Session 3: The Costs of Borrowing	89
Session 4: Borrowing Choices	92
Session 5: How Much Debt Can You Afford?	94
MODULE 3: BUDGETING: USE MONEY WISELY	97
Session 1: Set Financial Goals	97
Session 2: Examine Your Money Management	100
Session 3: Describe the Importance of a Budget	102
Session 4: Make a Budget	104
Session 5: Make Spending Decisions	108
Session 6: Stay within your Budget	109
Session 7: Keep records to manage your money	110
MODULE 4: FINANCIAL SERVICES: KNOW YOUR OPTIONS	114
Session 1: Household Financial Needs	114
Session 2: Sources of Financial Services	118
Session 3: Financial Products and Financial Needs	121
Session 4: Advantages of Using Banks	125
Session 5: Choosing an Account	126
Session 6: How to use a Bank	132
Session 7: Understanding the Linkage Product and Process	133
Session 8: Consumer Protection	137
MODULE 5: FINANCIAL NEGOTIATIONS: COMMUNICATE WITH CONFIDENCE	139
Session 1: What is Financial Negotiation	139
Session 2: Preparing for Financial Negotiation	141
Session 3: Negotiating Techniques	143
Session 4: Practice Negotiation	145

About this Facilitator's guide

This training guide was financed by ACTogether Uganda with support from Cities Alliance under the project 'Strengthening Capacity for Urban Migration Management and Migrants' Livelihood Improvement in Jinja, Uganda under the current Memorandum of understanding. This guide is presented in two sections: section A addresses concerns of enterprise development while section B addresses the content of financial literacy. Section A is presented in form of 'a long journey' therefore it has to be delivered step by step, while section B can be delivered without following the order depending on the need of the group members or group. Section A is facilitated using 5 important points illustrated by five fingers of a human being while models in section B are independent to a certain extent. **Delivery channel of this guide:** This guide will be delivered by the facilitators after attending a training of Trainer (TOT) for six days non interrupted. the Regional Savings Committee (RSC) will deliver this tool kit. They will be given a special training to impart them with knowledge and skills to deliver this toolkit.

Acknowledgement.

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Adaptation:

The materials for designing this training guide were adapted from Catholic relief services, Care International in Uganda and Bank of Uganda resource centers.

Care International has supported many vulnerable communities to increase their competitive under their humanitarian and post emergency program in many countries in Africa.

Attribution:

ACTogather Uganda attributes the Resourceful materials developed by Care International in Uganda and Catholic Relief services (CRS) for doing in-depth research and publishing the tested materials in enterprise development and financial education for rural based communities.

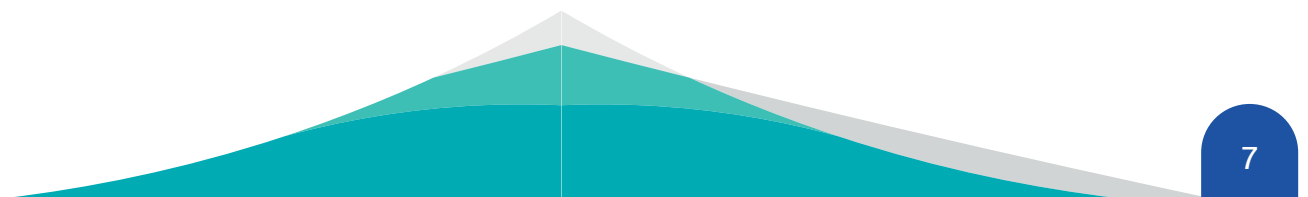
Parties involved in the implementation of this tool kit

Federation members: The federation member will ensure that each group is trained by Saving Regional Committee to ensure knowledge transfer and improved business performance and survival

Savings Committee: Training group members, monitoring, reporting and ensure standards as provided in the guide for sustainability

ACTogather Uganda: Oversight of the implementation of the toolkit, Ensure Training of Trainers (TOT) Course is conducted, monitoring and evaluation of the toolkit. Documentation of lesson learnt from the implementation of the program periodically.

SECTION A





ENTERPRISE DEVELOPMENT

Introduction

Enterprise Development training (EDT) is a condensed and customized training guide for members of Saving groups Interested in launching or improving business enterprises. This condensed and customized form of EDT has been adapted and streamlined for delivery by Regional Saving Committee (RSC). It is like a checklist, the order of steps to launch an enterprise.

EDT Guides members of a Saving Group (SG) to Selection, Planning, and Management of enterprises of their choices, to be successful, members of a saving group should:

1. Select an enterprise that fits
2. Plan an enterprise launch,
3. Manage the enterprise risks and cash flow.

Selection is explained in Sessions 1 through 6 and occurs in Session 7.

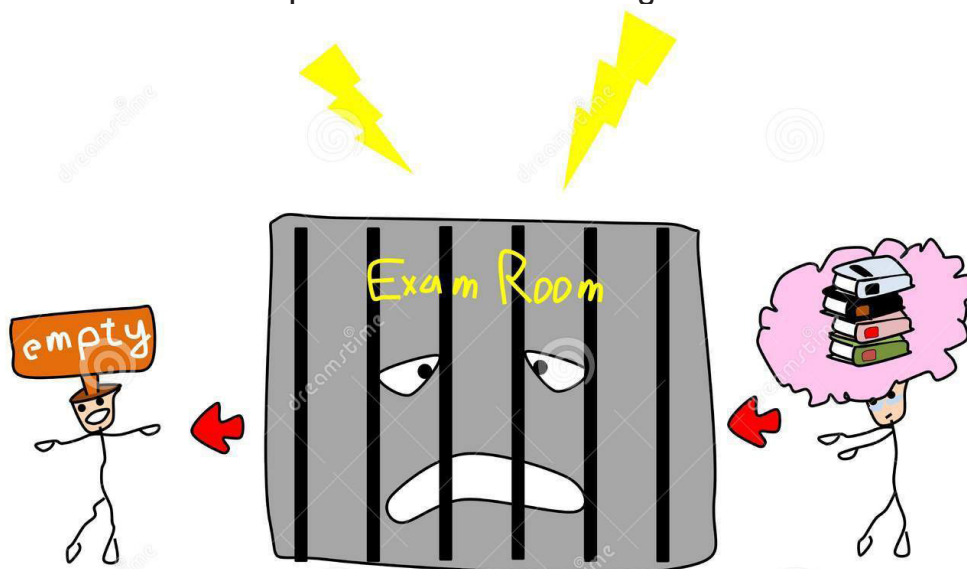
Planning is Session 8.

Management is Session 9. Each session lasts for 2 to 3 hours.

The texts shaded grey are for the Facilitator's notes while normal color is for the participants

The participants should Unlearn to learn

The word Business and Enterprise are use interchangeable.



Participants unlearning to learn

10 Ways to Be a Great Facilitator's notes

1. **Prepare:** Read this manual ahead of time, practice with friends, and be organized.
2. **Smile:** Be friendly, confident, and enthusiastic.
3. **Show energy:** Make it fun. Use energizers when participants look tired. Have participants act out examples.
4. **Listen:** Try to understand before trying to be understood. Encourage discussion.
5. **Encourage:** Praise participants on their efforts to learn and grow. Encourage quiet students to get involved.
6. **Meet them where they are:** When participants don't understand, identify the gap and close it by providing other ways to learn the information.
7. **Be relevant:** Adapt examples to participants' experiences. Encourage students to work together to solve actual problems.
8. **Use signposts:** Repeatedly remind participants what they have learned so far and what will be covered next.
9. **Copy:** Imitate the best teachers you have known.
10. **Follow-up:** After each session. Follow-up with the participants' progress. Ask feedback about how to do better next time

SESSION 1: Enterprise Selection

TIME: 2 hours

Objective of the session:

By end of the session the participants should be ready to use the five important questions for enterprise selection.

WELCOME THE PARTICIPANTS

- ☞ Let everyone introduce him or herself.
- ☞ Ask participants about their lives.

STEP 1: EDT and Five important points

STEP 1: Introduce EDT and the Five Important Points Time: 30 minutes

Arrange the dates and times of the sessions to ensure everyone can attend.

EXPLAIN EDT "This training course will teach us how to start up a Business enterprise. Section A has 9 sessions."

“Why Business enterprises are so important?”

Two reasons:

1. “Business enterprises give us more control. Operating a Business enterprise is much better than frequently taking help from relatives or neighbors, or expecting handouts from the government. These methods of survival make us vulnerable. Business enterprises help us to be independent.”
2. “Business enterprises generate more income. More income leads to better food, clothes, shelter, medicine, and savings in case of emergencies.”

Participants:

“Please talk with a person next to you for 5 minutes. Ask each other, ‘How will EDT help you?’” “Could 2 or 3 people please share your answers with us?”

Let these participants discuss their answers.

EXPLAIN SELECTION AND THE FIVE IMPORTANT POINTS “The first part of EDT is Selection. To select a business enterprise, we follow the Five Important Points.”

Enumerate these five points using the five fingers of your hand. Use this method each time.

The FIVE IMPORTANT POINTS are:

1. **MARKET:** Will customers buy the products/services of this business enterprise?
2. **KNOWLEDGE AND SKILLS:** Do I have the knowledge and skills to operate this activity?
3. **STARTUP COSTS, CAPITAL, and AND WORKING COSTS:** Do I have the money to start up and operate the business?
4. **SALES AND INCOME:** Is the enterprise profitable?
5. **FAMILY EXPENSES:** Will the income from the business, when added to other family income, be enough to pay household expenses?

“What happens if we select a business without using the Five Important Points? It would be a mistake. Without the Five Important Points, our enterprise might:

1. Not have enough buyers
2. Be too complicated for us
3. Be too expensive to start up, or 4. Be unprofitable
5. Not help pay our weekly household expenses.”

STEP 2: Setting Expectations for the training

Time: 15 Minutes

EXPLAIN EXPECTATIONS “Of course, we must have seriousness of purpose”.

I, the Facilitator's notes, expect everyone to demonstrate seriousness of purpose by:

1. Attending all sessions, on time.
2. Participating actively.
3. Not leaving the sessions to attend to other business.
4. Thinking about the learning from each session in the time between sessions.
5. Preparing thoroughly for the next session.
6. Starting up or expanding a business enterprise” “Do we agree with these expectations?”

• Let participants discuss this list until everyone agrees.

WE CAN SUPPORT EACH OTHER



A group of people working together= strength of a group

“We can go further in supporting each other during this training course. What are some ways that our group can support each other’s learning and growth?”

Ensure that participants or you suggest answers like these.

- ☞ “Helping each other learn and remember the lessons.”
- ☞ “Encouraging each other’s efforts.”
- ☞ “Giving honest feedback to each other”
- ☞ “Working with each other between sessions.

” THE EDT COURSE IS LIKE A LONG JOURNEY

“This training course is similar to a long journey together. To get the best result from the training, we must exchange our knowledge and ideas freely among ourselves in the same way that we would do in a vehicle traveling for a very long distance, such as for 5 days. We are like a group of people on a journey traveling by car.” “What are some ways to make a long trip more interesting?”

Ensure that participants or you suggest answers like these.

- ☞ “Before traveling, we must know our destination, our objective
- ☞ “We should understand if we are on track to our destination, our objective.”
- ☞ “We should listen to each other and let participants speak and share stories without being interrupted.” “What are some responsibilities I have as the driver of our EDT journey?”

Ensure that participants or you suggest answers like these.

- ☞ I should not over speed. If I go too quickly, participants will have difficulty in understanding the lessons.
- ☞ I should use the correct route and be careful not to become lost.
- ☞ I should take breaks to refresh us, such as for song and dance. “How is this EDT course like a bridge?” “Yes, it is as if there is a river between a poor household and a rich household, and EDT is a bridge between the two sets of worlds.”

STEP 3: Identify promising Enterprise

Time: 30 Minutes

EXPLAIN THE BUSINESS ENTERPRISE CHOICES WE HAVE

“Before we select a business, we must understand our choices. Let us name the businesses that people in their community undertake.”

The group should name as many as possible. Count the list. When the participants begin to struggle to name more, use the list in this guide to hint at businesses not yet mentioned.

For example, you can ask, “What other kinds of things do people buy and sell to earn income?”. This list is just a sample. If participants mention business enterprises not on this list, that is good. Our goal is to encourage creative thinking. But be aware of time constraints. Do not attempt to generate a complete list of business enterprises, as it will take too much time and not allow us to complete the session’s activities.

LIST OF SOME business enterprises:

- | | |
|---------------------------------|----------------------------------|
| ☞ Bicycle repair | ☞ Livestock buying and selling |
| ☞ Bicycle transport | ☞ Mat making and selling |
| ☞ Brick making | ☞ Meat roasting |
| ☞ Butchery | ☞ Piggery |
| ☞ Carpentry | ☞ Pottery |
| ☞ Cassava selling and buying | ☞ Poultry raising |
| ☞ Chicken vendor | ☞ Produce buying and selling |
| ☞ Cobbler | ☞ Secondhand cloth selling |
| ☞ Firewood and charcoal selling | ☞ Seedling nursery |
| ☞ Fish mongering | ☞ Sugar cane growing and selling |
| ☞ Fishing | ☞ Tailoring |
| ☞ Goat keeping | ☞ Tea room / restaurant |
| ☞ Hides and skins | ☞ Vegetable growing |
| ☞ Knitting | ☞ Watch repairer |

Your list of enterprises is impressive!

Please talk with a person next to you for 5 minutes. Ask each other, ‘Which Business might be most suitable for you?’ “Could 2 or 3 people please share your answers with us?”

Let participants discuss their answers.

COMMON SELECTION MISTAKES “How do people usually identify or select business enterprises to operate?”

Ensure that participants or you suggest questions like these.

- ☞ “We see others operating businesses.”
- ☞ “We hear that it is profitable.”
- ☞ “We think that it is easy to operate.”

STEP 4: The Story of the Bean Storage Business

Time: 30 Minutes

“We will now hear a story about the mistakes when a business is chosen without careful consideration.”

- ☞ Tell the story artfully and entertainingly. If someone in the group is a talented storyteller and can read well, ask him or her to read the story to the participants instead of you reading it.
- ☞ To make the story even more interesting, select two volunteers to act out the roles of the husband, the wife, and the agricultural expert as the story is told.

THE STORY OF THE BEAN STORAGE BUSINESS ENTERPRISE.

Mr Phiri and his wife are farmers. They planted their crops one month and harvested the beans and groundnuts several months later. The crops were not of particularly high quality because the rains had been poor. Therefore, they did not have a surplus for sale. However, Mr. Phiri usually went to the market once a week, and noticed a lot of produce buyers and sellers who seemed to be making a good profit. This activity also did not seem to require a lot of work, he discussed this idea with his wife, and they agreed that this would be a good way for them to earn some extra money. They thought about planting beans and groundnuts the following planting season as well as the possibility of starting a produce buying and selling business. They knew that beans would be harvested by local farmers soon and that they could buy produce from these farmers. They could store these beans in their house until several months later when beans would be scarce and would sell at a higher price. Unfortunately, because of the poor yields they could not raise money for the desired business. So, they realized that they would need to borrow from a relative. Mr. Phiri decided to ask his uncle who had a small business in town, for financial assistance. His uncle agreed to lend them enough money to buy five sacks of beans. When local farmers harvested their beans at the end of June, Mr. Phiri and his wife went to the local market and bought five sacks, which they transported to their house. They stored them in a small room in their new house and locked the door for safekeeping. The beans that they harvested from their own fields were kept aside for the family’s consumption. A month later, Mr. Phiri attended a meeting organized for farmers. An agricultural expert addressed the

meeting. The meeting was organized so as to answer farmers' questions about their agricultural activities. Mr. Phiri told the people present at the meeting about the bean business he and his wife was carrying out. The agricultural expert asked if he had been checking on their beans and taking them out to dry on a regular basis. Mr. Phiri confessed he had not been doing that. The agricultural expert warned him that the beans might spoil from infestation by bean weevils if not checked and dried regularly. As soon as Mr. Phiri got home, he told his wife what the agricultural expert had told him. They took the beans out and checked them. To their shock, they discovered that two sacks were completely destroyed and the other three sacks had some damage. They decided to sell the three sacks that were still of marketable quality at the next market day before the situation got worse. At that time, the price for good quality beans was higher than when they had purchased their beans but less than the price they had expected to get several months later. However, nobody would pay this higher price for their beans because they realized that they had suffered some damage. All that they could get from buyers was a price almost the same as that they had paid for the beans originally. After they had sold the beans and counted the money, Mr. Phiri realized that he would not be able to repay his uncle. They had purchased five bags, but sold only three at exactly the cost price. Therefore, they had made a large loss. He felt despair because he realized that they had no other way of earning money to repay the loan. Consequently, the activity had an adverse impact on his economic situation rather than improving it. Now Mr. Phiri and his wife are both regretting the great mistake they made by starting up a produce buying business. They realized that they should not have started up this business without enough technical information. They know now that they should have thought more carefully about this business before starting it up.

* * * "Please talk with a person next to you for 5 minutes. Ask each other, "Why did the husband and wife not succeed, and what should they have done?" "Could 2 or 3 people share your answers with us?"

Let participants discuss their answers.

"Yes, it's a bad idea to select an enterprise without careful consideration."

CONNECT THE FIVE IMPORTANT POINTS TO THE STORY

"We will now speak more about the FIVE IMPORTANT POINTS, which should be thought about before selecting a business enterprise"

"Together, can we name the Five Important Points that the husband and wife in the story should have thought about before starting their Business enterprise?"

1. Market (Will people buy the products/services?)
2. Knowledge and skills (Can I operate this business?)

3. Start-up Costs, Capital, and Working Costs (Do I have the money to start up and operate a business?)
4. Sales and Income (Is the business profitable?)
5. Family expense (Will the income from my business if added to other sources of income be enough to meet my family expenses?)

Work with the participants to relate each point to the story so that they can understand and remember the points easily.

WE CAN HELP EACH OTHER REMEMBER THE FIVE IMPORTANT POINTS “Let’s help each other remember the Five Important Points.”

- ☞ “If I see you before the next session, I might quiz you about the 5 Important Points to see if you remember them all.”
- ☞ “And I think it would be helpful if you all do the same for each other if you encounter one another before the next session.”

STEP 5: The Summary and the Think About

Time: 15 Minutes

NAME ONE BIG THING YOU LEARNED IN THIS SESSION “Now let us go from one person to another and describe one BIG thing that we learned in this session. It can be a lesson someone else mentioned already, or it can be a new one.”

Let each participant talk about their lesson. Thank each of them for sharing.

SUMMARIZE THE SESSION

“We have less than 15 minutes left in this session. We have accomplished a great deal, and you should all be proud of your efforts.”

1. “We have learned why it is important to select, plan, and manage our businesses.”
2. “We have discussed different business opportunities available to us.”
3. “And then we studied the Five Important Points.”

“Are there any questions about this session?”

Address any questions.

“In the next 5 sessions, we will go through the Five Important Points. We will then have a session to select the business or businesses that we already running.” “In the last two training sessions, we will learn how to plan and manage our business enterprises”

EXPLAIN THE “THINK ABOUT” “This training course will be valuable only if we spend time between sessions thinking about the lessons and how we can apply them.

These deliberations were very helpful to me when I was a participant including the topic called “THE THINK ABOUT”.

1. “Please think about the business that you can undertake. It will be easier if you work with a small group of friends to make this list.”
2. “Please come to the next session with a list of at least three businesses that might be suitable for you. Those who are already operating businesses should also review your businesses in line with the five important points, and think of two other possible businesses.”
3. “We will use the Five Important Points to look at EACH business we are considering.”
4. “I hope you will discuss the Think About with other participants, with family members, and with friends. Please come to the next session ready to discuss your findings.

” CONCLUDE THE SESSION “If you have a notebook or something else to take notes with, please bring it to every session.”

“The date and time of the next session is ____.” “I will stay after the session in case you have any questions or feedback for me. Thank you

SESSION 2: Enterprise Selection

TIME: 2 hours.

WELCOME THE PARTICIPANTS

STEP 1: Review the Business enterprise Selection

“Think About”

Time: 30 Minutes.

“At the end of the last session, I asked you all to list at least two or three businesses that might be suitable for you. Now let us go from one participant to another and share our businesses and why they are options for us.”

(If anyone did not Think About their potential businesses, remember who they are. During a break, speak with them and try to understand what might be holding them back. See how you can help them overcome their obstacles.)

STEP 2: The Story of the New Tree Nursery

Time: 30 Minutes

“We will now hear a story about the mistakes when an enterprise is launched without careful consideration of its market.”

- ☞ Tell the story artfully and entertainingly. If someone in the group is a talented storyteller and can read well, ask him or her to read the story to the participants instead of you reading it.
- ☞ To make the story even more interesting, select a volunteer to act out the woman as the story is told.

THE STORY OF MONICA'S NEW TREE NURSERY

Monica was a poor woman whose husband did not earn enough money to pay all the school fees for their many children. So, she decided to start a tree nursery to help her husband meet this expense. She decided to grow eucalyptus, mango, orange, avocado and lemon and to collect the seeds herself, which would not cost her any money. Monica did not know much about growing tree seedlings. But she was not discouraged. Through hard work she had learned many new abilities in her life that she had not known beforehand, and why should tree seedlings not be another one? Monica lived in a small village, and no one around her grew tree seedlings, so she had no one to ask for advice. She travelled every month to a larger village, and so this month she made time to talk with the seedling sellers in the market. Three of them were willing to give her advice, and Monica made sure to write down what she learned so she would not forget the advice. She used all her savings to buy a panga, hoe, and axe at the market. Back home, she began to work. She selected a site for her nursery that was close to her home, thinking that she would be able to work in the nursery when she was not busy with other household tasks. Her plan was to send her children to the village well to get the water that would be needed. Based on the advice she heard, she cleared a site one meter wide by four meters long, using the panga, hoe and an axe. She scattered the seeds throughout the bed. She constructed shade for the nursery by making four stands, one in each corner, putting sticks across and then laying grass on top. She watered her seeds every day. After a few weeks, a large number of seeds began to grow. She was quite happy that so many had come up and she continued to water the seedlings, hoping to sell them at a good price. When the seedlings were old enough to be planted out, she sent her children to inform all the neighbors that the seedlings were ready for sale. She also asked her older son to take some of the seedlings to the large village's market. But her son came back, having sold only a few of the seedlings that she had given him. He explained that at the market the other sellers had seedlings that looked healthier than Monica's. As a result, Monica had to lower her price significantly the following week so that her son would find buyers at the market. The money she got from the sale was only enough to reimburse her for the panga, hoe, and axe. She reflected on her situation. Yes, she did

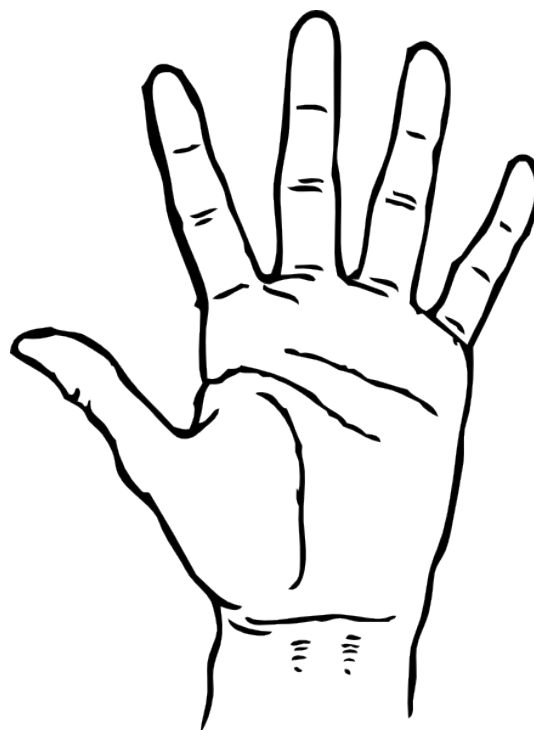
not earn any extra money to help pay the children's school fees. But what she had left were the tools she now owned and had the nursery knowledge she had learned. Next time, though, she would try to find a different market with less competition.

*** "Please talk with a person next to you for 5 minutes. Ask each other, "Did Monica succeed? What should she have done differently?" "Could 2 or 3 people share your answers with us?"

Ensure that participants or you suggest answers like these.

- ☞ "Monica did not speak with any potential customers first. She should have."
- ☞ "Monica could have gathered more information about the market. The quality of the seedlings turned out to be more important than she had expected."
- ☞ "If Monica sells in the large village's market, she would be forced to accept whatever price is standard. Maybe she can sell elsewhere, directly with customers, to get a higher price."

STEP 3: The First Important Point



Five fingers of a person

Time: 40 Minutes

Now use the 1st finger of your left hand to introduce the First Important Point. "The objective of this session is for us to understand the First Important Point – Are there enough customers to buy the products or services we want to sell? We will also examine the seasonality and market pressures of the business." "What will be the effect if we do not consider the First Important Point when selecting a business?"

Ensure that participants or you suggest answers like these.

- ☞ We might produce products that customers do not want.
- ☞ We might select an enterprise without enough customers.
- ☞ We might encounter more competition than we expected. “Important Point #1 is about Sales: Will customers buy my products?” “If we are going to sell a product or service, then we must ensure that customers will want to buy it. We will ask ourselves; Will people buy our product or service? Why or why not?”
- ☞ **To answer this question, we must think about 4 points:**
 1. Products
 2. Buyers
 3. Sellers and competition
 4. Seasonality

Please find a partner and, if you do not know their business options, ask them, ‘Which 1 business idea is your best choice right now?’ It’s OK if you do not know which option you most prefer. Choose 1 for this activity.”

Products

“I will now read questions we should consider about Product attributes. After I read each question, please ask your partner the question about their business.

Spend just 1 minute per person on each question.

We will spend about 2 minutes per question.”

- ☞ “What product or products do I want to produce? Are my products necessities or luxuries?”
- ☞ “Are they familiar to the potential customers or new to them?”
- ☞ “How can I make my product or service better in a way that is different than other sellers?”
- ☞ “Can I meet or exceed the quality and standards of the current suppliers?”

Buyers

“I will now read questions we should consider about Buyers. After I read each question, please ask your partner the question about their business enterprises. We will spend about 2 minutes per question.”

- ☞ “Who will buy my products? Are there enough buyers?”
- ☞ “Do I understand my buyers, what they want, and how to attract them? “

- ☞ “What quality do buyers want? Can I provide this quality?”
- ☞ “What quantity does each buyer generally buy?”
- ☞ “How often will they want to buy your product(s) or service(s)?”
- ☞ “How much income do they have? Are they rich, middle-income, or poor?”
- ☞ “Where do they live? Is it close or far from my business location?”
- ☞ “How will they hear and learn about my product(s) or service(s)?”
- ☞ “How frequently do they buy? Daily, weekly or monthly?”
- ☞ “Does their demand vary in accordance with the season?”
- ☞ “Does their demand vary according to their wealth?”

Sellers and Competition for the product or service I want to sell

“I will now read questions we should consider about Sellers and Competitors. After I read each question, please ask your partner the question about their business.”

- ☞ “Are there any other sellers of the same products or services in the area I want to serve? How many?”
- ☞ “Who are they and where do they sell?”
- ☞ “How do they attract customers? How will they try to attract away my buyers?”
- ☞ “Will it be difficult for me to attract the attention of buyers?”
- ☞ “What is the price charged by the other sellers?”
- ☞ “If the other sellers lower their price in the future, will I have to lower my price, too?”
- ☞ “Is there enough demand for me to produce and sell also, as well as my competitors?”
- ☞ “What special advantages do any of the competitors have?”
- ☞ “What special advantages will I have?”

If there are many other sellers, it will be hard to earn much income. The enterprises that have the most income have few or no competitors.

Illustrations = selling

Seasonality:

I will now read questions we should consider about seasonality. After I read each question, please ask your partner the question about their enterprise.

- ☞ Can I operate the activity year-round? will the level of sales vary from season to season?
- ☞ If it is seasonal, what alternatives do I have for the off season? How difficult will it be to change to another enterprise when the season changes?

Step 4: The Summary and the Think About

Time: 20 Minutes

Could 2 or 3 people please share the sales and market challenges your enterprises will face?

***Let the participants discuss their answers**

NAME ONE BIG THING LEARNED IN THIS SESSION

Now let us from one person to another and describe 1 BIG thing we learned in the session. It can be a lesson someone else mentioned already. Or It can be a new one. (Let participants present their answers. Thank each of them for sharing)

Summarize the session

We now understand the First Important Point- Examine whether customers will buy the products of the enterprise. We will also determine the seasonality and market pressures of Businesses.

Are there any questions about this session?

In the next session, we will talk about the second 'Important Point'

THE THINK ABOUT

Now it's time for the Think About

Please think about sales and market aspects of the business you are considering?

Please speak with at least 3 potential customers for the businesses you are considering. Ask them the buyer question.

Please count the number of similar sellers in the area. Try to determine whether there is enough demand for you to be another seller in the market

Please come to the next session when you are ready to discuss your findings.

Based on the findings from this Think About, we may want to drop some business ideas from consideration at this point. However, we should not make a final business enterprise selection yet.

CONCLUDE THE SESSION

The Date and time for the next session is _____

SESSION 3: Important Point #2 – Knowledge and Skills

TIME: 2 hours.

WELCOME THE PARTICIPANTS

STEP 1: Review the Sales and Market “Think About”

Time: 15 Minutes

“At the end of the last session, I asked you all to think about the Sales and Market aspects of the businesses you are considering.” “Please talk with a person next to you for 5 minutes. Ask each other, “Which business are you considering, and which idea is your best choice right now?”

Let participants discuss with each other.

- ☞ Remind the participants about the five important points by showing the five fingers of your left hand.
- ☞ “We have now learnt the first important point.”
- ☞ Use the fingers of your left hand to show this one point. “What is this first important point?”

Let participants recall the first important point.

STEP 2: The Second Important Point

Time: 75 Minutes

- ☞ Now use the 2nd finger of your left hand to introduce the Second Important Point.

“The objective of this session:

To understand the Second Important Point – can I operate this business?

The answer depends on our Knowledge and Skills. “What will be the effect if we do not consider the Second Important Point when selecting an enterprise?”

(Ensure that participants or you suggest answers like these.)

- ☞ “We might have unexpected operational issues.”
- ☞ “We might waste time and money on a business we are not suited for.”

“Important Point #2 is about Operations: Can I operate the business? Do I have the knowledge and skills?” “There are many different operational issues with any new business.”

1. Equipment
2. Raw materials and other inputs
3. Production method and place
4. Labour
5. Government and other interested groups

“We will start with the Equipment category. I will ask you many questions about the

operations of one of your business choices.” “Please find a partner and ask them, ‘Which businesses are you considering, and which 1 business idea is your best choice right now?’” “It’s OK if you do not know which option you most prefer. Choose 1 for this business.”

Equipment

“I will now read questions we should consider about Equipment issues. After I read each question, please ask your partner the question about their business.

Spend just 1 minute per person on each question.

We will spend about 2 minutes per question.”

1. “What equipment and tools will you require?”
2. “How many do I need of each type of equipment or tool?”
3. “Where can I get these equipment and tools from?”
4. “Which ones do I need to buy, and which ones can be borrowed or rented?”
5. “Will the equipment and tools need repair?”
6. “Do I know how to perform this repair? Or can I find someone who knows how?”



Equipments

Raw materials and other inputs

“I will now read questions we should consider about raw materials and other inputs. After I read each question, please ask your partner the question about their business.

We will spend about 2 minutes per question.”

1. “What raw materials and other inputs will be required?”
2. “What quantity and quality do I need?”
3. “Can I get these inputs locally?”
4. “How will I transport these items to the production site?”

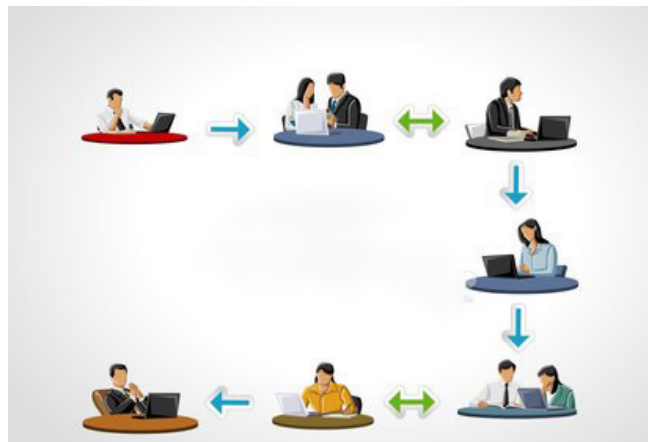


Production of raw materials and other inputs

Production method and place

“I will now read questions we should consider about production method and place. After I read each question, please ask your partner the question about their business. We will spend about 1 to 2 minutes per question.”

- ☞ “What will be the production method?”
- ☞ “Am I experienced with this method?”
- ☞ “Do I know how to solve any problem that might arise, or do I know where to get help?”
- ☞ “Where will the activity operate, and is this site suitable?”
- ☞ “If any energy source is needed, is it available?”



Production and workplace

Labour

“I will now read questions we should consider about labour and other issues. After I read each question, please ask your partner the question about their business. We will spend about 1 to 2 minutes per question.”

- ☞ “How much time is required for this business?”
- ☞ “Can my family members and I spare this amount of time?”
- ☞ “Will I need any workers with special skills? If so, are these people available?”
- ☞ “Do I need to communicate with the government or any other offices? If so, do I know where to go, whom to talk to and what to discuss?”

STEP 3: The Summary and the Think About

Time: 20 Minutes

“If we know:

- ☞ What equipment to use
- ☞ The method of production, and
- ☞ The raw materials and where to get them
- ☞ The labour required to do the work

Most questions about knowledge and skill factors required to operate the business(s) will be answered.” “Could 2 or 3 people please share the operational challenges your business will face?”

Let these participants discuss their answers.

NAME ONE BIG THING YOU LEARNT IN THIS SESSION “Now let us go from one person to another and describe 1 BIG thing that we learnt in this session. It can be a lesson someone else mentioned already, or it can be a new one.”

Let each participant talk about their lesson. Thank each of them for sharing

SUMMARIZE THE SESSION

“We now understand the Second Important Point - examining our skills and knowledge.”
“Are there any questions about this session?”

Address any questions.

“In the next session, we will talk about the Third Important Point.”

THE “THINK ABOUT” “Now it is time for the Think About.”

- ☞ “Please think about the operational aspects of the business you are considering undertaking.”
- ☞ Speak with people operating these types of businesses to learn about their biggest operational difficulties.” “I hope you discuss the Think About with other participants, with family members, and with friends. Please come to the next session ready to discuss your findings.” “Based on the findings from this Think About, we may want to drop some business from consideration at this time. However, we should not make a final business enterprise decision yet.”

CONCLUDE THE SESSION

“The date and time of the next session is ____.” “I will stay after the session in case you have any questions or feedback for me.

Thank you

SESSION 4: Point #3 – Start-up Costs, Capital, and Working Costs

TIME: 2 hours WELCOME THE PARTICIPANTS

STEP 1: Review the Operations “Think About”

Time: 15 Minutes

“At the end of the last session

I asked you all to think about the operational aspects of the business you are considering.” “Please talk with a person next to you for 5 minutes. Ask each other, “Which businesses are you considering, and which 1 business idea is your best choice right now?” (Let participants discuss with each other.) “Is anyone no longer considering a business because of the Important Points we have discussed? If so, why?” (Let participants discuss the answers.) “Has anyone added any new business idea or ideas to their list?” (Let participants discuss the answers.)

- ☞ Remind the participants about the five important points by showing the five fingers of your left hand. “We have now learned the first 2 important points.
- ☞ Use the fingers of your left hand to show these 2 points. “What are these first 2 important points?”
- ☞ Let participants recall the first 2 important points.

STEP 2: The Third Important Point

Time: 15 Minutes

• Now use the 3rd finger of your left hand to introduce the Third Important Point. “This session is about the Third Important Point – Start-up Costs, Capital, and Working Costs.”

1. “How much money do I need to start up a business, and can I afford this amount?”
 2. “If I will pay for it from my savings, can I afford to lose that amount from my savings?”
 3. “What will the ongoing costs for the business be?” “What will be the effect if we do not consider the Third Important Point when selecting a business?” (Ensure that participants or you suggest answers like these.)
- ☞ “We might not have enough money to start up the business.”
 - ☞ “We might use money from savings we cannot afford to lose.”
 - ☞ “We might underestimate the ongoing costs of the business.”

STEP 3: Start-up and Ongoing Costs

Time: 60 Minutes

STARTUP COSTS “Start-up Costs are how much it will cost to start up the business. We have to spend Start-up Costs once - before starting up the activity. These are costs we must pay before the business begins to generate its own money.” “What are some examples of costs we must pay to start up the business?”

Ensure that participants or you suggest answers like these.

- ☞ Purchasing the starting inventory of a store
- ☞ Purchasing the starting inputs of a production business
- ☞ Purchasing equipment

☞ “Please talk with a person next to you for 5 minutes. Ask each other, “What costs will you need to pay to start up your business? ” “Could 2 or 3 people please share your answers with us?”

Let these participants discuss their answers.

SOURCES OF STARTUP COSTS “The start-up costs are the amount of capital we need to have in our hand to start an enterprise. Where can we get this capital?”

Ensure that participants or you suggest answers like these.

- ☞ Loans
- ☞ Family savings
- ☞ Personal savings “To pay for the business start-up, why are savings better than loans? Why are loans better than savings?”

Ensure that participants or you suggest answers like these.

- ☞ Savings are safer. If the investment fails, we shall have lost only our own money.
- ☞ But if we cannot risk savings we cannot afford to start.
- ☞ Loans may be easier to acquire.
- ☞ But loans are expensive.

We must pay back the loan and pay interest payments. Even if the business fails, we will still have to pay back the loans through another way. “One mistake is to only have enough available funds to pay for start-up costs, which does not leave enough funds for paying ongoing costs of running the business. In this case, production and income may not be enough to repay loans – and the result will be that we would be worse off rather than better off after starting up the business.”

ONGOING COSTS “Next we should consider the ongoing costs of operating the business, of keeping the business running.

- ☞ “Most business earns income from producing and selling goods. For these businesses, the ongoing costs are primarily the inputs we buy for the production process.”

☞ “Some business earns income from buying-and-selling. For these businesses, the ongoing costs are primarily the goods we buy to sell for a profit.”

“We can think of the ongoing costs going out from our hand when we purchase raw materials and other inputs, pay or transport, and other selling costs.

The money comes back into our hands when we sell the finished products.” “The amount of ongoing costs depends on how many products we produce – the level of production. The more units we produce, the more money we need to pay for inputs.”

“Please talk with a person next to you for 5 minutes. Ask each other, “What types of costs will you need to pay to operate your business? ” “Could 2 or 3 people please share your answers with us?”

Let these participants discuss their answers.

“Please continue with the same partner and ask each other, “what is your estimation of the total amount of these ongoing costs?””

Let the participants discuss their answers.

STEP 4: The Summary and the Think About

Time: 30 Minutes

NAME ONE BIG THING YOU LEARN'T IN THIS SESSION

“Now let us go from one person to another and describe 1 BIG thing that we learned in this session. It can be a lesson someone else mentioned already, or it can be a new one.”

Let each participant talk about their lesson. Thank each of them for sharing.

SUMMARIZE THE SESSION

“We now understand the Third Important Point - examining the Start-up Costs, Capital, and Working Costs of our businesses.” “The decision to start-up a business should not be made until the total funds required are determined. If we cannot acquire the required amount of money, we should not undertake the business even if it has all the other advantages. Why should it be important to think about this point before making a decision about a new business?”

Ensure that participants or you suggest questions like these.

☞ “If all the cash is spent on start-up costs, then there won't be enough to pay the ongoing costs and the business may fail.”

☞ “We may need to divert funds from the selected business to other family activities. This could lead to its failure, if money is not available to pay all start-up and working costs.”

☞ “If all the family’s savings is invested in business, then it will be difficult to cope during an emergency such as sickness or drought.”

“Are there any questions about this session?”

Address any questions.

“In the next session, we will talk about the Fourth Important Point.”

THE “THINK ABOUT” “Now it is time for the Think About.”

“Please think more about the start-up costs of the business you are considering and where you will get the money from. Think of the resources you have and whether you are willing to commit them. Please come with those sources in mind for the next sessions.”

“Please think more about the ongoing costs of the business you are considering, because in the next session we will ensure that the business sales will cover these ongoing costs.” “I hope you discussed the Think About with other participants, with family members, and with friends. Please come to the next session ready to discuss your findings.” “Based on the findings from this Think About, we may want to drop some business consideration at this time. However, we should not make a final business decision yet.”

CONCLUDE THE SESSION

“The date and time of the next session is ____.” “I will stay after the session in case you have any questions or feedback for me. Thank you

SESSION 5: Important Point #4 – Sales and Income

TIME: 2 hours.

WELCOME THE PARTICIPANTS

STEP 1: Review the Costs and Capital “Think About”

Time: 15 Minutes

“At the end of the last session, I asked you all to think about start-up and ongoing costs.”
“Please talk with a person next to you for 5 minutes. Ask each other, “What is likely to be your biggest start-up and ongoing costs for the business you are considering?”

Let participants discuss with each other.

“Is anyone no longer considering a business because of this Important Points? If so, why?” “Has anyone added any new business or businesses to their list?”

Let participants discuss the answers.

Remind the participants about the five important points by showing the five fingers of your left hand.

“We have now learned the first 3 important points.”

Use the fingers of your left hand to show these 3 points. “What are these first 3 important points?”

Let participants recall the first 3 important points.

STEP 2: The Fourth Important Point

Time: 15 Minutes

Now use the 4th finger of your left hand to introduce the Fourth Important Point. “This session is about the Fourth Important Point – Sales and Income.” “What is income? Income is the money left in our hand after we pay all the costs of our business, which we can use to spend on our family – on food, shelter, and school fees. More income is better. Without income from our business, all our efforts are futile.”

“To earn income, we need to receive more money from sales than we spend on ongoing costs.”

1. “First, we will estimate the money we receive from Sales.”
2. “Then, we will estimate Income from the business.”
3. “What will be the effect if we do not consider the Fourth Important Point in selecting a business?”

Ensure that participants or you suggest answers like these.

☞ “We may not make enough sales revenue.”

☞ “We may not earn enough income and be better off.”

STEP 3: Estimate Sales, Income, and Profitability

Time: 60 Minutes



Sales+ Income

ESTIMATE SALES “First we will calculate how much money we will receive from sales each week.” “Please find a partner to estimate your business money from Sales by asking 2 questions:”

1. “What price will I charge?”
2. “How many buyers can I attract at this price each week?”

“Now work with your partner to multiply the 2 numbers to calculate how much money we will receive from sales each week.”

If anyone cannot multiply, just have them answer, “How much do I think I can sell each week or production period?”

“Could 2 or 3 people please share your answers with us?”

Let these participants discuss their answers.

ESTIMATE INCOME

“Now we will calculate how much income we will earn each week.

Income is the money left in our hands after we have paid all our costs.”

“Please work with your partner to estimate your business Income by asking 2 questions:”

1. “How much are my ongoing costs each week?”
2. “How much money will I receive from Sales each week?” “Work with your partner to subtract the Costs from Sales to calculate your weekly income.”

If anyone cannot subtract, just have them answer, “How much of my sales will I have left each week after I pay my ongoing costs?” “Could 2 or 3 people please share your answers with us?”

Let these participants discuss their answers

MORE WAYS TO DETERMINE PROFITABILITY

“If our business earns income, then it is ‘profitable.’ If it loses income, the business is ‘unprofitable.’ We want to select a business that will be profitable, but what can we do to estimate this?”

“Find a partner and ask each other these questions, one at a time.”

☞ “Which businesses are you considering, and which ones is likely to earn the most income?”

☞ “How profitable is each business for sellers who currently sell this product?”

Unit Profit is another method, ‘Unit Profit is what we have left when we subtract the Costs of making 1 unit from the selling price.

What is the Unit Profit for this business?

“The higher the Unit Profit, the fewer units we must sell to earn enough income.”

STEP 4: The Summary and the Think About

Time: 30 Minutes

NAME ONE BIG THING YOU LEARNT IN THIS SESSION

“Now let us go from one person to another and describe 1 BIG thing that we learnt in this session. It can be a lesson someone else mentioned already, or it can be a new one.”

Allow each participant talk about their lesson. Thank each of them for sharing.

SUMMARIZE THE SESSION

“We now understand the Fourth Important Point - examining Sales to estimate whether our business will earn income. Income depends on Sales and Costs. Income equals Sales minus Costs. Our business Income is what is left of our Sales Revenue after we have paid all our expenses. “Are there any questions about this session?”

Address any questions.

“In the next session, we will talk about the Fifth Important Point.”

THE “THINK ABOUT”

“Now it is time for the Think About.”

“Please think more about your estimations of Sales and Income. Try to think of any other costs that will reduce the income.

“Please try to speak with people who currently operate the business ideas you are considering. Ask them about their Sales and Costs to estimate how much income they generate.” “I hope you discuss the Think About with other participants, with family members, and with friends. Please come to the next session ready to discuss your findings.” “The more income the business will earn, the better it is for us to select.” “Based on the findings from this Think About, we may want to drop some business from consideration at this time. However, we should not make a final business decision yet.”

CONCLUDE THE SESSION “The date and time of the next session is ____.” “I will stay after the session in case you have any questions or feedback for me. Thank you

SESSION 6: Point #5 – Weekly Family Income and Expenses

TIME: 3 hours

MATERIALS TO PREPARE BEFORE THE SESSION:

- ☞ Work with participants to collect local materials like stones. (You can also use sticks, leaves, cards, or anything else.) These stones will be used to count money, so collect more than you think you will need.

WELCOME THE PARTICIPANTS

STEP 1: Review the Sales and Income

“Think About”

Time: 15 Minutes

“At the end of the last session, I asked you all to think about the Sales and Income of the business you are considering.” “Please talk with a person next to you for 5 minutes. Ask each other, “What will be your biggest start-up and ongoing costs for the business you are considering?””

Let participants discuss with each other. “Is anyone no longer considering an enterprise because of the Important Points we have discussed? If so, why?” Let participants discuss the answers.

“Has anyone added any new businesses or business to their list?” Let participants discuss the answers.

- ☞ Remind the participants about the five important points by showing the five fingers of your left hand. “We have now learnt the first 4 important points.”
- ☞ Use the fingers of your left hand to show these 4 points. “What are these first 4 important points?”
- ☞ Let participants recall the first 4 important points.

STEP 2: The Fifth Important Point

Time: 15 Minutes

Now use the 5th finger of your left hand to introduce the Fifth Important Point.

“This session is about the Fifth Important Point – Weekly Family Income and Expenses. Does our family need income from the business to cover weekly household expenses, or to help cover expenses that occur from time to time? If we think about our needs for short-term income, it will help us select an appropriate business.” “What will be the effect if we do not consider the Fifth Important Point when selecting an an enterprise?”

Allow participants to or you suggest answers like these.

“Our business might fail because we spent the money intended to cover ongoing costs on our weekly household expenses.”

STEP 3: The Story of the Ambitious Son Time: 60 Minutes

“We will now hear a story about the challenges of a family’s financial decisions.”

Tell the story artfully and entertainingly. If someone in the group is a talented storyteller

and can read well, ask him or her to read the story to the participants instead of you reading it.

To make the story even more interesting, select 4 volunteers to act out the roles as the story is told.

Okello and Akuru

Okello and his wife Akuru live in a small trading center in Arua District. Okello is a tailor and has had a successful tailoring business ever since he learned this skill from his father at an early age. His wife Akuru raises vegetables that she sells at the weekly market. Some of these vegetables are also consumed by the family, which includes three sons and two daughters still living at home. Their oldest son Onen has recently returned home to start a new life, after his contract work with Kakira Sugar Works ended. Onen appealed to his parents for a loan to start up a drug store in the trading center. He decided on this business because he was fairly knowledgeable about medicine, having done some part-time work in a drug store while in Kakira. He also observed that there were no other drug stores nearby and he lacked his father's tailoring skills, because he went to work in Kakira when he was still young rather than learning tailoring from his father. Onen's wife Amina grew up in town, so she does not have the knowledge of vegetable growing like her mother-in-law Akuru. Okello and his wife are reluctant to lend their son the one hundred thousand requested because they noticed recently that their sewing machine, which has served them well for many years, is no longer working properly. They have taken it to Arua several times to have it repaired and were recently told that the next time it stopped working it might be impossible to fix it. Therefore, Okello and his wife do not want to withdraw money from their joint savings account at the Centenary Bank until they need it to buy a new sewing machine. They also need to keep some money there in case there is a family emergency. They know that their son Onen spent the terminal benefits provided to him by the Sugar Corporation rather than investing it in some new business. So, they wondered why they should support their son's business idea. However, Onen is now hanging around town unemployed. As a result, Okello and his wife have to provide food and lodging for Onen, his wife Amina and their two small children. They are all living with Okello and Akuru until they can start earning for themselves. Onen has recently attended a training course on Selection, Planning and Management of enterprises. He assures his parents that he has learned some skills that will help him to manage the business successfully. One lesson is to think about all the family's needs for capital rather than just the new activity that is being started. He tells his parents that he would like to discuss this with the family before his parents makes a decision about the loan

SMALL GROUP DISCUSSION OF THE STORY

“We will now form small groups to discuss the situation and make a decision about what is best for this family. Each person in the small group should take the role of one of the 4 people in the story. This means that each person in the small group should present the point of view of the family member whose role he or she is playing. After presenting the various points of view, each group should come to an agreement about the right course of action.”

Break the participants into small groups of four persons each. Allow each group about 30 minutes to decide what the family should do. At the end of the given time, have all the participants come back together into a large group. “Now a spokesperson for each small group should tell the large group what they decided, and why.” (After each presentation, discuss the decision taken, asking all these questions:)

- ☞ “What are the advantages of the decision taken?”
- ☞ “What are the disadvantages?”
- ☞ “Does this decision expose the family to a lot of risks?”
- ☞ “Are there any alternatives that would be less risky

STEP 4: Determine Short-Term Income Needs

Time: 60 Minutes

INTRODUCTION TO WEEKLY EXPENSES

“To examine the Fifth Important Point, we will determine the following:”

1. “Our family’s weekly household expenses.”
2. “Our family’s weekly income.”
3. “The difference between weekly income and expenses.” “Household expenses can be broken down into 2 main categories: Weekly expenses and occasional expenses. Let us discuss the differences between the 2 categories.”

Lead the discussion with the following questions.

1. “What expenses does our family incur that must be paid for with cash?”
2. “For which items do we need cash very frequently?”
3. “For which items do we need cash only occasionally?”

Ensure that participants or you suggest answers like these

“The expenses which are incurred almost every day are called weekly expenses. These include items such as: o Paraffin o Salt o Matches o Tea o Sugar”

“The expenses which are incurred only from time to time are called occasional expenses. These include items like: o School fees o Medicine o Clothes o Building a home”

PARTNER CALCULATION OF WEEKLY EXPENSES

“Now please find a partner. Work with your partner to calculate your weekly family expenses using your stones.”

- ☞ “First, count out the amount that is needed for each item that is usually purchased on a weekly basis.”
- ☞ “After this, add up the total amount that is required each week. Occasional expenses should not be added in.”
- ☞ “After this, place the pile representing weekly expenses on your left-hand side.
- ☞ Allow sufficient time for each participant to complete this exercise.

Ask for several volunteers to share their calculation with the group. If no one volunteers to share, do not force anyone to share.

No one should be forced to provide information to others about their personal finances.

PARTNER CALCULATION OF WEEKLY INCOME

“Now please think about the money that your family members earn. Family income can be broken down into 2 categories.”

1. “Money that family members earn and bring home on a daily or weekly basis.”
2. “Money that family members earn that is available to spend only from time to time.” “Please talk with your partner. Ask each other, ‘Is it easy or is it hard for you to cover weekly household expenses with present weekly family income?’” “Could 2 or 3 people please share your answers with us?”

Let these participants discuss their answers. “We all fall into 1 of 3 groups:

Those who cover their weekly household expenses...

1. With great difficulty, most of the time
2. Fairly easily, most of the time
3. With difficulty or ease according to the season” SEASONALITY “Seasonality is important. Could 2 or 3 people please give examples of how income flows within their families vary from season to season?”

- ☞ Ensure that participants are not asked to state how much income is earned from various activities. They should instead talk about the types of income earning activities - both wage labour and business - that are seasonal and how the changing income from these activities affects their ability to cover basic household expenses. They may mention the following as examples:
- ☞ When cash crops are sold
- ☞ When wage labour is on market demand
- ☞ When it is harvesting period for other crops

INDIVIDUAL CALCULATION OF WEEKLY INCOME MINUS EXPENSES

“We will now work individually and without partners on this next exercise.” “Please identify the amount that your families earn weekly from all sources during this season. Income sources that do not give regular weekly income should not be included in the exercise.”

If some participants do not know the family’s regular weekly income because their husbands manage all the family money, ask them to estimate to the best of their ability. The exercise will have value in showing them the process to follow, even if their estimate is not completely right. “Please count out enough stones for the amount from each source of weekly income.

“After that, please add it all up, and place it on your right-hand side.” “Now please compare the right-hand pile (representing weekly income) with the left-hand pile (representing weekly expenses).”

SHORT-TERM VERSUS LONG-TERM INCOME

After everyone has been given a few minutes, divide the participants into 2 groups:

1. Those who have more weekly income than weekly expenses
2. Those who have more weekly expenses than weekly income ask the participants whose weekly household expenses are higher than their weekly income:

- “Should this situation affect your choice of business? Why?”

“What types of businesses are suitable for a person whose weekly family expenses can’t be covered by weekly family income on a regular basis?”

Participants in this group should mention their need for businesses that give quick short-term income.

Next, ask the participants, whose weekly household expenses are lower than their weekly income,

“How would the suitable business for this group be different from the suitable business of the first group?” Participants in this group should mention that business which offers long-term income, that is, those that offer income only occasionally, after a cycle longer than a week, might be suitable for them. “And what should we do if the demand for their products is greatly reduced during the low season?”

Participants may mention:

- ☞ They could stop the business
- ☞ They could reduce production levels
- ☞ They could reduce family expenses

They could change to another business “Is there any danger in shifting to other businesses? “Yes, this should be done only after considering all the five important points. We should never switch businesses on the basis of its income generation alone.”

STEP 5: The Summary and the Think About

Time: 30 Minutes

expenses that occur from time to time? If we think about our needs for short-term income, it will help us select an appropriate business.” “What will be the effect if we do not consider the Fifth Important Point when selecting a business?”

Ensure that participants or you suggest answers like these.

“Our business might fail because we spent the money intended to cover ongoing costs on our weekly household expenses.

NAME ONE BIG THING YOU LEARNT IN THIS SESSION

“Now let us go from one person to another and describe 1 BIG thing that we learned in this session.

It can be a lesson someone else mentioned already, or it can be a new one.”

Let each participant talk about their lesson. Thank each of them for sharing.

Ensure that participants or you suggest answers like these.

“We must think about whether or not our family needs may bring income to help pay for basic weekly household expenses before we select a business.”

“We need to think about the fact that many businesses are seasonal. We may need

to change business according to the season, but we need to give careful thought to all the five important points before doing this.”

“Every time we think about changing our business, we should think about our current family income. There may be some seasons when other family members are earning well, so we can have a long-term business such as a vegetable garden. But if other family members are not earning well, we need to have a short-term business such as a small trading business.

” SUMMARIZE THE SESSION

“We now understand the Fifth Important Point – fitting our business selection into our family’s weekly income needs. If we do not consider the Fifth Important Point when selecting a business, our business might fail because we spent the money intended to cover ongoing costs on our weekly household expenses.” “Remember: we must never switch businesses until we have carefully considered all of the Five Important Points. And we must consider the Five Important Points again for every business we select in the future.”

“Are there any questions about this session?”

• **Address any questions.**

“In the next session, we will select our business (s).”

THE “THINK ABOUT”

“We are now at the point in the training course when we should make a decision about which business to undertake, based on an analysis of the Five Important Points. This week’s Think About asks us to make this decision.”

“Before the next session, please...”

- ☞ “Determine which of the business under consideration will best meet the needs of your family to cover expenses.”
- ☞ “Select the most suitable business, based on the five important points.”
- ☞ “Come to the next session prepared to make a brief presentation on your selected business.” “To repeat, all participants should decide by the next session which business they want to undertake.” “I hope you discuss the Think About with other participants, with family members, and with friends.”

CONCLUDE THE SESSION

“The date and time of the next session is ____.” “I will stay after the session in case you have any questions or feedback for me. Thank you

SESSION 7: Enterprise Selection

TIME: 2 hours

WELCOME THE PARTICIPANTS

STEP 1: Review of Selection

Time: 15 Minutes

- ☞ Remind the participants about the five important points by showing the five fingers of your left hand. “We have now learned the all Five Important Points of Selection.”
- ☞ Use the fingers of your left hand to show these 5 points. “What are these Five Important Points?”

☞ Let participants recall the Five Important Points.

“Remember: we must never switch businesses until we have carefully considered all of the Five Important Points. And we must consider the Five Important Points again for every business we select in the future.”

“After today’s session, we will move onto learn Planning and Management.

STEP 2: Presentation of Enterprise Selection

Time: 90 Minutes

“At the end of the last session, I asked you all to decide on your business.”

- ☞ This session is about explaining our selection. We will confidently explain why we have chosen our specific business, by reviewing all five important points.
- ☞ Invite volunteers to explain their selection one-by-one (The selection PROCESS is more important than the choice, so do not allow a participant to merely mention the selected business. If the participant has any difficulty explaining all the points, you may guide him or her with the following questions.)
- ☞ Which business have you selected?
- ☞ “Why did you decide upon this business?”
- ☞ “Did you think about where and how you will sell your product, and whether your customers will buy your product?”
- ☞ “Did you think about whether you have the right skills, knowledge, attitudes, and time?”
- ☞ “Did you think about the amount of money that is needed for start-up and working costs, and where you will obtain it?”

- ☞ “Did you calculate the amount of money that you can earn from this business?”
- ☞ “Did you consider whether or not the income from your business is needed for weekly family expenses?”
- ☞ After the first presentation, ask, “Who else has chosen this same business?” Invite these participants to add other points that they considered in their decision.
- ☞ When everyone for that business has spoken, continue with a participant with a different business using the same technique.

After 3 or 4 business have been presented, check (1) the time remaining for the rest of the presentations and (2) how many participants have not yet spoken. If time is getting short, have the remaining participants explain their selection in less detail.

Do not allow this session to run for more than 90 minutes.

(Note: If the same business ideas are mentioned many times, do not criticize the participants. However, this repetition may be a sign that a particular business will become too popular with too many competitors selling the same product.

As the Facilitator’s notes, you can later suggest that participants who would be operating the same business in the same area perhaps (1) work together or (2) select a different business, again using the Five Important Points to select it.)

STEP 3: The Think About

Time: 15 Minutes

“Congratulations to all of you for having successfully selected your business (s). “Remember: we must never switch business until we have carefully considered all of the Five Important Points. And we must consider the Five Important Points again for every business we select in the future.” “In the next session, we will talk about Planning.”

THE “THINK ABOUT” “Now it is time for the Think About.”

- ☞ “Please think more about all the tasks involved in your business.”
- ☞ “Please think more about all the resources and labour needed in your business.”
“I hope you discuss the Think About with other participants, with family members, and with friends. Please come to the next session ready to discuss your findings.”

CONCLUDE THE SESSION

“The date and time of the next session is_____.” “I will stay after the session in case you have any questions or feedback for me. Thank you.”

SESSION 8: PLANNING

TIME: 2 hours

WELCOME THE PARTICIPANTS

STEP 1: Review the business Selection “Think About”

Time: 15 Minutes

“At the end of the last session, I asked you all to think about the tasks and resources involved in your business.” “Please talk with a person next to you for 5 minutes. Ask each other, “What tasks and resources will your business need?””

Let participants discuss with each other.

“Has anyone changed their business selection or added another business?”

If anyone has, be sure he or she also explains the choice with relation to the Five Important Points.

STEP 2: Tasks and Resources

Time: 90 Minutes

“This session is about Planning. We will discuss why planning is essential and then plan for the tasks and resources needed by our business -- who will do them and how much time they will take.

“Planning is the process of organizing resources to perform the tasks of our business. What are Tasks and Resources?”

1. “Tasks are all the things we need to do in order to earn money from the business, such as buying raw materials to selling the finished product.”
2. “Resources are all the things we need to obtain to get the business started up and running well.” “What will be the effect if we do not plan for the use of Tasks and Resources when we launch our business?”

Ensure that participants or you suggest answers like these.

- ☞ “We might discover that we need to learn more about a particular task or resource.”
- ☞ “We might discover we do not have enough time to perform all of the tasks.”
- ☞ “We might fail to save funds to spend on an important resource.”

PARTNER DISCUSSION ON TASKS AND RESOURCES

“Please find a partner. Together, we will walk through the planning of your business – the tasks to do, the resources to obtain, and the family members who might do each task.” “I will now read questions we should consider about tasks and resources. After I

read each question, please ask your partner the question about their business. Spend just 1 or 2 minutes per person on each question. We will spend about 3 minutes per question.”

- ☞ “What tasks do you need to do to earn money from your business? What order?”
- ☞ “Which family member(s) is most likely to do the first task? The next task?”
“Continue until all the tasks have people who will do them.”
- ☞ “Which resources do you need to obtain to get the business started and running well?”
- ☞ “And which resources will be needed for each task?”

PARTNER DISCUSSIONS ON QUANTITY OF PRODUCTION PLANNING

“I will now read questions we should consider about planning how much we will produce. After I read each question, please ask your partner the question about their business. Spend just 1 or 2 minutes per person on each question. We will spend about 3 minutes per question.”

1. “What product or products do I want to produce?”
2. “How much of each item do I want to produce?” “Why it is important to first determine how much we will produce?”

Ensure that participants or you suggest answers like these.

- ☞ “The more we produce, the more resources will be used.”
- ☞ “The more we produce, the more time we will spend on tasks.”
- ☞ “The more we produce, the more costs we must pay to keep the business running.”

PARTNER DISCUSSIONS ON TASK PLANNING

“Now we move to task planning. We must think about every task that needs to be accomplished, from the purchase of the raw materials right through to the selling of the final product.” “I will now read questions we should consider about tasks. After I read each question, please ask your partner the question about their business. Spend just 1 minute per person on each question. We will spend about 2 minutes per question.

1. “Who will buy the equipment, raw materials, and other inputs?”
2. “How will they be transported to the production site?”
3. “What are the steps in the production process?”
4. “How much time is required for each of these tasks?”
5. “Can my family members and I spare this amount of time?”
6. “Who will sell the products and where will they be sold?”

7. “How will the products be transported to the market?”
8. “How much time will it take to sell the products?”

PARTNER DISCUSSIONS ON RESOURCE PLANNING

“Now we move to resource planning. We must ensure that we can obtain and pay for all the resources that we need for the amount we want to produce. Resource planning relates mainly to answering the following types of questions

1. “What do I need?”
2. “How many do I need?”
3. “How much will it cost?”
4. “When do I need to buy it?”

“We will now talk more about resources by reviewing the same equipment, raw materials, and input questions we considered earlier in the Operations session. This time we can answer with more certainty. Our goal is to not make the mistake of overlooking any piece of our business.” Equipment “I will now read questions we should consider about Equipment resources. After I read each question, please ask your partner the question about their business. Spend just 1 minute per person on each question. We will spend about 2 minutes per question.”

1. “What equipment and tools will be required?”
2. “How many do I need of each type of equipment or tool?”
3. “Where can I get these equipment and tools from?”
4. “Which ones do I need to buy, and which ones can be borrowed or rented?”
5. “When do I need to have these items?”
6. “How much does each cost to buy and transport?”
7. “Will the equipment and tools need repair?”

“Do I know how to perform this repair? Or can I find someone who knows how?” Raw materials and other inputs “I will now read questions we should consider about raw materials and other inputs. After I read each question, please ask your partner the question about their business. We will spend about 2 minutes per question.”

1. “What raw materials and other inputs will be required?”
2. “What quantity and quality do I need?”
3. “When do I need each item?”
4. “How much do they cost to buy and transport?”

REVIEW THE EXERCISE

“What does this exercise teach us about planning?”

Ensure that participants or you suggest answers like these.

1. “There is a lot to think about when it comes to planning tasks and the use of resources.”
2. “We must plan our business before starting it up. If we forget about an important resource, or don’t manage the time properly for each of the required tasks, then our business will struggle.”

STEP 3: The Summary and the Think About

Time: 15 Minutes

NAME ONE BIG THING YOU LEARNT IN THIS SESSION

“Now let us go from one person to another and describe 1 BIG thing that we learn in this session. It can be a lesson someone else mentioned already, or it can be a new one.”

Let each participant talk about their lesson. Thank each of them for sharing.

SUMMARIZE THE SESSION

“We now understand what it means to plan our business. Are there any questions about this session?”

- ☞ Address any questions. “In the next session, we will learn how to manage our business(s) by controlling our cash and minimizing any risks.”
- ☞ THE “THINK ABOUT” “Now it is time for the Think About.”
- ☞ “Please think about and determine your operational plan – how much you will produce, your start-up and ongoing costs, and your task planning.”

“I hope you discuss the Think About with other participants, with family members, and with friends. Please come to the next session ready to discuss your findings.

” CONCLUDE THE SESSION “The date and time of the next session is____.” “I will stay after the session in case you have any questions or feedback for me. Thank you.”

SESSION 9: MANAGEMENT

TIME: 2.5 hours

WELCOME THE PARTICIPANTS PREPARATION:

Prepare the ground in order to draw the chart of the 4 cash categories.

STEP 1: Review the business Planning

“Think About”

Time: 15 Minutes

“At the end of the last session, I asked you all to think about (1) how much of your products you will produce, (2) your start-up and ongoing costs, and (3) your task and resource planning needed for your business.”

“Please talk with a person next to you for 5 minutes. Ask each other, “How much of your products will you produce? And what will be the primary tasks and resources you will need?””

Let participants discuss with each other.

“Has anyone changed their business selection or added another business?”

If anyone has, be sure he or she also explains the choice with relation to the Five Important Points.

INTRODUCTION TO CASH CONTROL AND RISK MINIMIZATION

“This session is managing our business by (1) controlling our cash and (2) minimizing the effects of potential risks.” 1. “How do we control our cash? By taking care of the cash we receive in the business from the sale of our products. We will learn the 4 areas where incoming cash must be allocated – and how to keep the 4 categories separate.” 2. “How do we minimize the effects of risks? By controlling credit to customers and saving money regularly.”

STEP 2: The Mystery of the Disappearing Goods

Time: 30 Minutes

“We will now hear a mystery about a woman with management troubles. Listen closely and see if you can solve the mystery and explain the story.”

☞ Tell the story artfully and entertainingly. If someone in the group is a talented storyteller and can read well, ask him or her to read the story to the participants instead of you reading it.

- ☞ To make the story even more interesting, select 2 volunteers to act out the roles as the story is told.

THE MYSTERY OF THE DISAPPEARING GOODS.

Six months ago, Mrs. Gama started a small grocery shop in her village with money obtained by selling some of the goats owned by her family and selling produce which she had grown. The start was fine and promising. In order to expand her business, she got a loan from a revolving fund in the village. She kept her shop open for the whole day and remained busy selling the products. She kept the cash received from sales in a wooden cashbox. From time to time, she used some of the money in the cashbox for reinvestment in stocks. She also used money from the same cashbox for family expenses. One day a Facilitator's notes from a local NGO came to visit Mrs. Gama to see how her shop was progressing. The Facilitator's notes noticed that stocks of many items were low and that many of the tin boxes used to stock items such as biscuits and popcorn were completely empty. The extension agent tried to find out from Mrs. Gama whether the shop's condition was due to a low profit that made her reluctant to restock the items. But from the conversation, the Facilitator's notes realized that the income earning prospects of the shop was still excellent. She should have plenty of money in the cashbox to restock her shelves on a regular basis, to expand the business and to pay any necessary household expenses on a regular basis. Mrs. Gama asked the Facilitator's notes to refer her to a loan officer at a local bank. She said that she needed another loan so that she could restock the shop. But the Facilitator's noticeshe was confused. He wondered why Mrs. Gama needed a loan when she was apparently making a good profit.

* * * "What do you think could be the cause of the woman's problems?"

Ensure that participants or you suggest answers like these.

1. "Mrs. Gama withdraws money from the cashbox to pay household expenses. Maybe she spends more than she can afford, given her level of earnings from the shop."
2. "She may be giving away items to friends and relatives, thinking that the amounts are small. But over time, this could be a reason that her stocks are being depleted."
3. "She may be giving credit to customers, and not getting all this money back."
4. "She might have needed advice on how to run the business when it expanded."

STEP 3: Cash Control

Time: 60 Minutes

“These types of problems are common for business owners. For this reason, we need to actively manage the cash and credit from our businesses. This is the most important aspect of management to understand if we want to earn income from our business for a long time.” “When a business is started, cash flows into the business from a combination of personal savings and loans. These funds pay the start-up costs and the first batch of ongoing costs. After that first cycle, production takes place and cash flows into the business from sales.” “All this cash must be carefully managed. One of the most important points to remember is that the cash received from sales should be allocated to different categories before any of it is spent.” “What categories can we allocate to the cash we receive from our business?”

Let participants discuss the answers.

“There are 4 categories:” 1. “Ongoing costs to keep the business running” 2. “Repaying loans” 3. “Family expenses” 4. “Savings”

1. Ongoing costs 2. Repaying loans 3. Family expenses 4. Savings “Savings are needed to (1) pay for occasional expenses, (2) prepare for unforeseen events, and (3) replace start-up costs that wear out or break down.” (Ensure participants understand each category before moving on.) “So, what do we do with cash received from sales?” “It should be allocated to ongoing costs and loan repayment before spending on household expenses or setting aside money for savings.” SET ASIDE MONEY FOR ONGOING COSTS “Why set aside money for ongoing costs before spending it on our family?”
2. “Without money for ongoing costs, the business will not have enough money to keep buying the raw materials and other inputs. This is what happened to the woman’s grocery shop in the story.”
3. “The less production we can do, the fewer products we will be able to sell.”
4. “The less sales we have, the harder it is to repay loans and to earn money from the business.”
5. “Eventually the business will suffocate and fail.”
6. “We must pay our ongoing costs to keep the business running. Without money to pay ongoing costs, the business will slow or stop earning the income we need.” SET ASIDE MONEY TO REPAY LOANS “Why set aside money to repay loans before spending it on our family?” (Ensure that participants or you suggest answers like these.)

7. “Loans must be repaid. If they are not, the participant will suffer the consequences of default.” “What are the consequences to us if we default?”

Ensure that participants or you suggest answers like these.

- ☞ “We would be more indebted.”
- ☞ “We would be pressured by other members of the SGs, by the bank, or by the NGO.”
- ☞ “We would lose our goodwill and not be eligible for future loans.”
- ☞ “We may lose membership in the savings and credit group.”
- ☞ “We may lose our peace of mind.”
- ☞ “Ultimately, we might have to repay the loan by selling household goods. This would only make us more vulnerable than we were before.”

“The cash available for family expenses may not be as much as we expected, after we have replenished our money for ongoing cost and made our loan payments. Why? Because at the beginning of a business, the business income must be used to pay off 2 other expenses first:”

- ☞ “The interest and fees that they must pay to the moneylender, bank, or NGO for the use of the loan money.”
- ☞ “The amount of the loan we borrowed.” “Once we repay the loans, all the funds invested in the business belong to us.”

BACK TO THE MYSTERY OF THE DISAPPEARING GOODS “Remember Mrs. Gama’s Grocery Shop? Mrs. Gama’s cash problem may have been partly caused by the burden of repaying her loans. Her business might now have earned enough income to allow her to both (1) repay the loan easily AND (2) pay her normal family expenses. “Can you think of any possible solutions to Mrs Gama’s problem?”

Ensure that participants or you suggest answers like these.

- ☞ “She should stop giving credit and/or giving away items.”
- ☞ “She should temporarily reduce family expenses as much as she can until the loan is repaid.”
- ☞ “Mrs. Gama’s family might have more money to spend on her business. This would allow her to operate at a larger scale or to introduce a second business at the present time.”
- ☞ “She can try hard to reduce the ongoing costs of the business.” “Why would it be a mistake for Mrs. Gama to take another loan to solve her problem?” (Ensure that participants or you suggest answers like these.)
- ☞ “Because she is already indebted, so another loan will make her more vulnerable.”

SUMMARY

“Please remember this point: Cash received from sales must be allocated to loan repayment and working costs first before being used on the family, if possible. This mistake is one of the biggest dangers that we face with running our business.”

“Please talk with a person next to you for 5 minutes. Ask each other, “How do you plan to allocate your business and keep the different funds separate? “Could 2 or 3 people please share your answers with us?”

Ensure that participants or you suggest answers like these.

- ☞ “A bag with separate pockets.”
- ☞ “A series of envelopes.”
- ☞ “A set of jars.”
- ☞ “Finding a special place inside the house where the money is both separate and safe.” “And just to see what you remember, to which 4 categories can we allocate our business income?”

Ensure that participants suggest these answers

- ☞ A bag with separate pockets
- ☞ A series if envelopes
- ☞ A set of Jars
- ☞ Find a special place inside the house where the money is both separate and safe.

And Just to see what you remember, to which four categories can you locate our business income?

(Ensure participants suggest these answers)

- 1- Ongoing costs to keep the business running
- 2- Repaying loans
- 3- Family expenses
- 4- Savings



A shop with missing goods

STEP 4: Minimizing the Effects of Risk

Time: 30 Minutes

“We all face risks, and our business have risks too. Some are common and others are rare. What kinds of risks can affect a business?”

Ensure that participants or you suggest answers like these.

- ☞ Market risks, such as losing customers
- ☞ Operational risks, such as theft of our products
- ☞ Credit risks, such as selling on credit and having the customer fails to pay us back
- ☞ Family risks, such as a family member falling sick
- ☞ Natural disasters, such as drought or hailstorm
- ☞ Accidents, such as fire

DANGERS OF CREDIT

“Fortunately, credit risks are dangers we can control if we understand the disadvantages of selling on credit. If we sell on credit, what could go wrong?” Ensure that participants

or you suggest answers like these.

- ☞ The customer fails to pay us back”
- ☞ “We spend a lot of time going to these customers to ask for repayment, and this is time we could have spent on the business.”
- ☞ “Forgetting how much credit is owed to us.”
- ☞ “Uncontrolled credit could lead to the business failure.”

EFFECTS OF RISKS

“What would be the effect if these market and operational and other risks happen to our business?” Ensure that participants or you suggest answers like these.

- ☞ “There will be less cash coming in from sales.”
- ☞ “It will be harder to allocate cash among the 4 categories ongoing costs, repaying loans, family expenses and savings.
- ☞ Sickness will force us to use funds allocated for ongoing costs instead to pay the doctor’s visit and medicine.

MINISIZING THE EFFECTS OF RISKS

What can we do if these risks and unforeseen events happen?

(Ensure that participants or you suggest these answers)

- 1- Taking help from relatives and neighbor
- 2- Taking another loan to get the business start again
- 3- Using personal savings

Of these, which solutions makes us more vulnerable than we were before?

(Ensure that participants or you suggest these answers)

- 1- Taking help from relatives and neighbors
- 2- Taking another loan to get the business start again

Which solution preserves our control over our life

- 1- Using our personal savings

Yes, Savings are crucial because they help to plan for and manage the risks that may endanger the well-being of the family and the business. Savings allows us to:

- 1- Cover occasional expenses
- 2- Manage risks that are related to the operation od the business enterprise, such as theft or spoilage
- 3- Manage the risks of unforeseen expenses or events
- 4- Increase your capital, so that business can grow without an increasing burden

of credit.

*This is why savings is one of the 4 categories where cash from business should be allocated. Although it may be difficult. Saving small amount of money from each production cycle is essential to minimize the effects of all these risks.

STEP 5: Closing

Time: 10 Minutes

SUMMARIZE THE SESSION

*We now understand what it means to manage our business by controlling our cash and minimizing the effects of risks. Are there any questions about this session?

Address and questions:

The Think About

*Now it is time for the last Think About

- ☞ Think about how you will allocate money for household expenses
- ☞ And think about the risks that you could face in the business you have chosen

CONCLUDE THE SESSION:

- ☞ Thank the participants for completing session A of the training guide.
- ☞ Wish them well in implementing their businesses

SECTION B



FINANCIAL LITERACY

INTRODUCTION TO FINANCIAL LITERACY

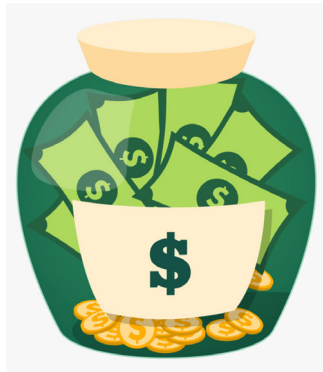
The availability of discretionary income opens new opportunities and demands for financial decision-making. We can afford to buy more expensive goods and services. We can borrow to do so because we will have the necessary discretionary income in the future to repay the loans and their cost, the interest. If our income exceeds expenditure, we make our savings available to others as loans or investments with the expectation of receiving the funds back with interest or dividends at some future time. We can protect our expensive goods from damage or theft by purchasing insurance cover. We can invest more in education and purchase life and disability insurance in order to protect the flow of earnings from our investment in human capital. We can save and invest to ensure self-sufficiency during retirement, help our children or charities, enjoy more leisure, or even build affluent family dynasties bypassing accumulated wealth to our children.

This section consists of five modules on five distinct topics. These include:

- ☞ **Budgeting:** Use Money Wisely
- ☞ **Savings:** You Can Do It!
- ☞ **Debt Management:** Handle with Care
- ☞ **Bank Services:** Know Your Options
- ☞ **Financial Negotiations:** Communicate with Confidence

MODULE 1: SAVINGS MANAGEMENT- “YOU CAN DO IT”

The goal of this module is to help participants recognize the importance of saving, learn how and where to save, and to make a saving plan.



Savings management

SESSION 1: SAVINGS: WHAT ARE THEY AND WHY SAVE?

OBJECTIVES

By the end of the learning session, participants should be able to:

1. Define savings
2. Describe and categorize purposes of savings
3. Identify how to overcome savings difficulties

TIME: 60 MINUTES

STEPS

1. Introduce the module on savings.
2. Define savings and why people save.
3. Create a case study family.
4. Identify the difficulties of saving.

Introduce the module on savings

Say the following: *Welcome to the financial Literacy training about savings. Through the activities in this module we will work with you to improve good savings practices*

Qn. What are savings?

Savings are money put aside by an individual or household in the present for use in the future. Savings can also be investments in jewelry, animals or land that can be sold when cash is needed. It can also be away of building assets. Therefore, savings is a fundamental part of money management.

Managing money well begins with hanging on to what you have. This means avoiding unnecessary expenditure and then finding a safe place to store whatever money is left over. Making that choice – the choice to save rather than to consume-is the foundation of money management.

Qn. What are the reasons why people save

- | | |
|----------------------|----------------------|
| ☞ Sickness | ☞ House construction |
| ☞ Wedding | ☞ TV |
| ☞ Funerals | ☞ Refrigerator |
| ☞ Old age | ☞ Motorcycle |
| ☞ Vacation or travel | ☞ Education |
| ☞ Emergencies | ☞ Home improvement |

Qn. What name can we give these categories?

Facilitator's Notes			
Unexpected Future Events	Expected Future Events	Optional Expenditures	Building Assets
<ul style="list-style-type: none"> ☞ Sickness ☞ Funerals ☞ Emergencies ☞ Theft 	<ul style="list-style-type: none"> ☞ Weddings ☞ Education ☞ Childbirth ☞ Old age ☞ Holidays/ Festivals ☞ Low-income season 	<ul style="list-style-type: none"> ☞ Vacation ☞ Home improvement ☞ Luxury items ☞ Gifts 	<ul style="list-style-type: none"> ☞ House ☞ Bicycle ☞ Motorcycle ☞ Car ☞ Business

N: B. Households need to be encouraged to save for all the above categories.

Qn. Why is it difficult to save money?

Major Barriers to Savings

- ☞ Low income, high expenditure
- ☞ High expectations (wanting to earn big before saving)
- ☞ Lack of awareness on saving
- ☞ Lack of surplus to save
- ☞ Lack of saving facilities
- ☞ Unlimited expenses arise once money is earned
- ☞ Ignorance about saving
- ☞ Poor attitude
- ☞ Poor personal goals

Qn. What can be done to overcome these barriers to saving?

Facilitator's notes	
Tips on overcoming difficulties to saving	
Difficulties	Advice
I barely have enough money to feed my family and pay for other basic necessities.	<ul style="list-style-type: none"> ☞ Start setting aside something, even if it is only a very small amount, every day or every week. The amount will grow. ☞ Look hard for ways to cut unnecessary spending.

When I save, my husband always asks to use the money I have saved.	☞ Keep money in a secure location, preferably out of the house so it is not accessible. Open a bank account.
My income is irregular.	☞ Save different amounts each time you earn some income.
I must use all the available earnings to pay off debts.	☞ Make a schedule to pay off the most expensive debts first.

TWO RULES OF SAVINGS

- ☞ Spend less than you earn
- ☞ Save something every day or week

SESSION 2: SETTING SAVINGS GOALS



Saving goals

Objectives

By the end of the learning session, participants should be able to:

1. Set short- and long-term savings goals
2. Rank the importance of saving goals
3. Develop a savings plan for the family

TIME: 50 MINUTES

Steps

1. Set savings goals
2. Rank the importance of saving goals
3. Develop a savings plan for your own family

Qn. What are the saving goals of your imaginary family?

List these goals on a piece of paper or remember them. After the participants have listed the goals, explain the following:

Saving goals can be short-term or long term

Short-term goals are those that will be reached in less than 1 year, such as paying school fees

Long term goals are those that will take more than 1 year to reach, such as home improvement or buying a house.

Saving Goals and Planning Worksheet

Saving Goal	LumpSum Needed	When Needed?	Amount of Savings Required per Week or Month	Ranking of Importance
Short-term				
Education fees	1,200,000	In 6 months	200,000 per month	
Emergency Fund	180,000	In 3 months	60,000 per month	
Long-term				
New roof	720,000	In 36 months	200,000 per month	
Total Savings Required	2,100,000	45 months	460,000 per month	

Rank the importance of savings goals

Explain: Review the saving goals you have set because it may not always be possible to reach all of your goals, you should know which ones are your priorities. Rank the goals of your imaginary family in order of importance using 1 for the most important, 2 for the next most important and so on.

Qn. Why have you ranked the saving goals this way?

Discuss the importance of saving for the most critical needs such as health, education and shelter.

Develop a saving plan for your own family

Say: Think about your saving goals for your own family. What do you need to save for in the short term? What future long-term goals do you have? To achieve your financial goals, you will need a plan that states each goal, the amount of money you will need to achieve that goal, and the amount you will save each week or month over a defined period. To make this plan, you must look at your income, determine how much you have available to set aside as savings, and decide your saving priorities. Which goals are most important to you? A clear plan will help you know what to do, increase your discipline to save and be more successful in reaching your saving goals.

Qn. How much will it cost to reach this goal?

Qn. When do you need the money?

Qn. How much will you need to save every week or month?

Qn. Which goal is most important, next in importance, and so on?

Qn. How is setting your own saving goals different from doing it for an imaginary family?

Qn. How are your priorities (the way you ranked your goals) different from those of the imaginary family?

Qn. How do you feel when setting goals for your own family?

Qn. How much more difficult is it to think about your own saving goals and priorities? Why?

Then ask: What did you learn about how your family could save more?

Rank the importance of saving goals developing a Savings Plan

A Savings Plan is a critical tool for managing money to meet short, medium- or long-term financial goals. To make a saving plan, one needs to follow the following step by step process.

Facilitator's Notes

How to make a Saving Plan

- ☞ Set saving goals
 - ☞ Figure out how much you need to save over what period of time to meet your saving goals. Set a saving target.
 - ☞ Figure out how much you are earning over this period of time, the regularity (or irregularity) of your earnings, and how much you can expect to save on a regular basis.
-
- ☞ Identify which expense you can cut back (for instance, centerpriserettes, video) and relocate this amount to your savings.
 - ☞ Decide where you will save. Identify places to save, available saving products and their pros and cons.
 - ☞ Plan how much and how often you will save. E.g. one could put a specified amount aside in an envelope when he/ she is paid or at the end of each business day and keep it in a safe place until you are able to take it to the bank. Go to the bank on a set day of the week or month.
 - ☞ Keep track of your savings. Monitor progress towards your savings target on a regular basis be checking the amount you can have saved and how close you are to your goals.

Rules of Thumb for increasing one's Savings

While basic principles of money management can apply to everyone, decisions to save or consume depends very much on one's level of income, access to loans, access to appropriate savings products and personal discipline. However, there are a number of rules of thumb that can be used as a guide to making decisions about savings and consumption. These include the following:

- ☞ Save as much as you can as soon as you can. The more you save, the better off you'll be.
- ☞ Save as you earn.
- ☞ Try to save 10% of your income even if you don't have a specific purchase or investment for which you are saving. If you can't afford 10% right away, start with less, but save something.
- ☞ Calculate how your money can grow over time if you save regularly in an account that earns interest.

- ☞ Don't carry a lot of cash-avoid temptation to spend it.
- ☞ Spend carefully. If you purchase big items, consider how much you could resell them for. Look for opportunities to save money by bulk buying of non – perishables.
- ☞ Pay off debts. Some people recommend paying down your debt before you start to save; others recommend saving even while paying down debts because it's important to begin building assets as soon as possible. This choice depends on individual priorities, situation and means. Total household debt should not exceed 36% of household income.
- ☞ Keep 3-6 months of living expenses in an emergency fund at all times. It can be used in case of job loss, unexpected illness and to meet other emergency needs. An emergency fund will reduce your anxiety.
- ☞ Keep emergency funds in a separate account. Open 2 savings accounts-one for emergencies that is easy to access and does not have any penalties for withdrawal and one for savings for other goals that is harder to access (and therefore less tempting to withdraw the money). Keeping some savings (“out of reach” is important).
- ☞ Find savings products that match your savings goals.
- ☞ Good saving behavior requires discipline; discipline is learned through practice.

SESSION 3: INCREASE YOUR SAVINGS



Increasing savings

Objectives

By the end of the learning session, participants will have:

1. Identified saving goals
2. Determined one family's capacity to save
3. Identified actions that the family can take to increase savings

Time: 45 minutes

Steps

1. Explain how to save using a story.
2. Reinforce the rules of saving with a song.

Explain how to save using a story

Ask the following:

What can people do to save more money? *[Cut spending, save a portion of income as soon as it is earned, invest and use a portion of returns, have less debt, etc.]*

Facilitator's Notes

Where Do Savings Come From?

- ☞ Setting aside a portion of income.
- ☞ Cutting costs (household expenditures, debt payments, optional expenses).

Reinforce the rules of saving with a song

Explain: With savings, taking action can be harder than discussing ideas. It is easy to understand why saving is so important for our financial security, but harder to actually save. We have identified the many difficulties to saving that many of us know well. It is easy to conclude "We have no money to save". It is much harder to force ourselves to find a little something to save each day or each week, even if it is only a penny. To do this, you must follow the basic rules of savings we discussed above.

Qn. When and how can a family save?

Make sure the following points are covered by the groups:

Facilitator's Notes

- ☞ Save during the summer when the restaurant is doing well.
- ☞ Reduce holiday spending and save the money instead.
- ☞ Reduce the amount of loans.
- ☞ Take a small amount of income out of restaurant sales during the warm season and the holidays.
- ☞ Start another business during low periods for the restaurant and save some of the earnings.
- ☞ Purchase food and supplies in bulk when there is money, and therefore save on expenses.

Re-enforce the Saving Rules

Each group will make up a short song to sing about their assigned savings rule. Your tune should be easy to remember so that you can sing the song often. You can use a tune you already know, or make up a new one. The song can include other words as well or simply repeat the savings rule to music.

SESSION 4: SAVE FOR EMERGENCIES

Objectives

By the end of the learning session, participants should be able to:

1. Define Emergencies
2. List the types of emergencies and their consequences.
3. Practice estimating the amount of money needed for emergencies.
4. Describe how they can cope with emergencies by having an emergency fund.
5. Include emergencies in saving goals.

Time: 40 MINUTES

Steps

1. List emergencies and their consequences.
2. Estimate the amount of money needed for emergencies.
3. Discuss how to maintain the emergency fund.
4. Include emergencies in the saving goals.

Qn. List emergencies and their consequences

Qn. What emergencies do you think will have the most severe financial consequences?

Qn. What are the emergencies that your imaginary family is likely to face in a year?

Qn. What will be the consequences for the family if they do occur?

Facilitator's Notes

Emergencies mean immediate costs to the family. The costs may include medical bills, rebuilding from a disaster, replacing stolen goods or keeping up loan payments even after you have lost your business. If a principal income earner is unable to work due to an emergency, the family will lose even more income.

Qn. What can be done to cope with such emergencies?

After hearing a few ideas, say the following: Every family should have an emergency fund to handle relatively small emergencies. It cannot replace a house or pay for a long-term illness. The emergency fund is an important reason for saving as it can help you manage many smaller unexpected events and prevent further losses. The rule for the amount of money to be kept in the emergency fund is as follows:

Qn. How Much Money Should You Save for Emergencies?

Facilitator's Notes

Set aside at least 3 times your current average monthly income.

The more people you care for, the more money you are likely to need for emergencies and unplanned events. Larger families should keep 6 months average monthly income in an emergency fund.

Qn. What are the difficulties that a family can have in trying to set aside this much money?

Qn. What is your advice to them?

Suggestions to maintaining enough money in the emergency fund

- ☞ When you use the fund, replace the money as soon as possible.
- ☞ Decide how much you can contribute to the emergency fund each day, each week or each month, and stick to your plan.

What are your suggestions to maintain enough money in the emergency fund?

Summarize the ideas, making the following points.

- ☞ When you use the fund, replace the money as soon as possible.
- ☞ Decide how much you can contribute to the emergency fund each day, each week or each month, and stick to your plan.

Facilitator's Notes	
Difficulties	Advice
I barely have enough money to feed my family and pay for other basic necessities.	<ul style="list-style-type: none">▪ Start setting aside something, even if it is only a very small amount, every day or every week. The amount will grow.▪ Look hard for ways to cut unnecessary spending.
When I save, my husband always asks to use the money I have saved.	☞ Keep money in a secure location, preferably out of the house so it is not accessible. Open a bank account.
My income is irregular.	☞ Save different amounts each time you earn some income.
I must use all the available earnings to pay off debts.	☞ Make a schedule to pay off the most expensive debts first.

SESSION 5: DECIDE HOW TO SAVE

Objectives

By the end of the learning session, participants should be able to:

1. List conditions that help people save successfully
2. Debate which conditions we can and cannot control
3. List ways to save more

Time: 30 minutes

Steps

1. Identify factors that best help people to save.
2. Decide how to save.

Qn. Identify factors that best help people to save

Qn. What makes it most likely that people will save?

Facilitator's notes

Internal/External Factors Influencing Savings

- ☞ When you use the fund, replace the money as soon as possible.
 - ☞ Decide how much you can contribute to the emergency fund each day, each week or each month, and stick to your plan.
 - ☞ A safe place to keep savings
 - ☞ A good saving plan
 - ☞ Discipline
 - ☞ Family support for the decision to save
 - ☞ Motivation to meet personal goals: house, marriage, education, etc.
 - ☞ A convenient place to save (close to home, easy to get to, etc.)
 - ☞ Interest on savings
-
- ☞ Desire to resist temptation to spend money on luxurious items
 - ☞ Size of allowable deposits fits ability to save
 - ☞ Willingness to reduce expenses
 - ☞ Ability or opportunity **to earn more income.**

Qn. What are the ideas you shared about how to save more?

Summarize the ideas given by the volunteers. Make sure to cover the ideas listed below.

To help you save more, you can...

- ☞ decide to save more
- ☞ decide what amount you want to save every day or week
- ☞ find ways to spend less and save the money for more important things
- ☞ set aside some of your earnings or goods as savings
- ☞ learn about the savings services available in your community
- ☞ open a savings account
- ☞ agree with other family members to help each other make regular savings
- ☞ find people who save and ask them for ideas about how to save more

Qn. What is one thing you will do this week to help yourself save?

Facilitator's notes

Tips for Saving

- ☞ Look for new ways to save on expenses
- ☞ Look for new ways to increase income
- ☞ Look for new ways to save part of your income regularly
- ☞ Examine whether you can meet a goal for less money
- ☞ Prioritize your goals—perhaps you can put off one goal to realize another one

SESSION 6: COMPARE SAVING SERVICES

Objectives

By the end of the learning session, participants should be able to:

1. Identify saving options
2. Distinguish between formal, semi-formal and informal savings services
3. Describe the advantages and disadvantages of formal, semi-formal and informal services, including degree of risk
4. Identify the features of saving services that will influence their choice

TIME: 60 Minutes

Steps

1. Identify saving vehicles that are available to people in this community
2. Discuss the advantages and disadvantages of different methods of saving
3. Determine which saving service is safest.
4. Identify features that might influence our choice of saving service.

Qn. Identify saving vehicles that are available to people in this community.

Ask the participants the following: What are the ways people save in your community?

Probe for all the ways people save, from home to banks. Write their answers on a flip chart or summarize them orally.

Explain the following: There are many vehicles for saving, both formal and informal.

Facilitator's Notes

Vehicles for saving, both formal and informal.

A formal saving institution is regulated by a government agency to ensure the safety of savings. Usually, formal saving services pay interest on savings. And some institutions insure savings. That is, if the institution loses your money, the government will reimburse you for your losses up to a certain amount.

Semi-formal saving methods fall in the middle between the formal and informal. Semi-formal saving institutions offer organized services but are not supervised or regulated by the government.

An informal saving vehicle is one you manage yourself, usually at home. You may keep your savings in cash, or jewelry or livestock. Savings of this nature do not have oversight from a government agency

Formal	Semi-Formal	Informal
<ul style="list-style-type: none"> ☞ Bank ☞ Credit Union ☞ Regulated MFI ☞ Post Office 	<ul style="list-style-type: none"> ☞ Groups: savings and credit associations, village banks, solidarity groups, self-help groups ☞ Savings collector ☞ Non-regulated MFI or cooperative 	<ul style="list-style-type: none"> ☞ At home (in cash) ☞ In kind (gold, jewelry, livestock, land, etc.) ☞ Other

Savings Service	Advantages	Disadvantages
Formal		
Banks Post Office Credit Union Regulated MFI	Safest option Less temptation to withdraw and spend May earn interest Access to wider range of savings products (certificates of deposit, current account, pension funds, etc.) Helps to manage money Can save time on bill payments	Low remuneration Minimum deposit required to open account may be a barrier May charge fees Long lines and delays inside bank Can be confusing Less accessible to poor and those who cannot read and write

Semi-Formal		
Savings with group (village bank, non-regulated savings and credit association, etc.) ROSCAs	Easy access Savings often linked to credit May earn dividends on loans made with savings Group rules about frequency and amount of deposits encourages saving Discipline	Safety not guaranteed May or may not earn interest May have limited or no access to loans Limited access to savings or withdrawals subject to group approval
Informal		
At home (in cash)	Easy access	Not safe Too easy to spend and 'waste' on non-essential items
In kind (gold, jewelry, livestock, land, etc.)	Value might increase over time Must sell to access cash—decreases temptation	Difficult to liquidate in case of emergency Value could decrease over time Risk of theft or death (in case of animals)

Characteristics to Consider When Choosing a Savings Service

- ☞ Access
- ☞ Convenience and ease of use
- ☞ Opening deposit requirements
- ☞ Safety
- ☞ Interest earned on savings

SESSION 7: SELECT SAVINGS PRODUCTS

Objectives

By the end of the learning session, participants should be able to:

1. State the features of different savings accounts offered by formal banks
2. Match saving goals with specific saving products
3. Identify the appropriate use for each type of savings account

Time: 40 Minutes

Steps

1. Match saving products to saving goals
2. Present and discuss formal saving institution and saving products
3. Select a product to match specific saving goals
4. Determine which type of account would be most helpful.

Facilitator's notes		
Formal Institution Saving Products		
Type of Saving Product	How It Works	Uses
Regular or Passbook Savings	<ul style="list-style-type: none"> ☞ Voluntary timing and amount of deposits. ☞ Flexible withdrawals. ☞ May or may not pay interest. 	<ul style="list-style-type: none"> ☞ Emergencies and unexpected opportunities. ☞ If only one product can be offered, this type of product often is the one that best meets client's demand.
Contractual Savings (Also known as "accumulated deposit, fixed-term account")	<ul style="list-style-type: none"> ☞ Regular deposits of fixed amount over a pre-determined period of time. Client can decide how much to save for how long (choosing from a pre-set range of terms). ☞ Access to savings restricted until contract is fulfilled. ☞ Penalty is paid for early withdrawal. ☞ Interest usually higher than regular savings account. ☞ Can borrow against your savings. 	<ul style="list-style-type: none"> ☞ For expected needs.

Time Deposit	<ul style="list-style-type: none"> ☞ Fixed sum for a predetermined term and rate of interest. ☞ Requires minimum deposit. ☞ Inflexible. ☞ Pays a higher interest rate than either a passbook or a contractual savings product for same amount of savings. 	<ul style="list-style-type: none"> ☞ For larger needs expected in future such as marriage, or a major capital purchase.
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Match saving products to saving goals

Say: Now we are going to talk about the different types of saving products that are available and match the products to different saving goals. To do this, let us remember some of the things we learned in previous sessions. First, let us review the features of saving services that are important. They include the following: Access, Convenience and ease of use, opening deposit requirements, Safety, Interest earned on savings.

Then say: Let us also remember the difference between short-term and long-term saving goals. Ask the participants:

Qn. What is an example of a short-term saving goal? What is another example?

Qn. What is an example of a long-term saving goal? What is another example?

How do you think your saving goal will influence how you save?

For short-term goals, you put aside as much money as you can within a defined period of time. When that period is over, you withdraw your savings to meet the goal—to pay the school fees or attend a family wedding, for example. Then you start saving all over again. For long-term goals, you may save a smaller amount on a regular basis over a longer period. You hope not to withdraw it and just keep saving until you reach your goal.

Explain: Banks have various savings products that are tailored to your saving goals. The longer you agree to leave your money in the bank, the higher the interest rate the bank will pay. If you need to make frequent withdrawals, you will likely have an account that earns a lower interest rate.

Ask: What features of a savings account will help you save when you are saving for the long term? *[high interest rates; limited withdrawals].*

Now, let's say you are saving for your child's school fees that are due every 3 months.

What features do you want your savings account to have?*[Unlimited deposits and withdrawals—frequent access]. Also mention; You can see that different saving goals require different saving products. Let us now learn about the typical type of saving product available at financial institutions.*

Present and discuss formal saving institution and saving products

Explain that 1 of the advantages of saving in a formal financial institution, such as a bank, is that there is a choice of savings accounts. Tell the participants that they will learn about the most common accounts.

Facilitator's notes		
Formal Institution Saving Products		
Type of Savings Product	How It Works	Uses
Regular or Passbook Savings	<ul style="list-style-type: none"> ☞ Voluntary timing and amount of deposits. ☞ Flexible withdrawals. ☞ May or may not pay interest. 	<ul style="list-style-type: none"> ☞ Emergencies and unexpected opportunities. ☞ If only one product can be offered, this type of product often is the one that best meets client's demand.

<p>Contractual Savings (Also known as “accumulated deposit, fixed-term account”)</p>	<ul style="list-style-type: none"> ☞ Regular deposits of fixed amount over a pre-determined period of time. Client can decide how much to save for how long (choosing from a pre-set range of terms). ☞ Access to savings restricted until contract is fulfilled. ☞ Penalty is paid for early withdrawal. ☞ Interest usually higher than regular savings account. ☞ Can borrow against your savings. 	<ul style="list-style-type: none"> ☞ For expected needs.
<p>Time Deposit</p>	<ul style="list-style-type: none"> ☞ Fixed sum for a predetermined term and rate of interest. ☞ Requires minimum deposit. ☞ Inflexible. ☞ Pays a higher interest rate than either a passbook or a contractual savings product for same amount of savings. 	<ul style="list-style-type: none"> ☞ For larger needs expected in future such as marriage, or a major capital purchase.

Ask: Which account do you prefer? Why? Determine which type of account would be most helpful

Ask: At your family level, which type of savings account would be most useful?

Qn. Would you be interested in more than one type of account? Why?

SESSION 8: MEETING WITH THE PROVIDERS OF SAVINGS SERVICES

Objectives

By the end of the learning session, participants should be able to:

1. Identify financial institutions in their area
2. Identify the key features of saving products that influence which ones they choose
3. Develop a list of questions to ask to learn about the various product features (savings and loans.
4. Conduct interviews with bank employees
5. Process information gathered at the bank

Time: 40 Minutes

Steps

1. Recall the different savings services
2. Assess formal institutions' saving products
3. Determine how well bank literature answers questions
4. Finalize preparations for the visit to the bank
5. Report on the meeting with the providers of saving services

Recall the different saving services

Ask the participants: What are the different categories of saving services we talked about at our last meeting? [Informal, Semi-Formal and Formal].

What are some of the differences between informal and formal saving services? [Safety, interest rates, choice of saving product, convenience, access to savings withdrawals]

Assess formal institutions' saving products

Qn. Do you know the answer to the question: “Where is the best place to put your savings?”

Qn. What are the factors that influence how we select a bank?

Questions Saving group Members could Ask at the Bank

Facilitator's notes	
Important Conditions for Saving	Questions to Ask
Access to savings/flexibility of withdrawal	<ul style="list-style-type: none">☞ How often can I make withdrawals?☞ Is there a minimum amount I must withdraw?☞ What withdrawal penalties does this account have?☞ Is there an ATM network?
Opening deposit requirements	<ul style="list-style-type: none">☞ How much savings is required?☞ What documentation do I need?

Convenience/Ease of use	<ul style="list-style-type: none"> ☞ What are the bank's opening hours? ☞ How long does it take to be served? ☞ Do clients receive account statements? How often? ☞ Do you offer telephone and/or electronic transactions?
Safety	<ul style="list-style-type: none"> ☞ What is the reputation of the institution? ☞ What insurance or guarantees safeguard clients' funds?
Interest earned on savings	<ul style="list-style-type: none"> ☞ What is the interest rate on savings? ☞ How does it compare to other institutions? ☞ How often is interest paid? ☞ How is interest calculated? For example, is it a compound rate? (Is interest paid on both the principal and accrued interest?)
Cost of savings	<ul style="list-style-type: none"> ☞ What fees are charged? (transfers, ATM withdrawal fee)
Liquidity	<ul style="list-style-type: none"> ☞ How easy is it to withdraw funds from the account? ☞ Will the full amount be available? ☞ Are fees charged if the funds are withdrawn before a specified date?

Session 9: Make a Saving Plan

Objectives

By the end of the learning session, participants should be able to:

1. Practice making a saving plan.
2. Select saving services that best match a family's goals.
3. Complete an action plan for increasing their own savings.

Time: 60 Minutes

1. Modify saving goals and develop saving targets
2. Match saving goals to the best saving service
3. Prepare a plan to apply what you have learnt

Saving Goals and Planning Worksheet

Savings Goal	Lump Sum Needed	When Needed?	Amount of Savings Required per Week or Month	Ranking of Importance
Short-term				
Education fees	1,200,000	In 6 months	200,000 per month	
Emergency Fund	180,000	In 3 months	60,000 per month	
Long-term				
New roof	720,000	In 36 months	200,000 per month	
Total Savings Required	2,100,000	45 months	460,000 per month	

Qn. What do you think about the possibility of your family achieving these goals?

Qn. What will they have to do? Say: The first step in making a saving plan is to match our goals with our capacities to save. The following tips will be helpful:

Facilitator's Notes

Tips for Saving

- ☞ Look for new ways to save on expenses
- ☞ Look for new ways to increase income
- ☞ Look for new ways to save part of your income regularly
- ☞ Examine whether you can meet a goal for less money.
- ☞ Prioritize your goals—perhaps you can put off one goal to realize another one

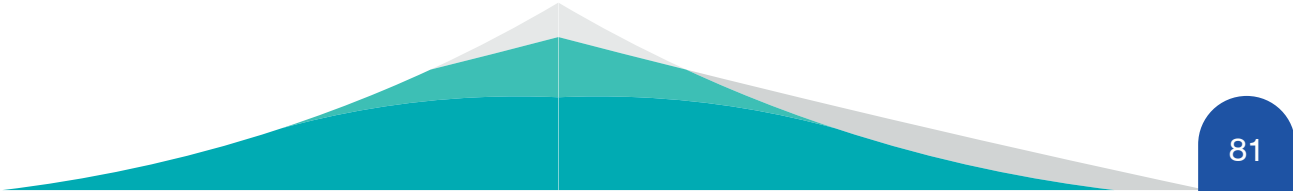
What are the most important things you can do to improve savings in your own family?

*Encourage the group to mention as many ideas as they can think of. Then invite each one individually to prepare an action plan answering the following question: **What are at least four steps you can take after this to improve savings in your own household?***

Saving Targets												
	Months											
Saving Goals	1	2	3	4	5	6	7	8	9	10	11	12
Education												
Emergencies												
Roof Repair												
Total Monthly Saving Goal												
Total Saved												

Selecting Saving Services

Saving Goals	What are the characteristics of saving services most important to the family (access, deposit rules, ease of use, safety, interest, cost, etc.)?	Which type of savings account best responds to their needs?	Which local financial institution offers the best terms, conditions and other features for the family?



MODULE 2: DEBT MANAGEMENT: HANDLE WITH CARE



Debt Management

The goal of this module is to help participants manage debt. The following table presents the module's learning sessions and their purposes.

Session 1: My Money and Someone Else's Money: Managing the Difference

Objectives

By the end of this learning session, participants should be able to:

1. Define the term "debt"
2. Identify the principal reasons to borrow money
3. Identify the responsibility associated with taking a loan
4. Distinguish between their own capital and loan capital

Time: 45 minutes

Steps

1. Introduce the session with a mini demonstration
2. Discuss the word "loan" and identify why people borrow
3. Discuss the responsibilities of borrowing
4. Differentiate between loan money and your own money

Demonstration on my money and someone else's money

Get 2 cards and write savings (100,000) and another card write Loan (100,000). Then ask;

What is the difference between this 10,000 and this 100,000? [The first 100,000 is my own savings; the second 100,000 belongs to the moneylender and is a loan. He will charge interest for it and I must pay it back.]

Discuss the word “loan”, terms associated with a loan and identify why people borrow

What is a Loan?

A loan is money that the borrower can use temporarily. After a defined period of time, the money is repaid to the owner, usually with interest or a fee charged for use of the money.

For the borrower, the loan is a liability (a sum that is owed). The debt must be repaid regardless of income or cash flow.

Facilitator's notes

Important terms associated with a loan

No.	Term	Description	Remarks
1.	Loan size:	The amount you borrow.	Loan size should match the business cash flow.
2.	Loan term:	Period of time you have to use the loan money and repay it.	Loan term needs to match the nature of business investment and its cash flow.
3.	Interest rate:	Percentage of the total loan amount charged to the borrower for the use of money borrowed. Interest is usually charged on a monthly basis.	Borrower needs to know whether its calculated on a flat or reducing balance.
4.	Fees:	Administrative charges in addition to interest which are usually paid once, at the time the borrower takes the loan.	Borrower should demand an explanation for each of the fees charged.

5.	Grace Period:	Period after receiving a loan and before the first payment is due.	Borrower should always negotiate for a grace and more especially for agriculture loans.
6.	Repayment Schedule:	The frequency of a loan payments (e.g weekly, biweekly, months).	Repayment frequency depends on the nature of the business.

Qn. What are the reasons you borrowed for? *[Answers will include many things, such as business investment, managing a crisis, purchasing an item or paying for a celebration.]*

Facilitator's notes

Reasons People Borrow

1. To invest
2. To respond to an unexpected emergency
3. To consume, to purchase an item for which they do not now have enough money.

Qn. Who has borrowed for more than one of these reasons? Please tell us what is the same about all 3 types of loan? What is different?

Make sure they mention the following:

- ☞ Loans for productive investment earn new revenue for the borrower.
- ☞ Loans for crises and personal consumption do not bring in new revenue and must be paid back from other revenue sources. Try to avoid borrowing for these purposes.

Qn1. Discuss the responsibilities of borrowing

Qn2. How did you feel when you lent something—anything—to someone that never returned it to you? What did you do?

Qn3. How did you feel when you failed to return something that you borrowed? What happened?

Qn4. When someone borrows something, what are her/his responsibilities as the borrower? *[To repay at the agreed time; to pay the agreed costs of the loan]*

Qn5. What can happen if the borrower fails to meet her responsibilities?

[Bad feelings, tension among family and friends, damaged reputation, loss of access to future loans]

Qn6. Differentiate between loan money and your own money.

Facilitator’s notes

Using Your Own Money and Using Borrowed Money—what is the Difference?

- ☞ A loan costs money
- ☞ A loan comes with obligations for the borrower, including repayment with interest and, in some cases, group membership
- ☞ You are freer when you use your own money
- ☞ By borrowing, you get a greater lump sum than you might have using your own capital
- ☞ Borrowing allows you to get money more quickly than if you rely on your ability to save little by little.

	Taking a Loan	Using Your Own Money
Advantages	<ul style="list-style-type: none"> ☞ You gain access to more money than you have in savings. ☞ You get money quickly when you need it for emergencies. 	<ul style="list-style-type: none"> ☞ You avoid the costs of borrowing. ☞ You are free to use your money as you wish. ☞ You face less risk when you finance your business growth in smaller increments based on what you can afford to invest. ☞ You avoid the obligations of future loan repayments.
Disadvantages	<ul style="list-style-type: none"> ☞ You bear the cost of borrowing (with interest, fees and time to apply). ☞ You are responsible for repaying your loan on time, and face penalties for late payment. ☞ You must meet the requirements of group membership (attend meetings on time, etc.) if the loan is through a group. 	<ul style="list-style-type: none"> ☞ You have limited access to needed capital. ☞ Your business grows more slowly. ☞ You have limited ability to respond to opportunities.

Qn. In your opinion, what is the main advantage of taking a loan? *[Access to more money than you have in savings; access to money quickly when you need it for emergencies; both enable you to take advantage of investment opportunities or solve an immediate problem or crisis.]*

Qn. What is the main disadvantage of taking a loan? *[The cost of loans with interest and fees; the responsibility of repaying your loan on time, the requirements of group membership in the case of a group loan.]*

Session 2: Good Loans/Bad Loans

Objectives

By the end of this learning session, participants should be able to:

1. Identify ways to build a business with their own money and with loan capital.
2. Identify the risks of borrowing.
3. Distinguish good loan situations from bad ones.

Time: 45 minutes

1. Compare two stories about expanding business
2. Describe good loans and bad loans

Compare two stories about expanding business

Explain the following to participants: There are different ways to finance your business. Some people use their own capital, reinvesting as they are able, one step at a time. Others borrow money to get started or to make a big change. I will read two stories that show us different pathways to business growth. Listen and think about which of these business women is most like you.

Read Rose's story and discuss the questions. Repeat for Marjorie's story.

Rose's Story

Rose has a fresh-juice business that she started with 800,000; 500,000 from her savings and 300,000 that her husband gave her. Although the business is very small, Rose has a plan for expanding it, one step at a time. Every week, she tries to set aside 150,000 in her bank account especially for her business. That way, every 3 or 4 months, she has enough money saved to buy something she needs to grow her business. She began buying larger quantities and greater variety of fruit; then she purchased a larger juicer. Next, she wants to purchase plastic bottles so she can sell larger quantities to those

who want to take juice home. As her income increases, she can save more and plan bigger investments in her business.

Ask the participants:

How is Rose getting money for her business? *[Uses money from her savings and her husband does not use loans, plans ahead and saves for her business investments.]*

What difficulties does she face? *[Can only grow as she is able to save, may miss an opportunity for expansion if she doesn't have enough money to invest.]*

Marjorie's Story

Marjorie also has a fresh-juice business that she started with 200,000 of her own money and a loan of 800,000. With the loan she had enough money to purchase a small refrigerator right away that enables her to store juice longer and sell it cold. She pays her weekly expenses, including her loan payment on time every week, but can only save 20,000 at most per week. When a kiosk in the market became available for lease, Marjorie saw a good business opportunity. With the increased traffic in the market and longer hours, she calculated that her sales would double. Because she needed to lease the kiosk right away or lose it, she borrowed 500,000 from her brother-in-law.

Ask:

Qn. How is Marjorie's getting money for her business? *[Borrows most of her money, has little savings, borrows more to purchase assets, does not plan ahead the amount she needs.]*

Qn. What difficulties does she face? *[If her sales do not increase as expected, she may have trouble paying her loan to her brother-in-law. With little in savings, she may be in trouble if she has emergency expenses.]*

Say:

Let's compare Rose and Marjorie. Ask:

Which business is likely to grow faster? Why? *[In the short term, Marjorie's business will grow faster because she has more money to invest in it. Rose invests small amounts one step at a time and her business grows in smaller increments. Over time, Rose's business is likely to be more stable and secure because she is not paying off expensive loans and can save for both emergencies and future investment.]*

Which woman takes more risks? *[Marjorie takes more risks. She has two loans at the same time, with little savings for protection.]*

What is the gamble Margjorie is taking? What is the best-case outcome? The worst case? *[If her decision to move to the market pays off as she hopes, her business will double in size in a short time. She will be able to pay off her loan and save money. If the situation in the market does not meet her expectations, she will not be able to pay back her loans and may find herself in a financial crisis.]*

Ask each other the following questions:

- ☞ How much of your own money did you use?
- ☞ How much did you borrow?

What did the loan help you do that you could not have done without it?

Three Questions about Saving Group member Loan Use

- ☞ How much of your own money did you use?
- ☞ How much did you borrow?
- ☞ What did the loan help you do that you could not have done without it?

Describe good loans and bad loans

Explain: We have seen how borrowing money can be a very positive experience. It can help you start or expand a business; it can help you respond to an emergency in your family; it can help you improve your living conditions sooner rather than later. But taking a loan always carries a risk—the risk of not being able to repay. When a loan helps you in these ways, it is usually a good loan; when it ends up costing you money or forcing you to go deeper into debt or default, it is a bad loan.

Ask: To ensure that your loan will be a good loan and really help you, what should you know before deciding to borrow?

Facilitator's notes

What to need to Know Before Borrowing?

- ☞ The amount of your loan payment, including principal, interest and fees
- ☞ The sources of income and/or savings you have to make those payments
- ☞ When you will actually get the loan money in your hands (will it be before you need it?)
- ☞ That the asset you are buying with the loan will outlive the loan, and continue earning income for you
- ☞ That the price you can charge for your goods financed with loan money is high enough to both repay the loan and make a profit.

Session 3: The Costs of Borrowing

Objectives

By the end of this learning session, participants should be able to:

1. Identify the various costs associated with borrowing.
2. State the difference between direct and indirect costs.
3. Develop a set of questions to evaluate the terms and conditions of a loan.

TIME: 40 minutes

Steps

1. Identify the costs of borrowing through two stories.
2. Identify the costs of your own loan and share with group members.
3. Examine what you need to know when taking a loan.

Identify the costs of borrowing through two stories

Read the 2 stories below to the group.

Maria Story

Maria has a loan of 500,000 from her Credit Association. Every Thursday morning, she closes her shop and walks down the street to the credit officer to attend her association meeting. There, she makes her loan payment, which includes principal, 2% interest and 1% insurance per month. She also makes her required savings deposit of 5,000.

Namusisi's Story

Namusisi has a loan of 500,000 from a different lending institution. She attends a required meeting of her borrower group once a month. Because the meeting is far from her shop, she takes taxi each way. On meeting day, Namusisi is away from her business the entire afternoon, so she pays an employee 20,000 to keep the shop open for her. Her lending institution does not require savings, but she did pay an application fee of 10,000. When she received her loan, the lender had already deducted 20,000 for an administration fee. Now, every month she pays principal and interest at 3% per month.

Divide the participants into groups of 3 or 4 and give each group 1 of these stories. Tell the participants: Read the story you have been given again, and make a list of the costs that your borrower—Maria or Namusisi—pays to take her loan. Make sure that the participants think about all the costs connected to the loan, not just the actual cash loan payment she owes.

Facilitator's notes	
Comparing Costs to Take a Loan	
Maria	Namusisi
Cost of 500,000 loan	Cost of 500,000 loan
<ul style="list-style-type: none"> • 3% interest and insurance (per month) • Weekly repayment • Weekly meeting • Closed shop = lost business ½ day each week • 5,000 required savings weekly 	<ul style="list-style-type: none"> • 3% interest per month • Monthly repayment • Monthly meeting • 10,000 application fees • 20,000 administrative fees • Employee wages sh 20000 day/monthly • Bus fare to attend meeting

Ask:

Qn. What are the differences in the costs that Maria and Namusisi pay for their loans?

Qn. What items on these lists require direct cash payment by the borrower to the lender?[Interest, fees]

Qn. Which expenses does the borrower have *because* of the loan but that are not paid to the lender? [Required savings, administration costs, travel costs, losses in sales, employee wages to keep shop open during owner's absence.]

Say to the participants: If you have ever had a loan, you know its **direct costs**, or the money you pay to the lender to have the loan. They include interest, fees, late penalties and insurance. Most often they are included in any amount we pay every week or month; we don't forget about them because we must be sure that we set aside enough money every week or every month to make the payment. But sometimes we are not so aware of the other expenses that we have because of the loan, such as lost business or money we pay for transportation to attend meetings or to go to the bank. Although these additional costs may not be part of the cash loan payment, they are real and should be considered when choosing a lender. They are called **indirect costs**.

Facilitator's notes

Definition of Terms

Direct Costs: Money you pay to the lender for the loan. Includes interest, fees, insurance and late penalties. Usually these costs are included in your regular weekly or monthly payment.

Indirect Costs: Expenses you may have to pay because you have the loan, such as bus fare to attend meetings or to go to the bank. Can include wages you pay a worker to keep your business open when you are attending a meeting, or income you lose if you close your business to attend a meeting.

Identify the costs of your own loan and share with group members

Say to the participants: Think about your own loan.

Qn. What are your direct costs?

Qn. What are your indirect costs?

If you do not have a current loan, base your answer on a past loan. In your group, take turns explaining the direct and indirect costs of your loan. If you are not sure whether a particular expense is direct or indirect, ask your group members for their opinion.

Ask for two volunteers to share the costs that they identified for their own loan.

Ask:

Qn. Among these expenses, were there any surprises for you? Were there any expenses that you did not think of in relation to your loan?

Qn. How can you reduce your cost of borrowing? *[Plan ahead; consider all the costs of borrowing before choosing a lender; compare the lenders and choose the one that you can best afford.]*

Examine what you need to know when taking a loan

Say: In your groups, discuss the following question and make a list of your answers.

When you visit a lending institution to learn about its loan products, what questions will you ask?

Summarize their ideas and be sure to mention anything below that they did not say.

Questions for Lenders

- ☞ What is the interest rate?
- ☞ How often must the loan principal and interest be paid?
- ☞ What is the amount of each installment?
- ☞ What amount of savings is required and how often must deposits be made?
- ☞ What fees must be paid to obtain a loan?
- ☞ What penalties are charged for late payments?
- ☞ Where are loan payments made?
- ☞ How far away is this from my place of business?
- ☞ How often do meetings take place?
- ☞ How long do the meetings last?

Session 4: Borrowing Choices

Objectives

By the end of this learning session, participants will have:

1. Identified the sources of credit available to them
2. Articulated what they like and dislike about different lenders
3. Made a list of the questions they will ask when shopping for a loan

Time: 30 MINUTES

Steps

1. Introduce the session and select different lenders.
2. Identify the most important factors to consider when choosing a lender.

Introduce the session and select different lenders

Ask the following questions in rapid succession and ask people to stand up when their answer is yes.

Qn. Who has ever borrowed money from a friend or family member?

Qn. Who has borrowed money from a microcredit institution or a credit union?

Qn. Who has borrowed money from an informal savings and credit group?

Qn. Who has borrowed money from a moneylender?

Qn. Who has borrowed money from a bank?

Qn. Who has borrowed money from more than one of these sources?

Tell the group the following: Obviously, there are several sources of credit we can go to. Some are more difficult to get a loan from than others, some are more expensive, some require you to spend time in groups, and some don't. Some require you to save before you can borrow. Each is a little different.

Qn. Identify the most important factors to consider when choosing a lender

Qn. What is most important to you when choosing a lender? Is it the interest rate? The type of loan offered? The location of the lender?

Important Factors to Consider When Choosing Lender

	Lender #1	Lender #2	Lender #3
Interest rate			
Chance of getting loan			
Type of loans offered			
Distance from my home			
Frequency of repayment			
Availability of other services			
Grace period			

Qn. What questions should you ask when shopping for a loan?

For loans:

- ☞ What types of loans are available?
- ☞ What are the collateral requirements?
- ☞ What are the savings requirements?
- ☞ What is the interest rate?
- ☞ What fees are charged?
- ☞ How long does it take to get a loan?
- ☞ How many times do you have to actually go to the loan office to complete the application? How often must the loan principal and interest be paid?
- ☞ What is the amount of each installment?
- ☞ What amount of savings is required and how often must deposits be made?

- ☞ What fees must be paid to obtain a loan?
- ☞ What penalties are charged for late payments?
- ☞ Where are loan payments made?
- ☞ How far away is this from my place of business?
- ☞ How often do meetings take place?
- ☞ How long do the meetings last?

Session 5: How Much Debt Can You Afford?

Objectives

By the end of this learning session, participants will have:

1. Calculated household income and expenses to find the surplus cash available for a new loan payment
2. Calculated their own ability to borrow based on current income and expenses
3. Developed advice about how much debt one can afford to carry

Time: 40 Minutes

Steps

1. Analyze a borrower's ability to take a new loan.
2. Analyze household finances to figure out the amount they can borrow.
3. Develop advice for people thinking about how much to borrow.

Analyze a borrower's ability to take a new loan

Explain the following: Few of us think we have enough money for our basic necessities, our children's education and the other things we want. And many of us have businesses that we would like to expand if only we had the money to invest. We can borrow money to make up the shortfall in capital, but we have to be careful how much debt we take on. If we never borrow, we might not ever make progress; but if we borrow too much, we risk not being able to repay. How do you know how much you should borrow?

Analyze household finances to figure out the amount they can borrow.

Household Income and Expense Worksheet

	Sheila	Edith	Chris	Total
Monthly Income				
Monthly Expenses				
Monthly Cash Available				

Develop advice for people thinking about how much to borrow

Ask the participants to get into small groups of 5 people each. Then say the following:

Often people take on too much debt and have trouble making repayments. Let us develop some advice for them.

Facilitator's notes

Advice about Taking Loans

- ☞ Don't let debt prevent you from paying for basic expenses such as food, school fees and other necessary items.
- ☞ Keep track of the amount and frequency of loan payments due.
- ☞ The total of your loan payments should not exceed a percentage of your steady income.
- ☞ Try to limit your borrowing for personal consumption.
- ☞ Have a plan for making loan payments if it will take time for the loan to generate increased income.

Best Practices of Borrowing

- ☞ Borrow Wisely.
- ☞ Borrow for invest
- ☞ Factors to consider when choosing a lender.
- ☞ Controlling debts/ avoid multiple borrowing.
- ☞ Know costs of borrowing.
- ☞ Borrow from a good/affordable lender (factors to consider when choosing a lender).

- ☞ Do not use a loan to buy things/ items that you once were able to buy with cash.
- ☞ Do not get loans to pay another loan.
- ☞ Do not use savings to pay loans.
- ☞ Do not borrow money for living expenses.

Facilitator's notes

Tips to control Debt

- ☞ Don't borrow more than you can afford to repay.
- ☞ Save money regularly for emergencies so you do not always have to borrow.
- ☞ Keep track of loan payments due
- ☞ Create your own payment calendar

Debt is not our enemy. Bad credit habits are. Use credit well and use it wisely.

MODULE 3: BUDGETING: USE MONEY WISELY

The goal of this guide is to help participants improve their household budgeting and money management so they will be able to make better spending, savings and investment decisions.



Budgeting

Session 1: Set Financial Goals

Objectives

By the end of the learning session, participants will have:

1. Discussed the introduction to Budgeting: Use Money Wisely.
2. Explored the causes of household financial pressure.
3. Set financial goals and explained how to reach them.
4. Described what a financial plan is and how it can help achieve financial well-being.

Time: 40 minutes

STEPS

1. Introduce the learning sessions for Budgeting: Use Money Wisely
2. Describe financial pressures using a story
3. Set financial goals and explain what a financial plan is

Introduce the learning sessions for Budgeting: Use Money Wisely

Trainer says the following: *Welcome to the financial education training about budgeting. This training will teach you how to plan and manage your money. You will learn to set your financial goals, to make a budget and to track how your cash flows to make better financial decisions*

Facilitator's notes

What Is a Budget?

A budget is a summary of estimated income and how it will be spent over a defined period.

Describe financial pressures using a story

Introduce the new topic. Say: People everywhere work to have enough money to meet their day-to-day spending needs, pay down debts, keep the business going, meet future needs for housing, pay for school and marriage for their children, and ensure a secure old age. Often there is not enough money to reach all these goals. Listen to the story of Jayson and Tracy's

Tell the story of Jayson and Tracy

Jayson and Tracy's Financial Situation

Jayson and Tracy have to pay regularly for food, clothing and household repairs. They also have loan repayments to a financial institution and owe a shopkeeper who has sold them goods on credit.

Their roof is rusting and they want to change it before the rainy season. Their eldest son will get married in the near future.

They have to pay high school fees for their other 2 children. They must travel to take care of family or business matters.

Jayson and Tracy also know that unexpected things happen. Family members get sick. Things break and need to be repaired.

*Ask the following question: **What are the financial pressures that Jayson and Tracy feel? Why?** [They must meet day-to-day spending requirements and save at the same time to meet all these financial pressures. This can be difficult if there is barely enough money to meet everyday needs. Paying off debt is important to have future access to credit. If they do not repair the house, it could be dangerous. They want to educate and marry off their children and help them get started in life. It is tough to find money for unexpected needs.]*

Qn What are financial pressures people experience in this area?

Common Household Financial Pressures

- ☞ Illness forces unexpected expenses.
- ☞ Poor business performance brings in less income and makes it hard to pay back the loan.
- ☞ Children's weddings can be very costly.
- ☞ Funeral expenses use up all our savings.

Set financial goals and explain what a financial plan is with a small-group discussion and story

Qn. 1 What are your goals for a happy future?

Qn. 2 What can you do to achieve your goals?

Ogwang and Asiyo: Reaching Their Goals

Ogwang and Asiyo think together about their goals for the future. They want their children to go to school. They want to repair the house. They want to keep debt low. They want to travel to visit family every year. They also want to put more money into their business to earn more.

They decide together to do something to reach their goals. First, they count the money coming into and going out of the household every day for several weeks or months to know the actual amount they earn and spend. They find out the costs of school, travel and home repairs. They decide to save something, no matter how small, every week. They decide the amount of income they will set aside every week or month for paying debts. They plan how much and when they will invest more in the business. After all these decisions, Ogwang and Asiyo feel relieved. They are happy about their decisions. They are confident now that, if they stick with these decisions, they can achieve their goals.

What are Ogwang's and Asiyo's goals for the future? [School for children, house repair, control their debt, travel, invest in the business.]

What do Ogwang and Asiyo do to reach their goals for the future?

Summarize participant answers. Make sure the following points are made:

To reach their goals for the future, Ogwang and Asiyo:

- ☞ Figure out the amount of money they earn and spend

- ☞ Determine the costs of their goals
- ☞ Make decisions about how much to save, how to pay off debt and how much to invest in their business
- ☞ Decide on the timing for doing these things

This is called financial planning.

Facilitator's notes

What Is a Financial Plan?

A Financial Plan is a tool to help you decide how to earn more and use your money to achieve your goals.

Qn. 1 How can financial planning be helpful to you and your family?

Qn. 2 What can you do to make your own financial plan?[Decide goals or objectives for the future, decide how much money I earn and how I will use my money to save and invest to reach my goals.]

Facilitator's notes

How can financial planning be helpful to households?

- ☞ Helps you decide your spending priorities for the future
- ☞ Gives you discipline for spending and saving
- ☞ Helps avoid unexpected money shortages
- ☞ Help you feel less financial stress

Session 2: Examine Your Money Management

Objectives

By the end of the learning session, participants will have:

1. Listed and grouped common household expenses
2. Identified and grouped household income sources
3. Explained how to cope with irregular income and expenses

Time: 30 minutes

Steps

1. Identify expenses and sort them into categories.
2. Identify examples of income sources.

Identify expenses and sort them into categories

Introduce the session. Say: By the end of this session you will be able to describe all the different ways you earn and spend money. When you understand how your money flows in and out of the household, you are able to plan better how to save and spend it wisely.



Household head worried about family's finances

Facilitator's notes

Common Household Expenses

- ☞ Food
- ☞ Clothing
- ☞ School Fees
- ☞ Loan Repayment
- ☞ Emergencies
- ☞ Medical Treatment

Facilitator's notes

It is important for good money management to plan for expenses that do not occur regularly. One can do this through: saving.

Qn1. What are the expenses you pay once in a while as opposed to every day or every week?

Qn 2. How do you plan for expenses that occur only once in a while?

Summarize their answers and say: It is important for good money management to plan for expenses that do not occur regularly. You have mentioned many ways this can be done, including saving and putting off purchases until the money is available.

Identify examples of income sources

Say: We have talked about the ways that Mrs. Masimbi and her family spend their money. Now let us talk about where that money comes from.

Qn. Which of these sources of income are infrequent or irregular? Why?

Ask volunteers to talk about their infrequent sources of income.

Qn. When you get income in one large amount every once in a while, how do you plan to use it to pay for expenses throughout the year?

It is nice to get a large amount of income at one time. It is important to think about how to use this money wisely to pay off debts, make sure you can meet basic necessities and save to meet expenses that will occur in the future.

Session 3: Describe the Importance of a Budget

Objectives

By the end of the learning session, participants will have:

1. Explained how a budget is useful
2. Assessed their current money management strategies
3. Identified ways to improve their own money management through budgeting

Time: 30 Minutes

Steps

1. Explain what a budget is and why it is useful.
2. Examine your own budgeting practices.

Explain what a budget is and why it is useful

Trainer Says: We have discussed your expenses and income. Expenses and income are 2 key components of a budget. But what is a budget?

Facilitator's notes

A budget is an important tool for money management. It is a plan that divides one's income among necessary living expenses, savings and investment during a certain period.

In order to budget, one must know how much money is coming in and he/she wants to spend that money during a set period of time that we choose.

In order to effectively budget, it is important to identify and organize spending.

Qn. What information does the budget give you?

Facilitator's notes

Information Provided a Family Budget

- ☞ Different types of income sources
- ☞ Amount of income by source
- ☞ Total planned income
- ☞ Types of expenditures, including business and household expenses
- ☞ Amount of expenditures
- ☞ Total planned expenditures
- ☞ Total savings

Qn. Why is a budget useful?

Facilitator's notes

Usefulness of a Budget

A budget:

- ☞ Allows you to assign your income to different types of expenses
- ☞ Helps you make decisions about spending and saving
- ☞ Encourages cautious and disciplined spending
- ☞ Allows you to take control of your financial situation
- ☞ Helps you organize and manage money more effectively.
- ☞ Helps you plan for your future and meet your financial goals

Qn1. Examine your own budgeting practices

Qn2. How do you currently manage your income and expenditures to meet your family's needs?

Qn3. What can you do to improve budgeting in your household?

Facilitator's notes

Ways to Improve Budgeting at Household Level

- ☞ List all income sources.
- ☞ List all expenses.
- ☞ Plan ahead to prevent spending more than your income.
- ☞ Save surpluses to meet future expenses when income is low.

Session 4: Make a Budget

Objectives

By the end of the learning session, participants will have:

1. Described the steps to create a budget
2. Made a budget
3. Given advice to each other about how to adhere to the budget
4. Identified something new about budgeting to share with family members

Time: 45 minutes

Steps

1. Explain the steps of how to make a budget.
2. Make a budget.

Steps to create a Budget

It is important to learn the steps involved in creating a budget. Let the trainer explain each of the steps.

Facilitator's notes

"Steps to Create a Budget" Cards (For the Literate Groups)

Step 1. Review your financial goals	Step 2. Estimate amount of income by source	Step 3. List all expenses and amount needed for each one
Step 4 Make sure your expenses are not more than your income	Step 5 Decide how much you will save	Step 6 Review and adjust as needed

If participants do not read, tell the following story:

Mrs. Masimbi Makes a Budget

Mrs. Masimbi does not read and write very well, but she still knows how to make a budget. Here is what she does.

She remembers the family's goals for the future and how much it will cost to reach them.

She thinks about the family situation. She asks herself, "What is happening in this family that will bring in money and require us to spend money for the next month?"

She thinks about how much money is coming in to the house weekly or monthly from the farm, business and other sources. She thinks about how much they will need to spend during the same period. If she can, she asks a family member to write down what she thinks her income and spending will be in the next month or more.

Then Masimbi checks to be sure she does not plan to spend more than the income she will receive. She also decides how much to save.

She follows the income and spending closely over time to compare her plan with what really happens. She changes her estimates for the next month based on what she learns.

Ask the group: What does Mrs Masimbi do to make a budget? Trainer should discuss the points above.

Making a Budget- Trainer explains the following if it is a literate Group

Income

On the Budget worksheet, define your sources of income and write them in the first column under "Income." Some of these sources may provide income every month and some may provide income only at certain periods of the year.

Estimate the expected income by month from each source and write it in the appropriate box on the worksheet. Some of your income may come infrequently in larger sums. To figure out what this irregular income is on a monthly basis, determine how much you receive annually and divide this by 12 as seen in the table below.

Infrequent Income

Income	No. of Times Received	Amount	Annual Amount	Monthly Income (divide annual amount by 12)
Farming	2	1) 100 2) 20	240	20
Livestock Sales	1	120	120	10

Add up the total income for each month.

Expenditures

1. On Budget Worksheet, write your expenses for each category of expense: debt payment, necessities, optional expenditures and so on.
2. **Estimate** your expenses for each category for each month. You may pay some expenses only once a year or once every quarter. If you have an infrequent expense like this, it is useful to spread it across months in your budget. **To figure out how much your irregular expenses would be on a monthly basis, calculate the total expense per year and divide by 12** (See example below).

Infrequent Expenses

Expense	No. of Times Paid	Cost per Time Paid	Annual Costs	Monthly Cost (divide annual cost by 12)
School Fees	2	60	120	10
Holidays	1	30	30	2.5
Member Dues	3	4	12	1

Add up the total expenses for each month on the Budget Worksheet.

1. Compare Income and Expenditure
2. Subtract the total spending for each month from total expected income for each month.

What should be done if the number is positive? [Save more, pay off debts.]

What should be done if the number is negative? [Cut spending, find ways to earn more until you can control spending.]

What one needs to do to meet expenses when income for that period is not enough?

- ☞ **Save** when you have surplus income, to spend during times when income is less than you need
- ☞ **Spend less** during the low-income periods.
- ☞ **Plan ahead** so you do not have to borrow to meet your household needs.

For groups that have low literacy skills

Give each member a Budget Calendar (Attached in the annex).

*Next, give each person 50 small objects. Tell the participants to place up to 5 small objects in each box based on how much income they think is coming in or going out of the household for that category and time period. The objects **do not** represent specific*

amounts, rather 1 object represents the smallest amount of income or expenditure and 5 objects represent the largest amount of income or expenditure.

See example below. Demonstrate how to fill in the income row and 1 of the expense's rows with the whole group before giving each participant a worksheet.

Give the participants 15 minutes for this activity. Go around and assist them as needed.

Budget Calendar

Please note that you can use weeks instead of months.

	Month 1	Month 2	Month 3
Income = Illustrate			
Spending=Illustrated			
Business=illustrate			
Household=illustrate			
Loan repayment= illustrate			
Savings=illustrate			

Qn1. What times of year is income more or less than other times? What times of year are expenses more or less than income?

Qn2. What can you do to meet expenses when income for that period is not enough?

Make sure the group mentions the following:

Facilitator's notes

- ☞ Save when you have surplus income, to spend during times when income is less than you need
- ☞ Spend less during the low-income periods
- ☞ Plan ahead so you do not have to borrow to meet your household needs

Then trainer says: Look again at your budget calendar.

Qn1. What will you change to plan for irregular income and expenses?

Qn2. What did you do to make sure you will have enough income to meet your expenses?

Facilitator's notes

Conclusion

Budgeting is an important tool to think about how you will use your income to pay expenses—including loan repayments—as well as to decide how much you can save for the future.

Session 5: Make Spending Decisions

Objectives

By the end of the learning session, participants will have:

1. Prioritized a broad range of expenses
2. Identified a set of guidelines to help them choose financial priorities in the future
3. Compared their priorities with what the expert financial planners recommend

Time: 30 minutes

Steps

1. Set financial priorities
2. Compare priorities with what the expert financial planners recommend.

Qn 1. How will you decide which are the most important things to use your money for this month?

Qn2. How would you decide to prioritize your expenses; which are the most important? Which are the least important?

Compare priorities with what the expert financial planners recommend

Facilitator's notes Explain: Expert financial planners recommend the following order of priorities for spending:

Facilitator's notes

1. Take care of debts
2. Meet necessary day-to-day expenses
3. Save for future goals and needs

Qn. Why do you think the experts recommend these priorities?

Facilitator's notes

1. Debt is costly.
 - ☞ When payments are missed, the loan costs grow even higher.
 - ☞ Failure to make payments can lead to the loss of future access to credit.
 - ☞ Loan fees on late payments can increase the amount of money you owe and increase the risk of having to make loan payments with money intended for basic necessities.
 - ☞ When debt is out of control it can threaten the well-being of your family.
2. Basic expenses must be taken care of for the well-being of the household.
3. Money not needed to pay debt and necessary expenses is available to set aside for the future or spend on treats or luxury items.

Session 6: Stay within your Budget

By the end of the learning session, participants will have:

1. Defined ways to address difficulties of staying within a budget
2. Identified ways to cut spending

Time: 30 Minutes

Steps

1. Identify ways to stay within a budget
2. Make a list of ways you can cut spending

Identify ways to stay within a budget

Trainer Says: Expert financial planners say that people must make a regular habit of paying off their loans, paying for basic necessities and saving something. There are many competing priorities for very little money. Please take a minute to think about your own financial situation and answer this question.

Qn. What are your 3 most important financial priorities after feeding your family? Why?

Qn. What are the day-to-day pressures that make sticking with recommended spending priorities difficult?*[Examples: The income only covers the most basic necessities and there is nothing left to pay off debt or save; family pressures lead to unplanned spending, etc.]*

Qn what makes it hard to stay within a budget? *[Unexpected events happen that must be paid for; lack of discipline; pressures from family members; poor revenues from the business or farm, etc.]*

It is one thing to make a budget and another thing to stay within the budget.

How to Stay Within Your Budget

- ☞ Remind yourself often what you planned to spend
- ☞ Put in the budget something for unexpected spending needs
- ☞ Keep savings out of reach so you do not spend them
- ☞ Keep track of what you spend
- ☞ Make sure you do not spend more than is budgeted
- ☞ If you spend more for one item, spend less for something else
- ☞ Make a list of ways to cut planned expenses
- ☞ Get the family to participate in developing and sticking with the budget

Make a list of ways you can cut spending

Tell the participants the following: Think about all the things you spend money on during a day, week or year. Remember the small things as well as the big things. Work on your own to answer the following question.

Qn. What are 3 ways to cut down spending?

Facilitator's notes

Ways to Cut Spending

- ☞ Consume less of non-essential items (beverages, snacks, luxuries)
- ☞ Spend less on parties and festivals
- ☞ Lower expenses on life events such as marriages and funerals
- ☞ Save enough to buy necessities in larger amounts at lower costs
- ☞ Plan ahead to buy necessities when the prices are lower
- ☞ Buy less on credit
- ☞ Carry less money or save money in a safe place; the temptation to spend it won't be there. When investing money in business, consider what to do if the investment fails

Session 7: Keep records to manage your money

Objectives

By the end of the learning session, participants will have:

1. Identified the different types of financial records and their purposes
2. Described how they can organize and safeguard their financial records

Time: 30 minutes

Steps

1. Identify financial records and their purposes
2. Discuss how to organize and safeguard your financial records.

Identify financial records and their purposes

Tell the participants the following:

Keeping records of your financial transactions is helpful for managing your money. You can always refer to the recorded information to check past transactions as well as to inform future planning.

Qn. What are some other reasons to keep financial records?

Listen to a number of responses. Then review the following information:

Facilitator's notes

Good records provide the financial information you can use to operate more efficiently and increase your profitability. Accurate and complete records enable you to identify all your business assets, liabilities, income and expenses. This information helps you pinpoint both the strong and weak aspects and phases of your business operations.

Good records provide the specific amounts of past expenses that will help you develop a budget for the future.

If you operate a business, good records will help you prepare current financial statements, such as the income statement (profit and loss) and cash-flow projection. These statements, in turn, are critical for maintaining good relations with your banker. If you plan to ask for a loan, your banker is likely to ask for these records in order to get a financial picture of your business.

Good records are critical at tax time. Poor records could cause you to underpay or overpay your taxes. Up-to-date and accurate records are essential if you are ever audited.

Qn. What documents and records do you currently use to manage your money and What information is provided by the document?

After a few minutes, ask participants to respond and list the information next to the document type. Here is an example of what the lists can look like.

Facilitator's notes	
Financial Documents	Information Provided
Budget	Projected income and allocation to different expenditures
Receipts	Amount and date of payments made
Loan agreements	Amount of loan, duration, instalment amounts, due dates
Weekly income and expenses form	Daily expense and income record by week
Monthly tracking form	Weekly and/or monthly income and expense record
Savings passbook	Amount and date of savings withdrawals and deposits
Bank statement	Deposits, withdrawals, interest earnings, fees on bank accounts
Insurance agreement	Insurance payments, terms and conditions

Qn 1. What documents do you need to improve your money management and how will they help you?

Qn2. Discuss how to organize and safeguard your financial records

Qn3. How can you organize and safeguard these records?

Facilitator's notes

Maintaining Financial Records

- ☞ Keep budgets and cash-flow tracking records in a notebook
- ☞ Have envelopes, files, boxes or plastic bags to separate and keep receipts, passbooks, loan documents, insurance forms, etc.
- ☞ Keep all the documents for 1 year together
- ☞ Keep records where they are least subject to fire, floods, theft and other hazards

Demonstrate the record-keeping methods and techniques using the envelopes, files, plastic bags and boxes you have brought. As you show these, ask participants to comment on which of the methods they use and how. Ask them to comment on the method(s) that are most attractive to them. Tell the participants: Now think about how you organize and safeguard your financial records and identify 1 or 2 ways you can improve your methods.

MODULE 4: FINANCIAL SERVICES: KNOW YOUR OPTIONS

The goal of this module is to help participants effectively understand and use bank services to attain a better match between their financial needs and the financial services they use to satisfy these needs.



Banking activity

Session 1: Household Financial Needs

Objectives

By the end of this learning session, participants will have:

1. Identified the things that people spend money on during their lifetimes
2. Categorized expenses as “expected” and “unexpected”
3. Identified everyday financial requirements and distinguished these from future expected and unexpected life-cycle expenditures
4. Recognized that there are a variety of ways people pay for expected, unexpected and everyday expenses and that some services are more appropriate for some kinds of expenses

Time: 60 Minutes

Steps

1. Introduce the module on bank services.
2. Categorize and discuss different types of household expenses.
3. Discuss how to pay for different expenses.

Introduce the module on Financial services

Tell participants the following: Welcome to training in bank services. Many people do not use formal financial institutions because they do not know how to, or are afraid of their requirements. Saving group members, we are also exposed to a lot of challenges with the money we collect; security of the box especially towards action audit, idle funds and many others. During the training we will learn about different types of bank services and how to use them to meet your own financial needs as Saving group members.

Categorize and discuss different types of household expenses.

Introduce the session saying; first we will talk about our own household financial needs. You will divide into groups. I will give you a pile of cards to sort. Each card names a common household expense. It may be a regular, everyday expense or a future expense that occurs only at certain points in our lifetimes.

Ask the participants to divide into 3 or 4 groups.

Give one pile of randomly sorted Financial Needs cards of household expenses to each group. Tell the groups: In your groups, sort the cards into three piles by type of expense: Everyday Expenses, Expected Future Expenses, and Unexpected Future Expenses. Let participants place their cards on the flip chart under the correct expenditure category.

Guiding Questions

Qn. 1 Do you see any cards that should be or could be moved to a different category?

Qn. 2 How do these categories differ from each other?

Qn. 3 How do these definitions compare with what we have just discussed?

Facilitator's notes

Types of household expense

- ☞ Everyday Expenses
- ☞ Expected Future Expenses
- ☞ Unexpected Future Expenses

Categories of Household Expense Definitions

<p>Everyday expenses occur regularly and are necessary for the household's day-to-day existence. These expenses are fairly predictable in both their timing and amounts.</p>	<p>Expected future expenses are large, lump-sum expenses that are required to cover life-cycle events. Life-cycle events can be predictable, such as marriage, childbirth, a child starting school, or buying a house. These events normally occur for most families over their lifetimes. One usually knows when they will occur and can plan for them.</p>	<p>Unexpected expenses are also large expenditures that are required to cover life-cycle events, but the events are unpredictable. They can include natural disasters such as floods, droughts, tsunamis and earthquakes. Or they can include personal or household difficulties such as a robbery, fire, accident, illness or death. Although we know these events can occur, it is difficult to plan for them. No one knows when they will strike or how expensive they will be.</p>
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Discuss how to pay for different expenses

Trainer Says:

Now we are going to look at how you pay for these three kinds of expenditures.

Divide the group into 3 smaller groups. Assign each group one of the expense categories: Everyday Expenses, Expected Future Expenses, Unexpected Future Expenses.

In your groups, discuss all the ways that you now pay for the expenses in the category. Choose one person in each group to report back to the whole group. **Ask for a group to volunteer to report back expenses from its category. Write the results down on flip charts. Repeat until all three groups have reported back. The flip charts will look something like this:**

How we pay for: Everyday Expenses	How we pay for: Expected Future Expense	How we pay for: Unexpected Future Expenses
<ul style="list-style-type: none"> ☞ Income from business or salary ☞ Money sent from relatives ☞ Borrowing from family and friends ☞ Credit from shopkeepers 	<ul style="list-style-type: none"> ☞ Long-term savings account with MFI ☞ Savings clubs ☞ Loan from the women's group ☞ Savings in the form of gold 	<ul style="list-style-type: none"> ☞ Loan ☞ Long-term savings ☞ Insurance ☞ Borrow from friends ☞ Grant from church groups or local council ☞ Fundraisers ☞ Pawn consumer durables or jewelry

Guiding Questions

Qn. 1 What do you notice about the different ways that you pay for each of the three kinds of expenditures?

Qn. 2 What are the one or two best ways to pay for this type of expense? Why?

Qn. 3 What lessons can we learn from developing categories of expenditures and ways to pay for them?

Trainer says; I will read several statements aloud and you will decide if you agree or disagree with eachss. If you agree, take a step to the right; if you disagree, take a step to the left.

True/False Statements

1. Pay for day-to-day expenditures with income from your own business, wages or piece work.

TRUE.Income you earn on a regular basis is most often used to pay for day-to-day expenses. If you have no income, then you must use your savings or turn to others for assistance.

2. Because you never know when you will have unexpected expenses, you can't be prepared for them.

FALSE. Although you cannot predict every expense, you can be prepared by establishing an emergency fund that you contribute to on a regular basis.

3. You should save to meet future expected and unexpected expenditures.

TRUE. The more you save, the better off you will be when unexpected events force you to spend money. Saving is the best way to reach your goals and dreams for the future.

4. Taking a loan to pay for everyday expenses is good financial management.

FALSE. Loans come with an obligation to pay interest and fees that make them expensive and a costly way to pay daily bills.

5. You should only take loans when you can use the money to increase your business income.

TRUE. Because taking a loan costs money, you should only borrow when you know you can invest the loan and make money above and beyond the cost of the loan.

6. Poor people cannot save.

FALSE. Everyone can save, even if only a tiny amount. When you track your daily expenses in detail, you can usually find one or two things that you spend money for that could be cut out in order to save.

Facilitator's Notes.

Financial Needs Organizational Chart

Everyday Expenses	Expected Future Expenses	Unexpected Future Expenses
Household expenditure	Birth	Disability
Food	Buy a House	Death
Transportation	Marriage	Funerals
School fees	Old age	Major illness
Rent	Refrigerator	Unemployment
Clothes	Business equipment	Divorce
Entertainment	Major holidays	Business failure
	Religious ceremony	Riots
	Parental care	Natural disaster
	Vacation	Crime
	Furniture	Accidents
	Business supplies	Death of spouse
		Injury
		Pregnancy
		Strikes

Session 2: Sources of Financial Services

Objectives

By the end of this learning session, participants will have:

1. Described all the sources of financial services, both formal and informal
2. Assessed the advantages and disadvantages of each type of service

Time: 40 Minutes

Steps

1. List the different sources of financial services available to this community
2. Identify advantages and disadvantages of different kinds of financial services

Qn 1 List the different sources of financial services available to this community

Qn 2 Where can you and members of your community obtain financial services?

Facilitator's notes

Definitions of Formal and Informal Financial Services

Informal Financial Services

All financial transactions, loans and deposits occurring outside the regulation and supervision of the government's central banking authority.

They include local moneylenders, pawnbrokers, self-help groups and NGOs, as well as family members who contribute their savings to a microenterprise.

Formal Financial Services

All financial transactions, including loans and deposits, provided by institutions which are regulated and supervised by the government's central banking authority. These include commercial banks, finance and insurance companies. They must report regularly to the government.

Semi-formal Financial Services

All financial transactions provided by institutions which are not regulated by banking authorities but are licensed and supervised by other government agencies. Examples are credit unions and cooperative banks, which are often supervised by a government bureau or agency in charge of cooperatives.

Guiding Questions

1. Identify advantages and disadvantages of different kinds of financial services
2. What are the advantages and disadvantages of each type of financial service?
3. What do you notice about the advantages of the formal financial services in comparison with informal financial services?

Summarize the group's discussion. Be sure to cover the following points:

Facilitator's notes

- ☞ Money kept as cash can be lost or stolen, and is difficult to recover.
- ☞ Banks have insurance that enables them to recover lost or stolen money.
- ☞ Banks have the most money to lend.
- ☞ When your money is deposited in the bank, you are less tempted to spend it.
- ☞ Banks are safe and reliable.
- ☞ Banks offer savings accounts tailored to both short-term and long-term savings goals.
- ☞ Banks pay interest on savings.
- ☞ Banks offer many convenient services, such as payment of remittances, salaries and pensions; money transfers to relatives; and remote banking through Automated Teller Machines (ATMs).

Facilitator's notes

Advantages and Disadvantages of Financial Service Providers

Financial Service	Advantages	Disadvantages
Bank	<ul style="list-style-type: none"> ☞ Security (money is safe) ☞ Liquidity (for savings) ☞ Large, long-term loans ☞ Cost ☞ Reliability ☞ Privacy ☞ Income (money earns interest) ☞ Choice of products ☞ Allows you to build a credit history ☞ Operates within banking laws ☞ Access to financial advice 	<ul style="list-style-type: none"> ☞ Can be far for rural residents ☞ Restricted hours ☞ Minimum deposit requirements may be too high ☞ Unfriendly staff ☞ Banks charge fees on many accounts ☞ Long lines in bank take time
MFI	<ul style="list-style-type: none"> ☞ Access ☞ Proximity ☞ Speed ☞ If registered, operates within laws ☞ Social aspect/group support 	<ul style="list-style-type: none"> ☞ Loan size is typically small ☞ Cost of borrowing can be high ☞ Some offer no savings service ☞ Some require group membership
Savings and credit associations	<ul style="list-style-type: none"> ☞ Access ☞ Proximity ☞ Frequency ☞ Social aspect/group support ☞ Lump sum of money at a specified time 	<ul style="list-style-type: none"> ☞ High risk (due to dishonest members or group conflicts) ☞ Unreliable ☞ Limited funds to meet borrowing needs ☞ Lack of financial knowledge
Retailers	<ul style="list-style-type: none"> ☞ Many available ☞ Safe 	<ul style="list-style-type: none"> ☞ Poor customer service ☞ Limited financial knowledge ☞ Interest can be high ☞ Banking not core business

Mattress account	<ul style="list-style-type: none"> ☞ Money easily available ☞ No bank costs ☞ No transportation costs ☞ Easy to manage 	<ul style="list-style-type: none"> ☞ Money doesn't grow ☞ Less incentive to save ☞ Money at risk for theft, fire ☞ No access to financial experts ☞ No access to other banking products ☞ No credit records ☞ Less control on spending ☞ No transaction records
Insurance company	<ul style="list-style-type: none"> ☞ Security ☞ Peace of mind ☞ Insurance expertise regarding variety of products ☞ Operates within insurance laws 	<ul style="list-style-type: none"> ☞ High monthly payments ☞ High increases each year ☞ Products difficult to understand ☞ Must read the conditions ☞ Long waiting period for payment
Moneylender	<ul style="list-style-type: none"> ☞ Money available immediately ☞ Available at your doorstep 	<ul style="list-style-type: none"> ☞ Very expensive ☞ Risky—operates by intimidation ☞ Not protected by government laws ☞ Easy to get into deep debt

Session 3: Financial Products and Financial Needs

Objectives

By the end of this learning session, participants will have:

1. Listed the types of financial products/services offered by institutions
2. Matched distinct financial needs with specific financial product/service
3. Described what services are most appropriate to meet different types of financial needs and why

Time: 30 Minutes

Steps

1. Identify financial products offered by different financial services organizations.
2. Match financial needs with financial products.
3. Discuss how to use financial services more effectively.

Identify financial products offered by different financial service organizations

Trainer should review with participants the different types of financial institutions listed in Session 2.

Trainer says: remember the types of financial service providers we discussed? Now I ask you to think about the types of products they offer. For example, a loan is a financial product. So are savings accounts. During this exercise you will be asked to think about all the various types of loans, savings accounts and other services or products you know of or have heard about.

Facilitator's Notes				
Definition of Financial Products				
Savings	Loans	Insurance	Current Account	Payment Services
<p>Accounts hold deposits and pay interest. Different types of accounts are tailored to short- or long-term savings goals.</p> <p>Interest rate varies with type of account and length of time money held in account.</p>	<p>Money lent to client for various purposes.</p> <p>Type of loan and terms vary with purpose.</p>	<p>Client makes regular payments (called premiums) to insurance provider or MFI for purchase of protection in event of accident or loss.</p> <p>Insurance products cover specific events, e.g.:</p> <ul style="list-style-type: none"> ☞ Accident ☞ Death ☞ Hospitalization 	<p>Bank account that enables client to make regular transactions—deposits and withdrawals.</p> <p>May offer ATM and debit cards for easy withdrawals.</p>	<p>Bank transfers money from client account to designated recipient, e.g. Remittances to family members.</p> <p>Bill payment.</p>

Facilitator's Notes

Advantages of the formal financial services in comparison with informal financial services?

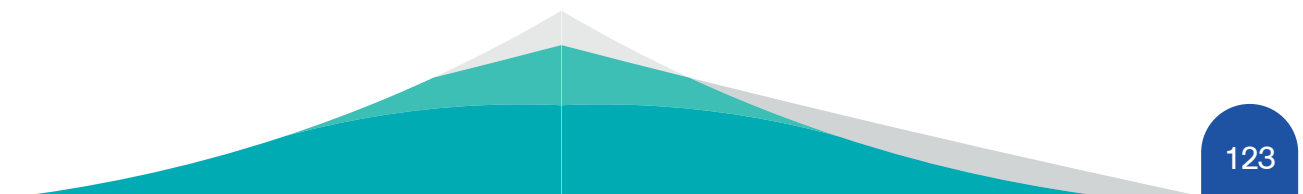
- ☞ Money kept as cash can be lost or stolen, and is difficult to recover.
- ☞ Banks have insurance that enables them to recover lost or stolen money.
- ☞ Banks have the most money to lend.
- ☞ When your money is deposited in the bank, you are less tempted to spend it.
- ☞ Banks are safe and reliable.
- ☞ Banks offer savings accounts tailored to both short-term and long-term savings goals.
- ☞ Banks pay interest on savings.
- ☞ Banks offer many convenient services, such as payment of remittances, salaries and pensions; money transfers to relatives; and remote banking through Automated Teller Machines (ATMs).

Match financial needs with financial products

Divide participants into the same groups and distribute pre-prepared financial needs cards. Explain:

Each of these cards has a different financial expenditure written on it. Study the cards as a group. Decide which is the most appropriate financial product or service to meet the financial need. When you are finished, select one person to come up and put your group's cards on the wall next to the financial product that you have decided is the most appropriate way to finance this need.

Place the product-type cards in a vertical line on a wall that has enough space to the right for participants to place their financial use cards. When participants have finished, the wall will look something like this.



Housing loans	House expenditure (new roof)	Buy a house
Long-term savings	Major illness	Marriage
Enterprise loans	Business equipment	
Passbook savings account	School fees	
Current account	Food purchase	
Payment services		

Qn. Why do you think this financial product is appropriate for this financial need?

Financial Service Uses Chart					
Financial Services	Savings	Loans	Insurance	Current Account	Payment Services
Suggested Uses	<ul style="list-style-type: none"> ☞ Marriage ☞ Festivals ☞ Sickness ☞ Old age ☞ Ceremonies ☞ Children's Education 	<ul style="list-style-type: none"> ☞ Business Capital ☞ Business Equipment ☞ House Purchase ☞ House Repair 	<ul style="list-style-type: none"> ☞ Maternity ☞ Hospitalization ☞ Death ☞ Loss of Assets ☞ Earthquake ☞ Floods 	<ul style="list-style-type: none"> ☞ Day-to-Day Expenditure: Rent, Food, Clothing, etc. ☞ Direct Deposit of Salary or Pension 	<ul style="list-style-type: none"> ☞ Sending Money to Parents ☞ Sending Money to Children ☞ Receiving Money from Children or Other Relatives ☞ Paying Utility Bills

Guiding Questions

Qn. Discuss how to use financial services more effectively.

Qn. How can you better use the services of a bank?

Qn. List of Possible Financial Services/Products Available in a Community.

Facilitator's notes		
Possible Financial Services/Products Available in a Community		
Savings	Loan Products	Insurance
Short Term	Housing Loan	Health Insurance (Long term)
Long Term	Business Loan	Life Insurance (Long term)
Demand Deposits	School fees loan	Property Insurance (Short term)

Session 4: Advantages of Using Banks

Objectives

By the end of this learning session, participants will have:

1. Identified commonly held beliefs about banks
2. Described the benefits of using a bank
3. Contrasted the benefits of using a bank with those of using an informal service or keeping money at home
4. Stated how they will improve their use of bank services

Time: 30 Minutes

1. Brainstorm common perceptions about banks.
2. Describe why a bank is better than a “piggybank” or “mattress account”.
3. Talk about using a bank at home.

Brainstorm common perceptions about banks

Trainer Explains: Sometimes people, places or institutions develop a reputation, something that many people believe about them, whether it is true or not. For example, many people believe that all Americans are rich and have a lot of money. Because some Americans are very wealthy, it is easy to assume that **everyone** is. Banks are similar in that many people believe things about banks that may or may not be true. Today we are going to try to figure out which widely held beliefs about banks are true, and which are only myths.

Qn. When I say the word “Bank,” what images or thoughts come to your mind?

Facilitator’s Notes

Common Myths about Banks

- ☞ You have to be rich to use a bank.
- ☞ Banks are unfriendly.
- ☞ Going to the bank takes a lot of time.
- ☞ If a bank is robbed, you will lose your money.
- ☞ Banks will take your house away.

Describe why a bank is better than a “piggybank” or “mattress account” –

Benefits of Using a Bank

- ☞ Security (money is safe)
- ☞ Liquidity (for savings)
- ☞ Reliability
- ☞ Privacy
- ☞ Income (money earns interest)
- ☞ Many products available (varying types of loans and savings accounts)
- ☞ Allows you to build a credit history
- ☞ Operates within banking laws
- ☞ Access to financial advice from knowledgeable staff

Talk about using a bank at home

Let participants discuss the following questions.

Qn 1. In your family, who would you have to convince to open a bank account?

Qn 2. How would you convince your family to open an account at a bank?

Session 5: Choosing an Account

Objectives

By the end of this learning session, participants will have:

1. Distinguished between two different types of bank accounts
2. Identified the information they need to obtain about a bank’s terms for each type of account
3. Matched account features to the relevant account types

Time: 50 minutes

Steps

1. Different people need different accounts: two stories.
2. Match account features to the right account and explain rationale.

Different people need different accounts: two stories

Read each of the stories below.

Two Women: Two Bank Accounts

Sandra Opens a Current Account

Sandra has a stable but meager income washing clothes for regular customers. She rarely has extra money. But recently she found a job as a store clerk in the mornings, leaving her afternoons free for her laundry business. She is eager to have this extra income to pay her daughter's secondary school fees. Now that her daughter is a teenager, Sandra knows that she will want many things. She will need to save a little money each week.

At the bank, Sandra learned about its current account that allows her to make frequent deposits and withdrawals. However, she was surprised by the fees that come with the account. First, she must have 1,000,000 to open this account. To get this much money, Sandra will have to save every penny of her store earnings for a month or more. If the balance in her account falls under 1,000,000, the bank will charge a monthly service fee of 30,000 and 10,000 for each withdrawal. But with the minimum balance of 1,000,000 Sandra can withdraw money from her account 5 times per month for free. For every withdrawal after the first 5, she will be charged 5,000shs. The account earns a small interest rate of 1%.

At first, Sandra was so confused by all these rules and charges. But after she read the material several times and talked it over with the bank manager, she realized that by keeping 1,000,000 on the account, she could avoid most of the charges. Although that would require a sacrifice in the short term, the money would always be hers. With a little discipline and planning with her daughter about what to buy and when, she could manage to limit withdrawals to 5 per month and avoid extra fees.

Ask:What happened in the story? Why is a current account good for Sandra? *[She is able to save the required balance, she can avoid fees by limiting the number of withdrawals, she earns interest but can still make regular deposits, and the money would always be hers.]*

Sam Considers a Time-Deposit Account

Sam wants to open a fresh-flower kiosk. He has been saving for this goal and now

has 1,500,000 in a locked box at home. He carries the key on his person all the time and worries about losing it. Recently, however, Sam learned that putting his money in a time-deposit account at the bank will help him grow his savings and reach his goal faster. This account pays interest of 3% per year of the amount on deposit. That is three times the rate of interest paid on passbook accounts. However, to get such a high rate, Sam must agree to leave his money on deposit at the bank for a specific period of time, called a “term.” He can choose terms from six to sixty months. The longer the term, the higher the interest rate.

Sam knows that putting his money in a time deposit will help him both avoid spending it and earn interest that he would not get by keeping it at home. But he has to think about how long he is willing to put the money away. What if he needs some of that money for an emergency, or school fees? The bank charges a penalty on any money withdrawn before the term is completed. What term should he choose? Should he put all of his 1,500,000 in the term account, or keep a portion in a different account that offers greater access to his money? Finally, he decides on a term of 12 months for his deposit. When he is ready to open his business next year, maybe he will decide to take a loan and use his time deposit as collateral.

Ask:

What happened in the story?

Why is a time-deposit account good for Sam? *[He has a significant amount of savings he is more likely to reach his savings goal faster because the money is not accessible, the account pays a better interest than a current account, he doesn't need the money right away.]*

Next, ask the following question.

How are Sam and Sandra different? *[Sandra needs flexibility for her regular transactions. Although she will have a little money to save regularly, she anticipates that she will need access to that money for various expenses. Sam, on the other hand, has a long-term goal for which he is saving and wants to put his money where it will both be safe and grow.]*

Current Account (Sandra)

- ☞ How much money do I need to open the account?
- ☞ What happens if my minimum balance falls below this amount?
- ☞ With this account, what does the bank charge fees for?
- ☞ How much is the fee for each transaction?
- ☞ How can I avoid paying these fees?
- ☞ Does the account offer any free withdrawals?

Qn. Why does the bank charge a service fee on current accounts that fall below a minimum deposit? Why does it charge fees for withdrawals?

[Every account costs the bank money to open and maintain. Accounts with very small amounts on deposit may cost the bank more than it is able to earn on that money. Banks charge fees for every transaction to cover their expenses in making the transaction (staff time to handle the transaction for the customer, record the transaction, etc.)]

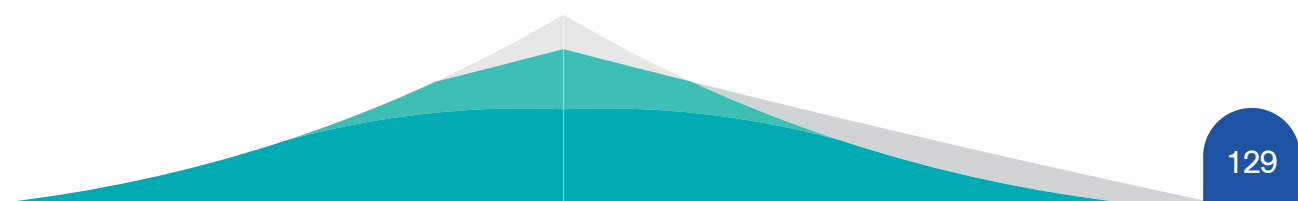
What are the advantages of this type of account? *[Safe place to hold funds, easy access to funds, records of deposits and withdrawals.]*

What can make it difficult for a person to use this type of account?*[Maintaining a minimum deposit to avoid service charges and fees, paying fees for transactions, keeping track of how many “free” transactions you have used in the month.]*

For every barrier that the participants suggest, ask for a possible solution. Return to Sandra’s story for ideas. Post or draw the following chart (in blank) and fill in as you discuss barriers and possible solutions.

Facilitator’s notes	
Example of Barriers and Their Solutions to Using a Current Account	
Barrier to Use	Possible Solution
Maintaining minimum deposit	<ul style="list-style-type: none"> ☞ Plan ahead, save minimum amount up front to leave in account ☞ Have a separate savings account for your emergency fund so you are not forced to draw below the minimum on your current account ☞ If you have to fall below the minimum, replace those funds as quickly as possible in order to limit the number of months you have to pay the service fee
Fees on account transactions	<ul style="list-style-type: none"> ☞ Keep careful track of your withdrawals and limit them to the number allowed at no charge ☞ Plan ahead to anticipate when you will need to withdraw. Consolidate withdrawals to avoid fees

Now ask the “time deposit” account group(s) to report. Their questions should include the following:



Time Deposit (Sam)

- ☞ What interest rate does the account pay?
- ☞ What conditions come with that rate of interest?
- ☞ What is the shortest period I have to leave my money on deposit? What is the longest?
- ☞ How does the interest rate change between the shortest term and the longest?
- ☞ What are the penalties for taking money out of the account before the term is complete?

Qn. 1 Why do you think the time-deposit account pays higher interest than the current account? [The bank has use of the money on deposit for a set period of time without having to process any transactions (deposits or withdrawals). Because the bank's costs are lower, it can afford to pay higher interest.]

Qn. 2 What are the advantages of this type of account? [It pays a higher interest rate than current accounts; your money grows faster; it removes your money from your temptation to spend it.]

Qn. 3 What can make it difficult for a person to use this type of account?

[It is difficult to put money out of reach for a long period of time when so many things could happen that cause you to need it. A time-deposit account requires that you have real "surplus" funds that you can afford].

For every barrier that the participants suggest, ask for a possible solution. Return to Sam's story for ideas. Post or draw the following chart (in blank) and fill in as you discuss barriers and possible solutions.

Facilitator's notes	
Example of Barriers and Their Solutions to Using a Time-Deposit Account	
Barriers to Use	Possible solutions
Not having access to my money if I really need it.	Decide how much you can afford to put away in a time-deposit account and put the rest in an account with more flexibility.
Not being able to meet the minimum required to open an account	Save in your regular account until you have enough "surplus" that you feel comfortable putting money in a time-deposit account.

Match account features to the right account and explain rationale

Divide the participants into 2 teams, making sure the group composition is different

from those in the previous activity. Mix them up!

Put Bank Account Feature Cards in a hat or basket. You should have a card for each of the following features:

(Note: Make sure that the terms you use in this activity are the same as those used by the local banks. You may need to change the terms provided here.)

Sample Bank Account Feature Cards

Term	Monthly service fee	Minimum deposit to open	Limited “free” withdrawals
High interest rate	Penalty for early withdrawal	Minimum deposit required to avoid monthly service charge	

Explain:

We will have a contest. Each team draws a “features” card and must explain two things about the feature written on the card: What it is and Type of account that has that feature

Let us take an example. Here is a card that says **“term.”**

What is it? It is the length of time that the saver agrees to leave her money on deposit

Type of Account? Time deposit

Qn What new way will you use bank accounts?

Facilitator’s Notes		
Feature	Definition (What is it?)	Type of Account
High interest rate	Rate of interest on this account is higher than others	Time Deposit
Monthly service fee	Bank charge for maintaining the account	Current
Penalty for early withdrawal	Fee bank charges if you take money out of the account before it has ‘matured’ or before the term is complete.	Time Deposit
Minimum deposit to open	Smallest amount of money you must have to open an account	Time Deposit and Current
Minimum deposit required to avoid monthly service charge	Amount of money you must keep in your account to avoid monthly service fee	Current

Term	Period that the account is active; can be 6–60 months	Time Deposit
“Free withdrawals”	Transactions or withdrawals from your account for which the bank does NOT charge a fee	Current

Session 6: How to use a Bank

Objectives

By the end of this learning session, participants will have:

1. Participated in a demonstration of the bank environment (people, layout, culture)
2. Named the documents and information needed to open a bank account
3. Practiced using bank services (applications, deposits, withdrawals)
4. Examined the linkage banking processes and procedures followed.

Steps

1. Sharing personal stories of visiting or using a formal bank.
2. Match descriptions of roles and responsibilities with key bank features, staff and services.
3. Practice applying to open a bank account.

Trainer Asks:

Qn 1. Who has had personal experience with a formal bank or knows someone who has?

Qn 2. What did you (they) like about it? Why?

Qn 3. What didn't you (they) like about it? Why?

Practice applying to open an individual bank account

In this section you will be leading the participants through the steps necessary to open an individual account.

Qn. 1 Where can you get information about the bank's products?

Qn 2. Who is the first person you should go to see? Why?

Qn 3. Who is the second person you need to see in order to open your account? Why?

Session 7: Understanding the Linkage Product and Process

Objectives

By the end of this learning session, participants should have:

1. Internalized the background to Linkage Banking
2. Internalized the savings account process.
3. Internalized the loan product process.

Time: 1 hour

Introduction

***Trainer says:** Under the proposed linkage arrangement, your SAVING group will be eligible to link to a formal financial institution for savings and for credit services in a phased manner. In this case we are doing linkage with Barclays bank. Barclays is one of the largest banks in Uganda and is regulated by the Bank of Uganda and has shown willingness to develop and offer customized savings and credit products for SAVING groups that are appropriate for their needs. In this module, we shall understand the key features of the savings and credit offered by Barclays and then we will understand how to access these products. Linkage Banking aims at solving a number of challenges facing mature SAVING groups to include but not limited to; Idle funds, insufficient funds, security of the box and the money among others.*

Saving Product.

Trainer should tell group members the following:

- ☞ When you see that you have surplus cash in the box and the demand for loans is less, then your group can decide to put this money in the bank for safety purposes. Whenever the group requires this fund for meeting the loan demands, you can withdraw it from the bank.
- ☞ When you put your money in the bank, it is not just safe, but also earns a small amount of interest.
- ☞ For any savings product, you need to look at three aspects. These are i) safety of the funds, ii) accessibility to the funds when you need it and iii) return, that is interest you will earn on your fund when it is put in the bank. Putting the money in the bank provides you all the three. However, the primary reason for putting the money in the bank is to ensure its safety.
- ☞ You can also look at another big advantage of putting the money in the bank, and that is to build a savings corpus towards your long-term financial needs. So after, the share-out, when all of you will receive your share capital and your share

of profits from the group, you may decide to save the money in the bank for meeting your long-term financial goals.

- ☞ The savings account that is being offered by the bank, is a group account in the name of the SAVING group and the group may use it for deposit and withdrawal of its funds when ever you feel it is required.
- ☞ You have to nominate three persons from your group who will act as signatories for this bank account and they will sign all the papers and carry out the transactions at the Bank on behalf of the group.
- ☞ However, your signatories will carry out these transactions only when the group as a whole decides to carry out transactions in a meeting in front of all the members. The signatories cannot carry out transactions by themselves without the approval of the group. The group can decide to change its signatories any time by passing a resolution signed by all the members and requesting the bank for the same.
- ☞ If some of you would like to open individual accounts at the bank, you can do so by directly approaching the bank. However, you have to do that by yourself and the charges and fee structure for such individual accounts offered by the bank will be different and will be as per the norms of the bank for such individual accounts.
- ☞ Inform members about the features of the savings account.

Facilitator's Notes

Feature of the SAVING Account

- ☞ This is a transactional/ current account.
- ☞ There is no monthly fee on this account.
- ☞ Free deposits into the account as many times as you like.
- ☞ Charge per withdrawal from the account – 2,000 Uganda shillings.
- ☞ Interest is calculated on the daily balance and credited every month.
- ☞ Group will be issued a cheque book.

Opening a Current savings account:

Before going to the bank

1. The SAVING group is mature and has a need to deposit their savings at the bank.
2. The RSC/ Linkage Banking Officer has provided the SAVING group training on how a bank account works and the group decides if they want one.

3. If the SAVING group decides that they want an account, the Linkage Banking Officer/ RSC gives the group the account application pack from Barclays and helps the group understand how to prepare for opening the account. The application pack includes: information on what to do before going to the bank, what to do at the bank and what to do after opening the account, account opening checklist, easy to understand application form)
4. The group prepares everything they need to bring to the bank. The group needs to bring the following; completed application form, identification of the 3 signatories (ID Card, LC letter, valid passport or driving permit), Letter of recommendation from the Linkage Banking Officer/ RSC, Money for their first deposit (recommended).
5. The 3 signatories travel to the nearest bank branch with the above documents.

At the Bank

1. They meet with a personal banker.
2. They go through the form and letter of recommendation with the personal banker, have their photos taken at the branch and have the constitution photocopied for free.
3. They hand over all the documents and sign all the paper work.
4. The Personal Banker asks the signatories to either wait for 30 minutes or leave and return after 30 minutes.
5. The Personal Banker enters the data into the bank's system and gets approval of the account.
6. The group receives their account number.
7. The group deposits their money onto the account.
8. The group leaves the branch.

After opening the account

1. After 4 weeks they return to the bank branch to collect their cheque book.
2. The group thereafter deposits and withdraws money from the account whenever it needs to.

Loan Product

General information about the loan product shall include:

- ☞ When the group faces a high loan demand, it can approach the Bank to access a group loan. For this, the group will pass a resolution signed by all the members and authorize its signatories to apply for a loan at the Bank.
- ☞ The RSC will carry out a rating of the group and will provide the rating report to the bank along with the application form.

- ☞ The Bank will carry out its own appraisal and take a decision about approval or rejection of the loan application, or request more information. On approval, the loan will be disbursed through credit to the group's savings account in the bank, from where the group may withdraw the funds as per the need.
- ☞ With the approval, the bank will also specify its terms and conditions for the loan and specify the repayment period, rate of interest, penalties for late payment if any, upfront fees etc. The group should understand all these things before taking a loan from the bank.
- ☞ The loan will be given in the name of the group and all the members of the group will be jointly and individually liable for the loan taken by the group.
- ☞ The group must pay highest priority to repay all its loan obligation to the bank in time, as per the terms specified by the bank. Failure to do so, will result in the group being denied any future loans and may also lead to the Bank using its recovery procedures. On the other hand, good repayment behaviour would enable the group to borrow more in the future.

SESSION8: CONSUMER PROTECTION

Key Principles

The relationship between a financial services provider and a consumer is guided by three key principles:

- (a) Fairness;
- (b) Reliability; and
- (c) Transparency.
- (d) Fairness

General Requirements

- (a) A financial services provider shall act fairly and reasonably in all its dealings with a consumer.
- (b) A financial services provider shall not:
 - (i) engage in unfair, deceptive or aggressive practices such as threatening, intimidating, being violent towards, abusing, or humiliating a consumer;
 - (ii) offer, accept or ask for bribes or other 'gifts' or unfair inducements
 - (iii) discriminate against any consumer on the grounds of sex, race, colour, ethnic origin, tribe, birth, creed or religion, social standing, political opinion or disability
 - (iv) take advantage of a consumer whether or not he or she is able to fully understand the character or nature of a proposed transaction;
 - (v) include an unconscionable term in an agreement;
 - (vi) exert undue influence or duress on a consumer to enter into a transaction;
 - (vii) disguise, diminish, obscure or conceal a material fact or warning through, among others, use of print whose font size is less than 10 point, describing the material fact or warning in complex language, use of voluminous documents or omitting a material fact or warning;
 - (viii) mislead the consumer; or
 - (ix) lend recklessly.
- (C) Provision of Information and Advice to a Consumer (a) Prior to a consumer choosing a product or service, a financial services provider shall provide suitable advice.
- (d) Conditional Sales: A financial services provider shall not require a consumer who buys one product to buy another product from a specified services provider and a financial services provider may restrict the choice of a consumer as regards an insurance company or other service provider so long as it provides a consumer with a pool of at least four insurance companies or other service providers to select from.

- (e) Guarantor Prior to a person acting as a guarantor, a financial services provider shall in writing: (a) advise the person of the quantum and nature of his or her potential liabilities; and (b) advise the person to seek independent legal advice before acting as a personal guarantor.
- (f) Notice of Changes to Terms and Conditions: A financial services provider shall ensure that a consumer is notified- (a) at least thirty days in advance before implementing any changes to the terms and conditions, fees or charges, discontinuation of services or relocation of premises of the financial services provider. (b) immediately of any changes in interest rates regarding the product or service.
- (g) Debt Recovery Expenses (a) Where a consumer is unable to repay a loan, a financial services provider shall have the right to take steps to recover the amount owing to it by the consumer. (b) In recovering the amount owing, a financial services provider:
 - (i) shall not claim from the consumer unreasonable costs and expenses which the financial services provider has incurred;
 - (ii) shall provide the consumer with a detailed breakdown of the costs and expenses incurred; (iii) may offset the outstanding amount owing with any credit balances in the consumer's other account or accounts with the financial services provider;
 - (iv) shall not try to recover the debt from a third party including the consumer's referees, family members or friends if the third party has not signed a contract to guarantee the liability of the consumer.
- (h) (3) Safeguarding Consumer Information (a) A financial services provider shall not disclose any information about a consumer to a third party except where: (i) the financial services provider is compelled by law to disclose the information; or (ii) the disclosure is made with the express consent of the consumer.

I. Transparency

A financial services provider shall: a) ensure that any information given to a consumer whether in writing, electronically or orally is fair, clear and transparent;

- J. A financial services provider shall ensure that contracts and other documentation relating to the financial products and services they provide are summarized in a key facts document written in plain language, setting out clearly and briefly all the key information relating to the product or service which a consumer is considering buying.
- K. Where third-party fees and charges are involved, a financial services provider shall inform a consumer in advance of the relevant service or product and applicable fees and charges.
- L. Complaints Handling and Consumer Recourse: A financial services provider shall ensure that information about its procedures for handling complaints is easily available at its branches, websites and any other communication channels which it uses.

MODULE 5: FINANCIAL NEGOTIATIONS: COMMUNICATE WITH CONFIDENCE

The goal of this module is to help participants learn how to conduct effective financial negotiations so that they can come to an agreement on financial and other matters.



Negotiations

Session 1: What is Financial Negotiation

Objectives

Steps

1. Introduce financial negotiation training.
2. Brainstorm what financial negotiation is and who we negotiate with.
3. Identify outcomes of financial negotiation.
4. Determine how to get to win-win outcome.

Introduce financial negotiation training

Welcome the participants and thank them for coming. Ask them to introduce themselves.

Explain:

People often find themselves engaging in financial negotiation. Many do not realize that skills and techniques have been developed by experts to achieve successful negotiation. Using these skills and techniques will increase the chances that you will get what you want. Women, more than men, tend to lack confidence in themselves,

which can make it harder for them to negotiate successfully. They often negotiate with people who are in a position of power because they are men, or have more experience in negotiation, or have had more exposure to different situations in the world. You can build your confidence by learning how to negotiate successfully.

Financial Negotiation

Financial negotiation is communication among two or more persons to achieve agreement on one or more financial.

Questions to ask participants

Qn 1. How do your ideas about financial negotiation compare with the definition? [Many will think financial negotiation is the same thing as bargaining. However, it is broader, encompassing more diverse situations]

Qn 2. Who are the people we negotiate with about money? [traders, customers, family members, suppliers, financial services staff, financial group members, and so on]

Qn 3. What are some issues we negotiate about? [amount of money: price charged for a service, amount of a loan; terms and conditions of a loan; setting dates for completion of work contracted; setting dates for a loan).

Identify outcomes of financial negotiation

Explain: We negotiate with people every day, but the outcome is not always the same. Let's figure out what the possible outcomes of any negotiation are. Let participants discuss the possible outcomes of financial negotiations and after the discussion, the trainer should discuss the following possible outcomes.

Win-Win: Both participants in the negotiation get something they want or need, if not everything. They both have a positive feeling and are willing to negotiate again.

Lose-Lose: Neither person involved in the negotiation gets what they want.

Lose-Win/Win-Lose: One participant gets what she wants and the other gets nothing. The participant who loses is likely to be unwilling to negotiate with the winner again.

Qn 4. What is the preferred outcome? [Win-win]

What can you do to increase your chances of arriving at a win-win outcome in your negotiations?

Explain:

Now we will be focusing on how to achieve a win-win outcome. We will look at preparing ahead of time and at actual negotiating techniques.

Session 2: Preparing for Financial Negotiation

By the end of the learning session, participants will have:

1. Identified the steps in negotiation.
2. Practiced preparing to negotiate.

Steps

1. Identify steps to prepare to negotiate.
2. Make a plan to negotiate.

Identify steps to prepare to negotiate

Say the following to the participants:

There are ways to prepare for negotiation to increase the chances that it will be successful. Let us listen to the story of Mbabazi. I will stop the story at different parts and ask you to tell me what Mbabazi is doing to prepare for negotiation.

Read the first part of the story.

Mbabazi's Story

Mbabazi wants to buy some bed sheets. She is in the market shopping when she sees some beautiful bed sheets at a shop owned by Kizito. His prices are high—150,000= for one pair of bed sheets. She overhears a client negotiating with Kizito. Kizito becomes very angry and refuses to lower his price. She (Mbabazi) continues to shop, to learn about other bed sheets available and their prices. She sees bed sheets worth 100,000= but no one has bed sheets as good (quality) as Kizito's. Mbabazi knows Kizito can be difficult, but she decides to get to know him so she can understand him better.

She walks up to Kizito and says: "Hello, Mr. Kizito. How are you?"

Kizito: "Fine."

Kizito: "You seemed upset with the other customer. Why?"

Kizito: "The customer wanted to buy on credit. I want to be paid in cash. When you give credit, many do not pay. I have responsibility for my family, my three children, and my wife is pregnant."

Mbabazi: "May you have a long life so you can provide for your children!"

Say the following:

What did Kizito do to prepare for her negotiation?

After listening to a number of responses from the participants, say the following and start a list of the key points (in bold below).

It is important to **collect information** to support your side of the negotiation. Mbabazi looked around the market at other bed sheets and their prices.

One step in negotiation is to **understand the interests of the other person**. This helps you to think about how the other person can win something just as you win something. Mbabazi asked Kizito about his feelings.

Continue with the story

Mbabazi knows she must think hard about how to negotiate with Kizito. She goes home and talks with her brother. She says, “I want to buy Kizito’s bed sheets. He does not like credit. I will tell him I can pay 120,000 for one of pair bed sheets in cash. If he does not accept, I will offer 130, 000. If he refuses that offer, then I will go to another bed sheet seller. What do you think?”

Mbabazi’s brother replies that she thinks this is a reasonable offer given her own experience with prices in the market.

What else did Mbabazi do to prepare for her negotiation?

The trainer says; another step is to **decide what you want from the negotiation** and be very clear about it. Mbabazi decided how much she was willing to offer for the bed sheets and what her highest offer was going to be. She knew **what outcome would be acceptable** to her.

Mbabazi also **obtained advice from another person**.

In negotiation, it is good to **know what you will do if the negotiation does not satisfy your needs**. Mbabazi decides she will buy a less expensive pair of bed sheets from another seller if Kizito will not meet her price.

Trainer says: Let’s return to the story.

Mbabazi was in the market the next day buying vegetables. She saw Kizito on the road. She greeted him, saying: “How are your children? And how is your wife doing?” They had a very friendly encounter.

The day before Mbabazi planned to negotiate with Kizito, she thinks about how she will talk with him. She decides she will listen carefully to what he has to say and not say anything negative, even if he is rude. She will state clearly what she wants and why, explaining that she has seen other bed sheets selling in the market for far less than Kizito’s, but because she appreciates the quality of his bed sheets, she will pay more, but not as much as he requests. Mbabazi reminds herself that she will remain calm and firm in her discussions with Kizito.

Trainer says; In negotiation it is useful to have a **good and respectful relationship with the other person**. Mbabazi took an interest in Kizito when she saw him in the

market. It is also important to plan to communicate effectively. Mbabazi decides to **keep her negotiation positive and remain calm.**

Facilitator's notes

- ☞ Prepare to Negotiate
- ☞ Decide what you want to obtain from the negotiation
- ☞ Collect Information
- ☞ Understand the interests and motivations of the other persons
- ☞ Know ahead of time what outcomes will be acceptable
- ☞ Obtain advice from another person
- ☞ Decide what you will do if the negotiation is not satisfactory.
- ☞ Collect information and opinions from others to formulate a strong argument.
- ☞ Collect information and opinions from others to formulate a strong argument.
- ☞ Build good relations with the other person.
- ☞ Plan how you will communicate effectively with the other person.

Session 3: Negotiating Techniques

Objectives

By the end of the learning session, participants will have:

1. Listed good and bad negotiating techniques
2. Identified those techniques in a verbal negotiation
3. Identified the techniques that have influenced their own negotiations

Steps

1. Brainstorm good negotiating techniques.
2. Observe good and bad negotiating techniques.
3. Apply principles of negotiation in your own financial negotiations.

Trainer brain storms on good negotiating techniques and explains; *we have talked about the possible outcomes in negotiation. We have identified the preparation you need to do in order to get to the Win-Win outcome you want. Now you are ready to negotiate—to actually engage in the conversation with your seller or business partner, the bank or maybe even with your husband. During this conversation, there are things you can do to increase possibilities of success. There are also behaviors you can avoid during this negotiation. Let's think of all the things that might go on these two lists.*

Facilitator's notes

Do...	Don't...
<ul style="list-style-type: none">☞ Listen to your partner☞ Acknowledge her point of view☞ State your position with confidence☞ Look your negotiating partner in the eye☞ Reframe your partner's ideas to move towards a solution.	<ul style="list-style-type: none">☞ Get angry☞ Be rude or insulting☞ Reject your partner's ideas immediately☞ Lock yourself into one position☞ Allow yourself to get sidetracked

Observe good and bad negotiating techniques

Trainer Explains; Now that you have identified some basic principles of good negotiating, it is time to observe them in action.

Negotiation Example 1

Wife: You spend too much on tea and going into town. I don't have any money to buy food. What am I going to do?

Husband: You drink too much tea yourself. You are not managing the money I give you well. We are poor, woman.

Wife: You always accuse me of these things while you are always away and we are suffering with a leaky roof.

Husband: It's not my fault the roof leaks. I've fixed it a hundred times. The roof is old.

Wife: You should find a way to repair the roof for good. We are so short on cash; I'll have to go to the moneylender to borrow just to buy food.

Husband: Then we will just owe more. Oh, what a life!! I'm going to get some tea.

Trainer Asks: How did this negotiation go? What kind of outcome did they achieve? Why?

Trainer should reinforce their ideas saying: *This couple did more arguing than negotiating. They used the "Don't" behaviors'.*

Negotiation Example 2

Wife: I think it would be useful for our family to save more. More savings would help us put a roof on the house. You would not have to patch it so often.

Husband: We have no money to save. We have difficulty meeting our expenses already.

Wife: I understand we have problems meeting our needs. That's just it. We have to borrow, so we end up owing even more money. I met a wise woman who said everyone should save for three months of expenses. What do you think about that?

Husband: Three months? It is too much.

Wife: Maybe we could try for at least one month to start. I think I can cut down on buying tea every time I go to the market.

Husband: You are right that we always end up borrowing. I can cut down from three cups of tea a day to two.

Wife: Yes, I think I can drink less tea and put that money in savings. I think I will use less oil in our cooking, too.

Husband: I will get a ride to the market with our neighbor once a week to spend less on transportation.

Wife: Can we agree to put an extra 10 in savings in the bank each week?

Husband: Yes, let us start this week.

Trainer asks: How did this negotiation go? What kind of outcome did they achieve? Why?

What negotiating techniques did you observe?

Trainer reinforces their ideas, saying: This negotiation worked well because the couple used the "Do" techniques of negotiation.

Apply principles of negotiation in your own financial negotiations.

Qn. Can you think of anything you will do differently the next time you have to negotiate with someone?

Session 4: Practice Negotiation

Objectives

By the end of the learning session, participants will have:

1. Analyzed both sides in a financial negotiation
2. Practiced negotiating to arrive at a win-win situation
3. Identified what they will do differently in future negotiation

Steps

1. Identify what both sides want.
2. Practice negotiation.

Identify what both sides want

Trainer mentions; to arrive at a win-win outcome in any negotiation, each side must end up with something they want. How can we increase our chances of making that happen? If we remember the steps to preparing to negotiate, one is anticipating what the other side wants.

Facilitator's notes

Win-Win

Both participants in the negotiation get something they want or need, if not everything. They both have a positive feeling and are willing to negotiate again.

Trainer should ask participants to come up with as many examples as possible on good and bad negotiation techniques and the resulting consequences.

Facilitator's notes

Financial Negotiation Summary

Knowing how to negotiate about money is a powerful skill. To negotiate well, it is important to do the following:

- ☞ Prepare ahead of time.
- ☞ Know your negotiation objective.
- ☞ Find out your negotiating partner's concerns, motivations and interests.
- ☞ Build good relations.
- ☞ Do your homework.
- ☞ Learn all you can to support your point of view with solid information. This will give you confidence.
- ☞ Use good communication skills even though your partner may not.
- ☞ Stick to your objective.
- ☞ Propose solutions that are likely to be acceptable to your partner.
- ☞ Know when it is time to stop if the options proposed by the partner are not acceptable to you.

RESOURCES REVIEWED

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- 3- FDIC Money smart Financial Education Curriculum, "module 4: money matters participants guide", 2008.
- 4- Catholic Relief Services, 'Financial Education Manual' trainers manual 2015.
- 5- Access Africa, 'Selection, Planning and Management of Enterprises' 2010.