



## FINANCIAL LITERACY TRAINING



## PARTICIPANT'S TRAINING MANUAL

@2025

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## INTRODUCTION

### 1. Background

The document you have in your hands is the Farmers Financial Literacy training manual targeting smallholder farmers and Micro Enterprises who wish to improve their money management. The manual introduces basic knowledge, skills and tools related to earning, spending, budgeting and using financial services such as savings, credit and insurance. The materials cover the following topics: set financial goals, communicate about finance with confidence, understand key financial products (savings, loans, payments, digital wallets and insurance), understand and negotiate with financial institutions and manage risks. The training is also intended to remedy the low level of education and unequal power relationships - between men and women and between the older and younger generations - which often affect money-related decisions at community level. This specific generic manual addresses the challenges and opportunities faced by smallholder farmers and Micro Enterprises. The concept and design of this manual is based on the International Labour Organization (ILO) financial education tools created for different target groups in the Horn of Africa which includes Kenya.

As a complement of the generic trainer's manual, the booklet provides all the information related to fictional characters, case studies, exercises and specific references to the target group. The book also comprises the key points of the training and the tools required for using and managing one's money wisely.

### 2. Presentation of the farmers training manual

Financial literacy is the knowledge, skills and tools that enable you to better manage your money. The training you are going to attend will enable you to plan and prepare for your projects in the future. It offers the opportunity to learn skills related to earning, spending, budgeting, saving, borrowing and ways to make the most of your resources. It will also give you the opportunity to think about communicating better on money matters with your family, your relatives or producer groups you work with.

### 3. Introduction of the characters.

The training programme uses the stories and experiences of four main characters. Here are their profiles.

## Nafula's Identity Card

### CHARACTER 1 Nafula

**NAME:** Nafula

**Target :** Poultry Farmer

**Place of Residence:** Lubao, Kakamega

**Gender:** Female

**Age:** 29

**Marital Status:** Married not long ago, 2 children

**Economic Activity:** She is a poultry farmer. She sells chicken and chicken products but also provides training to other farmers.

**Family:** She sends money to her parents on a regular basis

**Level of educational attainment:** Finished Secondary School

**Attitude to money:** Very organized

#### Financial Characteristics:

- She always keeps her objectives first
- Uses semi-formal institutions (ROSCAs, VSLAs)
- She is interested in formal institutions

#### Objectives:

- Use formal financial products to expand her business
- Export her products
- Setting up an NGO for vocational training
- Take part in an entrepreneurship training

#### Secondary Characters:

- Her husband Shitemi
- Her children
- Her parents



## Joseph's Identity Card

### CHARACTER 2 Joseph

**NAME:** Joseph

**Target :** Horticulture Farmer

**Place of Residence:** Keroka, Kisii

**Gender:** Male

**Age:** 32

**Marital Status:** Married, 5 children

**Economic Activity:** He takes part in a vegetable growing initiative in Keroka, Kisii County for subsistence and some commercial sale.

**Family:** Wife works as a daily worker in a nearby bakery shop.

**Level of educational attainment:** Primary school

**Attitude to money:** Thrifty. But they have little income

#### Financial Characteristics:

- Tries to save as much as possible
- He does not make a budget regularly
- Saves at home

#### Objectives:

- He wants to become a member of horticulture producer group VSLA
- He and his wife want to open a grocery shop.

#### Secondary Characters:

- His wife Moraa
- His children
- His friends Mogusu and Bogonko



## Meshak's Identity Card

### CHARACTER Meshack

**NAME:** Meshack

**Target :** Livestock Farmer

**Place of Residence:** Kitale, Trans Nzoia

**Gender:** Male

**Age:** 48

**Marital Status:** Married, 4 children

**Economic Activity:** He has livestock in a big piece of land he owns. He hires locals for daily work, including people with disabilities. He also owns a dairy shop in the local shopping centre.

**Family:** Wife runs their dairy shop in the shopping centre.

**Level of educational attainment:** Finished secondary school

**Attitude to money:** Thrifty.

#### Financial Characteristics:

- He owns a bank account with a local bank, has access to financial products (credit facilities, etc)
- Also belongs to a livestock farmer's producer cooperative.

#### Objectives:

- Expand his livestock business
- Build a bigger family house
- Expand his dairy shop, have milk ATM Machine
- Support his kids through higher education/ University

#### Secondary Characters:

- His wife Sarah
- His children
- His neighbors Miriam and John



## Jane's Identity Card

### CHARACTER 1 Jane

**NAME:** Jane

**Target :** Flour Milling & Bakery

**Place of Residence:** Webuye, Bungoma

**Gender:** Female

**Age:** 24

**Marital Status:** She is a widow, single mother of one child

**Economic Activity:** She mills flour and bakes bread in her home and sells them door to door. Sometimes she is able to sell to big hotels nearby.

**Family:** Her retired parents stay in rural areas, support younger siblings in school.

**Level of educational attainment:** Primary school

**Attitude to money:** Disorganized. Free spending

#### Financial Characteristics:

- Very difficult to organize her finances.
- She is always borrowing money.
- Is member of a ROSCA

#### Objectives:

- She would like to continue studying.
- She would like to make her business grow.
- She wants to organize her financial life

#### Secondary Characters:

- Her younger siblings who are in school
- Her friend Hawwa
- Her son
- Her aging parents

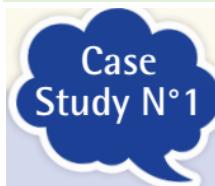


# A) SETTING FINANCIAL GOALS AND COMMUNICATING WITH YOUR FAMILY

## 1. Setting your financial goals

A goal is something you want to do. Setting goals helps you to define what you want to do in life and hence to know what you need to do to make it come true.

**Let's get to know Nafula, one of our characters.**



### Nafula's Story

Nafula is 29 years old, married to Shitemi and they have two kids, Meshak and Zoe, who are 3 and 1 year old respectively. Nafula is a poultry farmer and sell poultry products as well at a small shop located in Lubao market in Kakamega County. She had learnt the poultry keeping skills from her mother, and she is quite successful. She specializes in improved Kienyeji chicken and chicken products. She also train other farmers on poultry keeping. Lately, during the recent pandemic, she had a lot of demand for training new business entrants who are staying at home and looking for alternative businesses to venture into.

Her husband Shitemi works as an employee in a nearby carpentry shop. During the evening, when the kids are sleeping, they sit together in the living room to talk about their plans for the future. Nafula has great ideas for her shop. She would love

to find financing options to afford a brand-new egg hatching machine. She would also like to start selling day old chicks to neighboring counties like Kisumu and Vihiga. She sees the sale of day old chicks expanding her training activities since new farmers buying day old chicks will also need some training. Her dream is to establish a small community based organization (CBO) that could provide offer the trainings through a number of international development organizations supporting poultry farmers. On top of this, she would like to join a training course that helps small businesses to grow.

For a long time, they have also thought about Shitemi opening his own carpentry shop so that the family income can expand. This will enable them be able to send some money to Mary's aging parents since that has always been an important priority and they would love to be able to help them improve their house, back in the rural area where they live. They would also like to buy a better phone for Mary, as her current one is quite old. They also dream of buying a plot of land and building a house of their own.

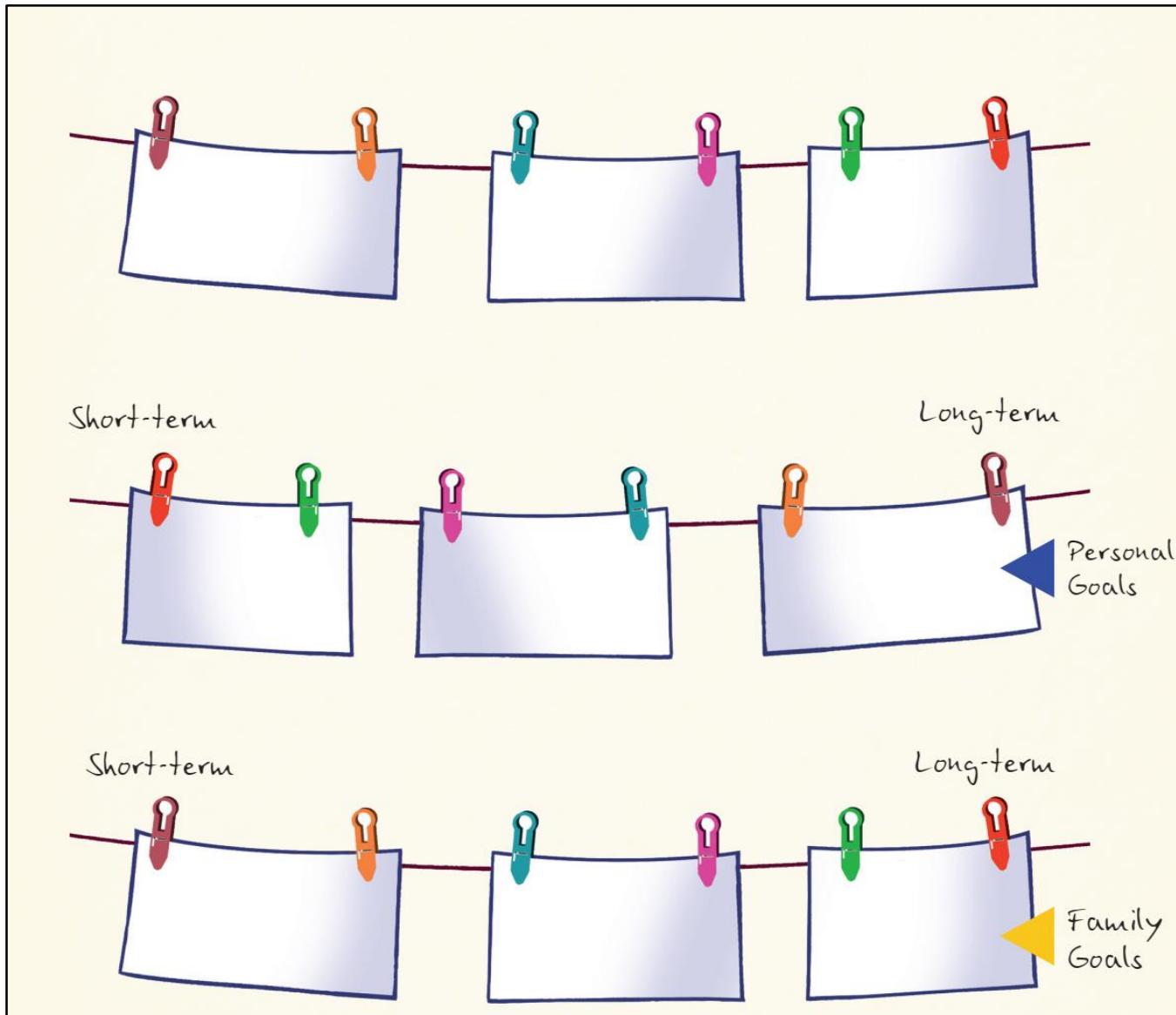
**What are Nafula's Dreams? Write them down here!**



## TRAINING AID A.1.1.

### My goals

Have you ever thought about your goals? If so, write or draw them here!



### REMEMBER!

All your objectives are important! Some objectives can be achieved faster than others.

## 2. Talk to your family about your goals

### ADVICE TO DISCUSS YOUR FINANCIAL GOALS WITH YOUR FAMILY

- Think well about what you want (and the reasons why you want it) before you talk to your family.
- Don't be afraid to talk about your goals. All men and women – young or old – have a right to set their own goals.
- Find allies in your family: persons to whom you have talked to before and are always willing to support you, persons who are respected in the family.
- Talk about your goals to your spouse and/or other family members, choose the right time, set a time when they are available.
- Be confident when you talk about your goals and listen to the opinions of the other people without interruption.
- Be respectful to your family members and flexible on your position.
- If there is a disagreement, examine the issue and look for compromise solutions that will benefit everyone in the family.

DO..	DON'T..
<ul style="list-style-type: none"><li>• Be self-confident</li><li>• State clearly what you want</li><li>• Listen to your partner</li><li>• Acknowledge the other person's point of view</li><li>• Show respect</li><li>• Be flexible and calm</li><li>• State your opinion, even though you owe the other person respect</li></ul>	<ul style="list-style-type: none"><li>• Be passive or arrogant</li><li>• Shout</li><li>• Interrupt</li><li>• Get angry</li><li>• Be vulgar or insulting</li><li>• Repeat the same point several times</li><li>• Immediately reject the other person's ideas</li><li>• Adopt a defensive posture</li><li>• Show impatience</li></ul>



### 3. Assess the costs of your goals and your priorities

#### Do you know the costs of your goals?

Do you know the costs of your goals? If you do, write the costs beside the goals you have written or drawn above. If you don't, it is very important that you find out. It is the only way to know how much money you need to achieve your goals. Meanwhile, you can indicate an approximate cost that you can correct later.

Then, prioritize your goals indicating 1 for the most important, 2 for the second most important and so on.

NUMBER	PERSONAL OR FAMILY GOAL	GOAL	ESTIMATED COST

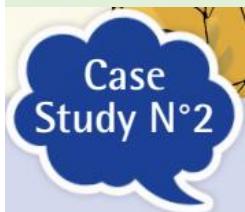
#### REMEMBER

Goals are generally easier to achieve if you think ahead and gather all the information you need to take a well-informed decision. It is vital that we assess how much it will cost to achieve our goals. Careful research is sometimes necessary (seeking information from suppliers, finding out about market trends, etc.).

**Do not forget that prices rise over time! Therefore build in a margin, i.e. save a bit more, in case the costs of achieving your goals increases in the next few years.**

#### 4. Make a savings plan to achieve your goals

##### Joseph's Saving Plan

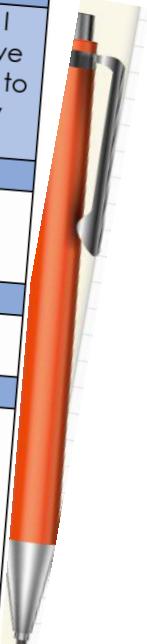


Joseph is a horticulture farmer. His wife Moraa works as a daily worker in a nearby bakery shop. They have 5 children and live at a camp. Joseph and Martha usually speak about their future. They have many goals but he knows it is not easy to achieve them all. Joseph has reviewed their projects.

He wants to buy new mattresses for each member of his family. He also realized that the tools he is using at the horticulture farm are pretty old and are hurting his hands. He would like at some point to buy at least a new shovel.

In the long run, he wants to set up a grocery shop and run it as a family business with Moraa. Joseph has assessed the cost of each project and set dates for when he would like to achieve his goals. He has calculated the amount he needs to save each month for this purpose. Joseph has drawn up what we call a savings plan. This has given him a clearer picture of what he needs to save each month to achieve his goals.

MY SAVING PLAN					
My goals	Date when I want to achieve my goal	Cost of my goal ( Ksh)	Number of months before the date of achievement of my goal	Other sources of financing (if relevant)	How much I need to save each month to achieve my goal( Kshs)
<b>Short term goals (less than 12 months)</b>					
To buy 6 mattresses for all the family	March this year	9,000	6 Months	-	150
<b>Medium term goals (1 to 3 years)</b>					
To buy new Shovel	January next year	600	12 Months	-	50
<b>Long term goals (more than 3 years)</b>					
Set up a grocery shop	January, in 3 years' time	30,000	36 Months	Grant from NGO supporting Horticulture farming for up to Kshs.15,000	416.60
Total amount I need to save every month to achieve all my goals (sum of the amounts in the right-hand column):					616.60



**IMPORTANT:** Once Joseph reaches his short-term goal, he will need to adjust his savings plan and the money he needs to set aside each month to achieve his other goals.

## TRAINING AID A.1.2.

### Saving Plan

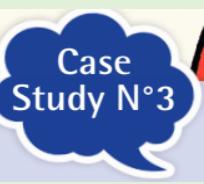
#### Now it's your turn!

Now let's summarize and fill the table below with all the information you have thought of: goals, priority, costs, date when you want to achieve your goal(s), and other sources of financing.



MY SAVING PLAN					
My goals	Date when I want to achieve my goal	Cost of my goal ( Ksh)	Number of months before the date of achievement of my goal	Other sources of financing (if relevant)	How much I need to save each month to achieve my goal( Kshs)
<b>Short term goals (less than 12 months)</b>					
<b>Medium term goals (1 to 3 years)</b>					
<b>Long term goals (more than 3 years)</b>					
Total amount I need to save every month to achieve all my goals (sum of the amounts in the right-hand column):					

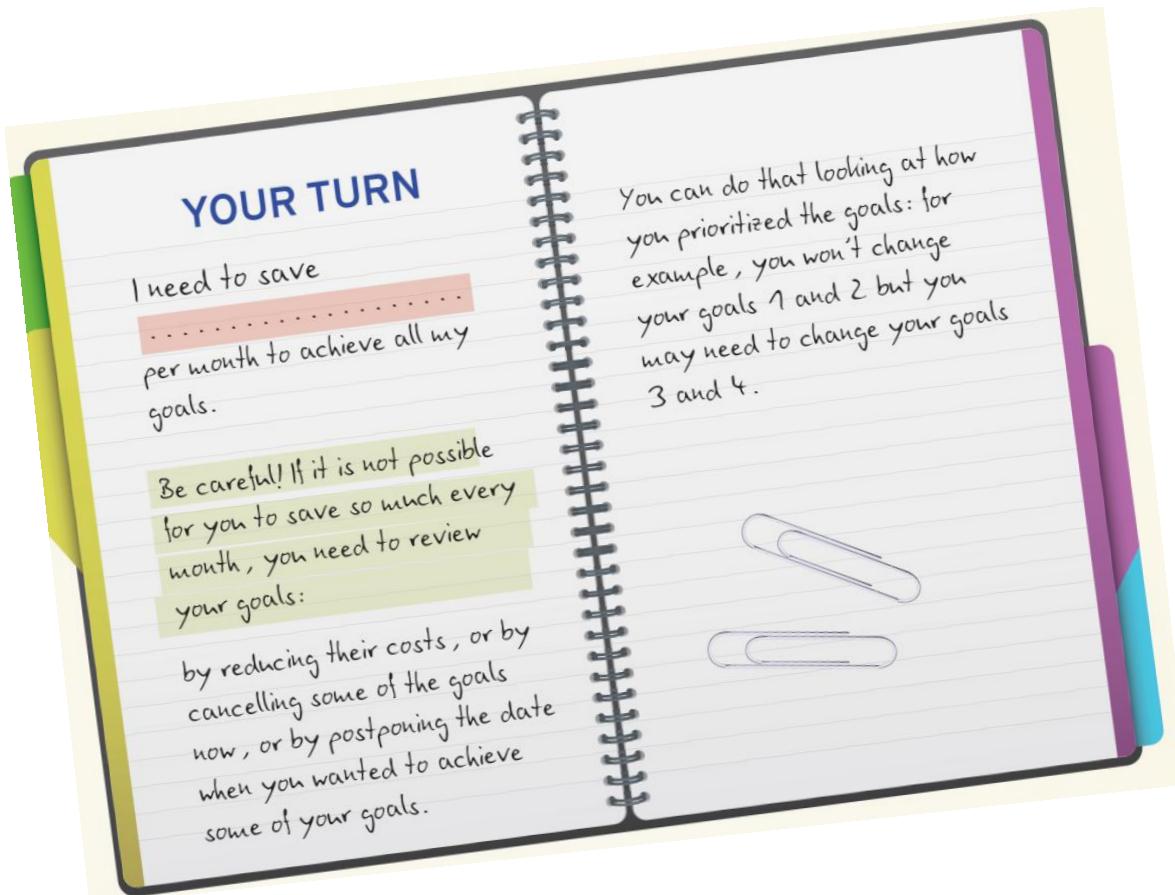
## Joseph Meets over team with his friend Bogonko



While meeting over tea with his friend Bogonko, Joseph says that he decided to explore possibility of expanding his firm to sell more vegetables, given that the current income from vegetable is not sufficient to meet their needs. He says that it was difficult discussing this situation with his wife Moraa, as they are really tight with money, but she understood eventually.

Bogonko on his part, shared with him that he decided that he would not discuss his problems with his wife. He alone is taking on all the difficulties associated with the economic slow-down and has had to reduce his personal expenses to a minimum to be able to continue to contribute to the family budget.

Even after reducing all his personal expenses, he sometimes does not have enough money to buy the food they need. This situation weighs heavily on him and he is looking for a solution.



## TRAINING AID A.2.1.

### Role Play Activity-Conflict and negotiation

#### CONFLICT 1

Mogusu, Joseph's friend is getting married soon. Joseph discuss with Bogonko and other friends about what should be their present. All the friends believe they should all contribute a lot of money because it is a wedding present and Mogusu needs it badly. Joseph wants to contribute as much as possible for him, but he believes the amount they are pushing for is too much for him. He is afraid his friends will think he is greedy. What should he do?

*Work out a role-play showing the interaction between the people described and the solution you arrive at. At least one of the characters in your role-play must try to apply the rules for effective communication.*

#### CONFLICT 2

Nafula has managed to set aside some money to expand her business. She is speaking on the phone with her mother, who asks her if she could lend one of her Aunty's money to start a new business. Nafula does not want to lend her money because she needs all the money she has saved. She does not want to say no to her Aunty (mother's sister) and does not know what to do. What should she do?

*Work out a role-play showing the interaction between the people described and the solution you arrive at. At least one of the characters in your role-play must try to apply the rules for effective communication.*

#### CONFLICT 3

Meshak always puts money aside to cope with emergencies and to expand the family business. One of his daughters insists if he could give her some money to buy new clothes, as it has been a long time since she bought a new dress. Meshak knows she loves clothes but also thinks he should save as much as possible. What should he do?

*Work out a role-play showing the interaction between the people described and the solution you arrive at. At least one of the characters in your role-play must try to apply the rules for effective communication.*

#### CONFLICT 4

Jane works on baking her products. She puts some money aside every month, even if only a little. She also sends her family money when she can, telling them to save some of it for emergencies. When her mother falls ill, her father admits that he has not put anything aside and he has nothing left. She is very disappointed and angry. What should she do?

*Work out a role-play showing the interaction between the people described and the solution you arrive at. At least one of the characters in your role-play must try to apply the rules for effective communication.*

### KEY MESSAGE

1. It is easier to achieve your life plans if you know what you want and set yourself precise goals to achieve them.
2. Some goals can be achieved quickly; others take years or even decades. Goals need to be classified as short, medium or long-term.
3. People's goals change in the course of their lives and different family members will have different goals. It is important to make family members' different goals compatible with each other.
4. Good communication is desirable in all families, especially in families with relatives living in a distant town, region or country.
5. Defining one's goals and making the difference between myth and reality in setting goals makes it easier to reach them.
6. It is important to seek reliable information in assessing the value and cost of achieving your goals.
7. You also need to be able to readjust your goals if they are too costly, and to be flexible in doing so (in the event of a change in your financial or social circumstances).
8. Keeping your goals in mind is a sure way to achieve success.
9. Making a savings plan helps you to achieve them more easily.

## B) MANAGING YOUR MONEY SMARTLY

### 1. Be a smart spender

#### QUESTIONS

- Are you someone who likes spending or someone who likes saving?
- For example, do you often give up on things that you want?

#### DEFINITION

Saving means not spending all your money and setting aside a part for a specific goal in the future. It means setting aside small or large sums of money, regularly or from time to time.

#### EXERCISE

According to your own situation, choose between necessary expenses (we call them needs) and optional expenses (we call them wants)! Circle the images that correspond to needs for you to distinguish them from the wants

**TRAINING AID B.1.1.**  
Wants and needs picture cards.



Lottery ticket



Motorbike

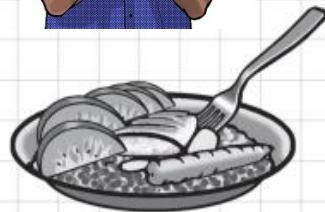
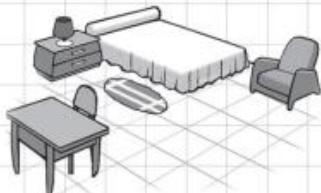


Plate of food



Cash withdrawal



An apartment



School



Smartphone



Water



Sim card



Doctor's visit



Electricity



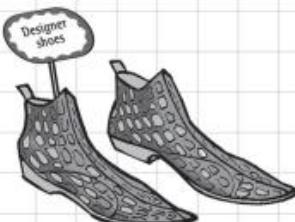
Soda can



Cinema ticket



Ice cream



Expensive shoes



Cigarettes



Flat screen TV



Camera



Sound system



MP3 player

I would like to buy...

My needs	How much does it cost?
Total needs	
My wants	How much does it cost?
Total wants	

### ATTENTION!

*Be careful! Sometimes, something can be a need for someone and a want for someone else. For example, the mobile phone, Joseph needs one for his business, while Meshak uses his mobile phone to call his friends and family.*

Do I have enough money to buy all the things I listed?

Yes       No

If I don't have enough money, I decide to give up the following wants:

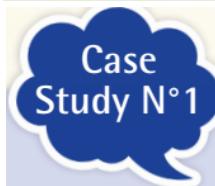


### NOTES

**Read the stories of these characters and reflect about what is happening to them. What could have they done differently?**

A goal is something you want to do. Setting goals helps you to define what you want to do in life and hence to know what you need to do to make it come true.

### **Joseph and Moraa face an emergency**

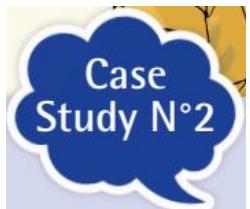


Joseph takes part in vegetable growing initiative in his rural town called Keroka in Kisii County. His wife Moraa works at a nearby bakery shop as a daily worker. They have 5 children, are thrifty but have little income and sometimes struggle to make end meets. Last week, Moraa started feeling bad and so did 2 of their children. They could get the medicines in the Government dispensary but because they were worried and needed them urgently, they decided to go to a nearby pharmacy and paid for them to get them fast. As it was end of the month and they were short of cash, they needed to borrow money from an acquaintance of Joseph.



Joseph will be able to see his friend next week. His friend lent him kshs. 500 and Joseph agreed to pay him back kshs. 600 out of his income from sale of vegetables. He has used the money to buy the medicines from the pharmacy. They all recovered fast after taking the medicine

### **Mirraim, Meshack and Sarah's neighbor have a problem.**



Meshak and Sara have a very close relationship with their neighbors Miriam and John. They own agricultural land like them but also Miriam runs a small beauty salon in a commercial centre nearby their house. Miriam's shop has been quite successful lately. She has learned to be disciplined with money and has been having profits for quite some time now. As she does not understand financial institutions, she has regularly given part of her income to her husband John, for him to deposit the money in the bank account. One day she returns home thinking of asking John for some money from the business account as she wants to buy some new tools for her shop. When she arrives, she discovers that her husband has bought a car. When she requested the money for the shop, he said it is now not possible to use the money for the beauty salon. Miriam is angry and goes to the bank to check her account and withdraw her savings. She finds out that the account is in her husband's name and she is unable to withdraw the small sum remaining in the account. She is very unhappy.



## TIPS TO SAVE

- Set aside a bit of money every day or every week.
- Do not buy a new item if yours still works or if it can be repaired.
- Buy less presents for your family. Talk to them first and agree with them on your support.
- If possible, spend less on cultural or social ceremonies.
- Keep less cash in your wallet (and leave it in a safe place: at home, on a bank account...).
- If you send money to your parents or other family members, do not send all your money to them and keep part of it for your own needs and emergencies.
- Always keep in mind your long-term goals to remind you why you save!



## KEY MESSAGES

- You need to be able to distinguish between essential and optional spending.
- Saving for an emergency: saving is essential, an absolute need.
- "Manage well what has been earned by others".
- Saving means giving up an immediate want to invest and achieve a goal in the future.
- Saving makes for security.

## NOTES

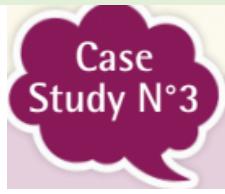
## 2. Create your budget

### TRAINING AID B.2.2.

#### Characters empty budget

NAFULA'S FAMILY BUDGET	
SOURCES OF INCOME	Amount (Kshs)
<b>Fixed income</b>	
Shitemi's income (carpentry shop)	
Nafula's contribution to family budget	
Sub-total fixed income	
<b>Variable income</b>	
Income from selling used furniture	
Sub-total variable income	
<b>TOTAL INCOME</b>	
<b>EXPENSES</b>	
<b>Essential expenses (needs)</b>	
Rent	
Gas, water, electricity	
Food	
Travel and transport (car or public transport)	
Health care / medicines	
Communication (telephone bills)	
School fees	
Sub-total (needs)	
<b>Optional expenses (wants)</b>	
Sub-total (wants)	
<b>Total EXPENSES</b>	
<b>INCOME MINUS EXPENSES ( SAVINGS)</b>	

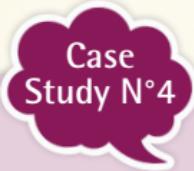
## Nafula's Family Budget- Part 1



Yesterday was the last day of the month and Nafula and Shitemi decided to review their income. First, they have a look at the income and expenses of her poultry enterprise. Nafula came to the conclusion that her net income was Kshs. 9,500. Like the last months, Nafula decided to contribute Kshs. 8,000 for the family expenses, and kept Kshs. 1,500 for her personal budget. Shitemi's income from the carpentry shop was Kshs. 6,000. They have decided to sell an old wooden table Shitemi repaired during his free time. A neighbour bought it for Kshs. 700.



## Nafula's Family Budget- Part 2



Once Nafula and Shitemi have reviewed their income for the following month, they begin to plan how they will spend the money. First, they will pay their rent (Kshs. 2,200). Then, for gas, water and electricity they reckon they will spend Kshs. 800. For food, they estimate Kshs. 3,500, for transport Kshs. 900 and for medicines Kshs. 500. Their pre-paid cellphones charge comes to around Kshs. 300. The nursery where they look after their kids charge Kshs. 1,000 for both kids. They will send Kshs. 1,000 to Nafula's parents like every month. They also decided to upgrade Nafula's phone to a newer one. It will cost around Kshs. 1,200. Nafula keeps the remaining part of her net income. This month she calculates her personal expenses for the following month: Kshs. 200 for a new fabric that she wants to use for making herself a new dress and Kshs. 400 for a new entrepreneurship training online she started last month.



**TRAINING AID B.2.3.**  
**Characters family budget**



<b>NAFULA'S FAMILY BUDGET</b>	
<b>SOURCES OF INCOME</b>	<b>Amount (Kshs)</b>
<b>Fixed income</b>	
Shitemi's income (carpentry shop)	6,000
Nafula's contribution to family budget	8,000
Sub-total fixed income	<b>1,400</b>
<b>Variable income</b>	
Income from selling used furniture	700
Sub-total variable income	<b>700</b>
<b>TOTAL INCOME</b>	<b>14,700</b>
<b>EXPENSES</b>	
<b>Essential expenses (needs)</b>	
Rent	2,200
Gas, water, electricity	800
Food	3,500
Travel and transport (car or public transport)	900
Health care / medicines	500
Communication (telephone bills)	300
Kindergarten fees	1,000
Money transfer to Nafula's parents	1,000
Sub-total (needs)	<b>10,200</b>
<b>Optional expenses (wants)</b>	
New phone for Nafula	1,200
Sub-total (wants)	<b>1,200</b>
<b>Total EXPENSES</b>	<b>11,400</b>
<b>INCOME MINUS EXPENSES (SAVINGS)</b>	<b>3,300</b>

## TRAINING AID B.2.4.

### Characters personal budget



NAFULA'S PERSONAL BUDGET	
SOURCES OF INCOME	Amount (Kshs)
Fixed income	
Sub-total fixed income	
Variable income	
Nafula's shop net income	950
Sub-total variable income	950
<b>TOTAL INCOME</b>	<b>950</b>
EXPENSES	
Essential expenses (needs)	
Contribution to the family budget	800
Entrepreneurship training fee	40
	840
Optional expenses (wants)	
Fabric for dress	20
Sub-total (wants)	20
<b>Total EXPENSES</b>	<b>860</b>
INCOME MINUS EXPENSES (SAVINGS)	90

## QUESTIONS

- Have you already created a budget?

Yes     No

- If you have, have you written it down or only kept it in mind?

Written down     Kept in mind

## DEFINITION

A budget is a tool to decide, to plan and to use your money to achieve your goals.

## EXERCISE

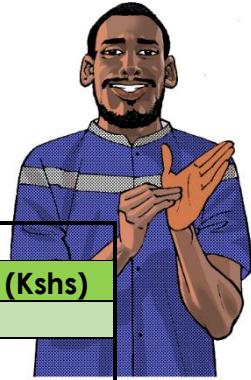
You have seen during the training how Nafula and her family create their budget. Now it is your turn! Create your own budget!

Be careful! The line « Income – expenditures » at the bottom of the table must be positive. If it is not, it means that you don't have enough income and not enough money for all your expenses.

It also means that you don't have any money to save to achieve your goals.  
If you're forecasting big expenses in a few months, start saving some money anytime you can, so that you can afford these big expenses and stay within your budget.

## TRAINING AID B.2.5.

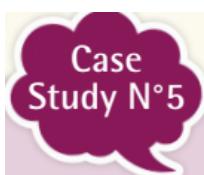
### My budget



MY BUDGET	
SOURCES OF INCOME	Amount (Kshs)
Fixed income	
Sub-total fixed income	
Variable income	
Sub-total variable income	
<b>TOTAL INCOME</b>	
<b>EXPENSES</b>	
<b>Essential expenses (needs)</b>	
Sub-total (needs)	
<b>Optional expenses (wants)</b>	
Sub-total (wants)	
<b>Total EXPENSES</b>	
<b>INCOME MINUS EXPENSES ( SAVINGS)</b>	

Let's continue with Nafula's case

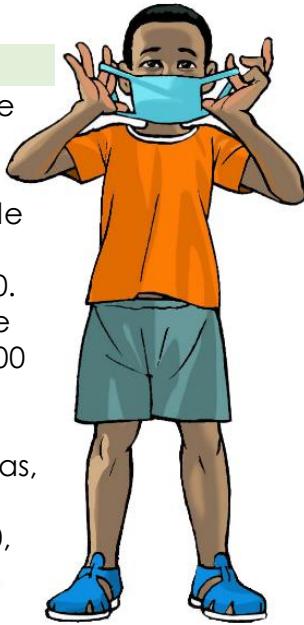
### Nafula's Family Budget- Part 3



It seems Nafula and Shitemi are facing some issues. Despite planning their budget carefully, the COVID-19 impact has been hard. Nafula has sold considerably less than expected, and instead of being able to contribute

Kshs. 8,000 to the family budget, she will only be able to put up Kshs. 6,000. On top of that, the neighbour decided to give back the piece of furniture they sold as it did not satisfy him, so they had to give him back the Kshs.700 he had paid.

At the expenses level, because of spending a lot of time at home, their gas, water and electricity bills increased to kshs. 1,200, instead of the Kshs.800 planned. On top of that, their food expenses also increased to kshs. 4,500, due to shortages and increased prices but also because the kids had to stay home all day



### NOTES

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## TRAINING AID B.2.6.

### Character's adjusted budget



NAFULA'S FAMILY BUDGET	
SOURCES OF INCOME	Amount (Kshs)
<b>Fixed income</b>	
Shitemi's income (carpentry shop)	6,000
Nafula's contribution to family budget	6,000
Sub-total fixed income	<b>12,000</b>
<b>Variable income</b>	
Income from selling used furniture	0
Sub-total variable income	<b>0</b>
<b>TOTAL INCOME</b>	<b>12,000</b>
<b>EXPENSES</b>	
<b>Essential expenses (needs)</b>	
Rent	2,200
Gas, water, electricity	1,200
Food	4,500
Travel and transport (car or public transport)	900
Health care / medicines	500
Communication (telephone bills)	300
Kindergarten fees	1,000
Money transfer to Nafula's parents	1,000
Sub-total (needs)	<b>11,600</b>
<b>Optional expenses (wants)</b>	
New phone for Nafula	1,200
Sub-total (wants)	<b>1,200</b>
<b>Total EXPENSES</b>	<b>12,800</b>
<b>INCOME MINUS EXPENSES (SAVINGS)</b>	<b>(800)</b>

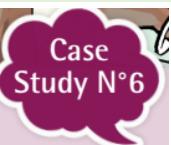
## KEY MESSAGES

- There is a tool used to manage your income – a budget.
- To create your budget, you need to calculate your income and expenses. With this calculation, you can define your savings capacity, meaning how much you can set aside each month.
- In case of emergencies or changes in your financial situation, you will have to adjust your budget to be able to cover all your expenses and save for your goals.
- A budget can help you to decide how to spend your money and save to reach your goals.

### 3. Keep track and stay within your budget



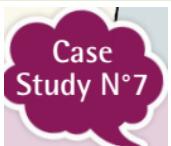
#### Nafula's Budget management



Last month, Nafula explained again to her parents how much money she would send them. She told them they had many plans with Shitemi and they needed to save as much as possible. Yesterday, Nafula received a phone call from her family: her parents asked her to send more money because there they were hit by a big storm and the roof of their house needed to be repaired immediately. Nafula hesitated: she remembered that she had already sent her family the amount allowed for in their budget. She was disappointed but went to the MPESA and sent them the money they requested. Now, while talking with Shitemi, they realize that they will not be able to have a balanced budget with this extra expense. They spoke and decided to postpone the purchase of the phone but also to try to save as much as possible in expenses related to food and transport.



#### Jane's Budget management



Last month Jane realized that her numbers were very tight, and she should always keep an eye on her expenditures. Yesterday, Jane received a phone call from her cousin Hawwa. She asked to borrow some money as her daughter was seriously ill and needed expensive medicine. Jane hesitated: she remembered that she had no spare money in her budget. While thinking about this, she remembered her cousin had helped her so many times that she could not refuse.

Later that week, Jane's oven, which she uses for making the bread started having problems. Jane did not have enough money to repair it and Hawwa still did not have the money to pay her back. Jane had to borrow money from a neighbour.

### QUESTIONS

- What did Nafula do to stay within her budget?
- There are many ways to make sure you stay within your budget. You can use a spreadsheet, like Nafula, or an app, like a lot of people are starting to use!

**Let's get to know a way to stay within your budget.**

### NOTES

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## **TRAINING AID B.3.1.**

### **Income tracking sheet**

## INCOME TRACKING SHEET

Name: \_\_\_\_\_  
Month: \_\_\_\_\_  
Year: \_\_\_\_\_

## **TRAINING AID B.3.2.**

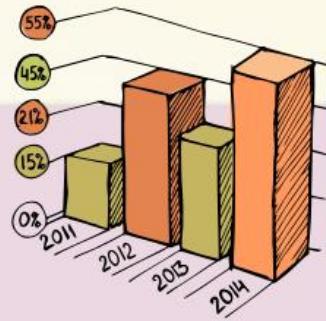
### **Expense tracking sheet**

## EXPENSE TRACKING SHEET

Name: \_\_\_\_\_  
Month: \_\_\_\_\_  
Year: \_\_\_\_\_

## TIPS TO STAY WITHIN YOUR BUDGET

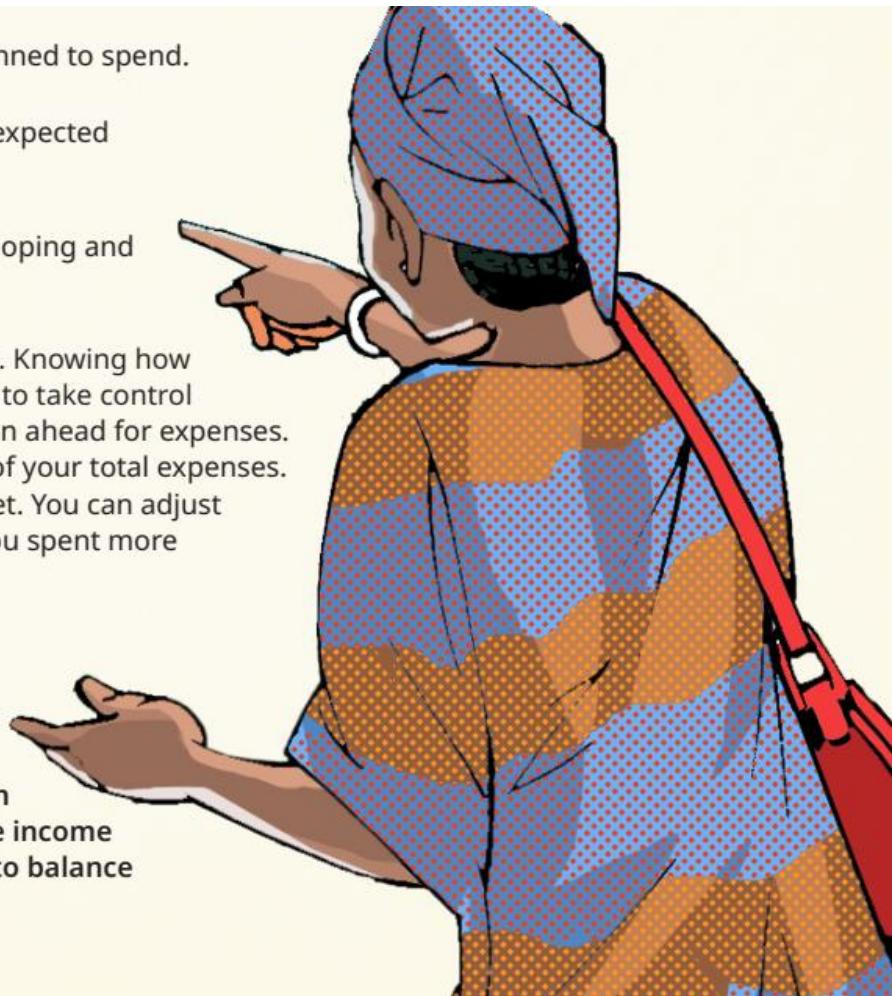
- Remind yourself often of what you planned to spend.
- Put in the budget something for unexpected spending needs.
- Keep savings out of reach so you do not spend them.
- Keep track of what you spend.
- Make sure you do not spend more than is budgeted.
- If you spend more on one item, spend less on something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



## KEY MESSAGES

- Remind yourself often what you planned to spend.
- Put in the budget something for unexpected spending needs.
- Get the family to participate in developing and sticking to the budget.
- You need to know your total income. Knowing how much you earn is an important step to take control of your money and allows you to plan ahead for expenses. You also need to know the amount of your total expenses. It is important to control your budget. You can adjust your expenses when you see that you spent more than expected.

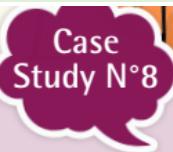
**!** Be careful! If you have irregular income, meaning that every month you earn a different amount, you can create your budget using an average income and then save when you earn more to balance the times when you earn less.



## 4. Keeping your financial records



### Meshack throws an important paper from his bank

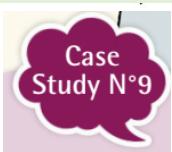


Meshak has two separate bank accounts for each of his businesses. He receives statements from time to time from both accounts but never keeps them. He has been a customer of the same bank for more than two years and never had a problem before. He does not see the point of keeping the statements. One day he realizes that 4,000 shillings is missing from his dairy shop account.

He is sure there must be an error but has no record to prove that he was not the person who withdrew the 4,000 shillings. The bank cannot solve the problem without some evidence. He could start an official claim now but they usually take a long time. Meshak is upset about not keeping these important documents.



### Janet's budget management



When Jane receives the electricity bill for her apartment at the end of each month, she goes to the electricity company to make the payments. One day, she discovered that their power supply has been cut off! Very angry, she goes to the company office to complain. While there, an employee tells her that she has not paid for the past 2 months. She is sure she has paid the bills. However, when they asked her for proof of payment (the bill stamped "PAID"), she realizes she has thrown the document away. Jane however still insists that she has paid for the last two months, but the employee replies that sometimes the computer system fails, and the only solution is to produce the received bill (the bill stamped "PAID"). Now she has to pay not only for the past two months, but for the reconnection of the electricity supply. She had not made any provision for this additional expense. She's very worried and does not see any other option than borrowing money so she can pay this bill.

## **Shitemi & Brothers Furniture's Workshop- Part 1**

The furniture workshop is owned by Shitemi and his two brothers, Shikuku and Wafula but the person who is trained as a carpenter is Shitemi. Shitemi was trained as a carpenter in a technical college in Kakamega. He has worked for five years in a furniture workshop before teaming up with his brothers to start the business (2) years ago. He had saved his own 200,000 shillings and his brothers provided another 500,000 shillings (shs. 250,000 each) which they used to start the business. They started by renting a place in the local town and bought a set of machinery, tools and equipments worth 600,000 Shillings. At first they concentrated on making domestic furniture like tables, chairs, beds and cupboards but recently they started getting orders from companies and other NGOs. Therefore, they increased their product range to include items such as desks, office tables, doors and windows. Since the month of November last year they started experiencing some financial problems and were not able to buy enough raw materials. They were also not able to meet the orders placed by some customers because of shortage of cash, machinery and equipments. Shitemi approached his friend popularly known as Hussein. Hussein visited their workshop and checked their business records and found out that it was not possible to know their financial position without having proper records. He recommended that they start keeping proper records. He agreed to train them in record keeping by demonstrating how it is done. He chose the month of January for the demonstration. To enable him to do this, he asked them for information. The information on the next page was provided.

### **TRAINING AID B.4.1.**

#### **Shitemi & Brothers Business Records**

<b>DATE</b>	<b>PARTICULARS</b>	<b>AMOUNT</b>
1 <sup>st</sup> Jan 2012	Owners Investments into the business (Shitemi-200,000, Shikuku-250,000, Wafula-250,000)	700,000
	Purchased machinery, tools and equipment's	600,000
2 <sup>nd</sup>	Cash sales	50,000
3 <sup>rd</sup>	Purchases of materials	30,000
4 <sup>th</sup>	Cash sales	45,000
5 <sup>th</sup>	License	3,000
8 <sup>th</sup>	Purchases of raw materials	20,000
9 <sup>th</sup>	Cash sales	55,000
10 <sup>th</sup>	Withdrew cash for personal use	6,000
11 <sup>th</sup>	Repairs	4,500
12 <sup>th</sup>	Cash sales	20,000
13 <sup>th</sup>	Payment of wages	10,000
16 <sup>th</sup>	Cash sales	20,000
17 <sup>th</sup>	Purchase of materials	4,000
17 <sup>th</sup>	Transport	50,000
18 <sup>th</sup>	Cash sales	5,000
20 <sup>th</sup>	Purchase of stationery	5,000
24 <sup>th</sup>	Payment of water bill	1,200
27 <sup>th</sup>	Paid local fax	600
27 <sup>th</sup>	Cash sales	10,000
31 <sup>st</sup>	Payments of salaries	25,000
31 <sup>st</sup>	Rent	12,000
31 <sup>st</sup>	Owner's salary	40,000
31 <sup>st</sup>	Repairs	12,000

## **TASK**

Help Okot Brothers Prepare their business records;

1. Cash Book,
2. Profit and Loss statement
3. Balance Sheet.

## **NOTES**

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## **TRAINING AID B.4.2.**

# Cash book

**TRAINING AID B.4.3.**  
**Profit and loss statement**

<b>SALES</b>		
<i>Less cost of raw materials</i>		
Gross profit/loss		
<b>GENERAL AND ADMIN. EXPENSES</b>		
<b>NET PROFIT/LOSS</b>		

**TRAINING AID B.4.4.**  
**Balance sheet**

<b>1. ASSETS</b>			
<b>Fixed Assets</b>			
<b>CURRENT ASSETS:</b>			
<b>TOTAL ASSETS</b>			
<b>2. Equity &amp; Liabilities</b>			
<b>TOTAL EQUITY &amp; LIABILITIES</b>			

Answers to exercises

**TRAINING AID B.4.2.**

**Shitemi & brothers cash book**

DATE	PARTICULARS	CASH IN	CASH OUT	BALANCE
January 1 <sup>st</sup> 2012	Investment into the business	700,000		700,000
	Purchase of Machinery, tools & Equipment		600,000	100,000
2 <sup>nd</sup>	Cash sales	50,000		150,000
3 <sup>rd</sup>	Purchase of materials		30,000	120,000
4 <sup>th</sup>	Cash sales	45,000		165,000
5 <sup>th</sup>	License		3,000	162,000
8 <sup>th</sup>	Purchase of raw materials		20,000	142,000
9 <sup>th</sup>	Cash sales	55,000		197,000
10 <sup>th</sup>	Withdraw cash for personal use		6,000	191,000
11 <sup>th</sup>	Repairs		4,500	186,500
12 <sup>th</sup>	Cash sales	20,000		206,500
13 <sup>th</sup>	Payment of wages		10,000	196,500
16 <sup>th</sup>	Cash sales	20,000		216,500
17 <sup>th</sup>	Purchase of materials		4,000	212,500
17 <sup>th</sup>	Transport		50,000	162,500
18 <sup>th</sup>	Cash sales	5,000		167,500
20 <sup>th</sup>	Purchase of stationery		5,000	162,500
24 <sup>th</sup>	Payment of water bill		1,200	161,300
27 <sup>th</sup>	Payment of phone bill		600	160,700
27 <sup>th</sup>	Cash sales	10,000		170,700
31 <sup>st</sup>	Paid salaries		25,000	145,700
31 <sup>st</sup>	Rent		12,000	133,700
31 <sup>st</sup>	Owner's salaries		40,000	93,700
31 <sup>st</sup>	Repairs		12,000	81,700
<b>TOTAL</b>		<b>905,000</b>	<b>823,300</b>	

### TRAINING AID B.4.3.

#### Shitemi & brothers profit and loss statement

<b>SALES</b>		205,000
<i>Less cost of raw materials</i>		<u>54,000</u>
Gross profit/loss		151,000
<b>GENERAL AND ADMIN. EXPENSES</b>		
Licenses	3,000	
Repairs	16,500	
Wages	10,000	
Transport	50,000	
Stationary	5,000	
Water bills	1,200	
Phone bills	600	
Salaries	65,000	
Rent	12,000	<u>163,300</u>
<b>NET LOSS</b>		<b>(12,300)</b>

### TRAINING AID B.4.4.

#### Shitemi & brothers balance sheet

<b>1. ASSETS</b>			
<b>Fixed Assets</b>			
Furniture & Equipment		600,000	
<b>CURRENT ASSETS:</b>			
Cash/bank		1,700	
Accounts receivable- personal loan		6,000	
Raw materials		80,000	
<b>TOTAL ASSETS</b>			<b>687,700</b>
<b>2. Equity &amp; Liabilities</b>			
<b>Equity</b>			
Personal contribution			
	Shitemi	200,000	
	Shikuku	250,000	
	Wafula	250,000	
		700,000	
<i>Less cumulated loss</i>		(12,300)	
<b>TOTAL EQUITY &amp; LIABILITIES</b>			<b>687,700</b>

## C) GETTING TO KNOW SAVING METHODS AND PRODUCTS

### 1. Choose a saving method

Now that you have created your personal budget (or your family budget), you know how much you can save every month and how much you must save for each of your goals.

#### TRAINING AID C.1.1.

#### Saving Methods

1

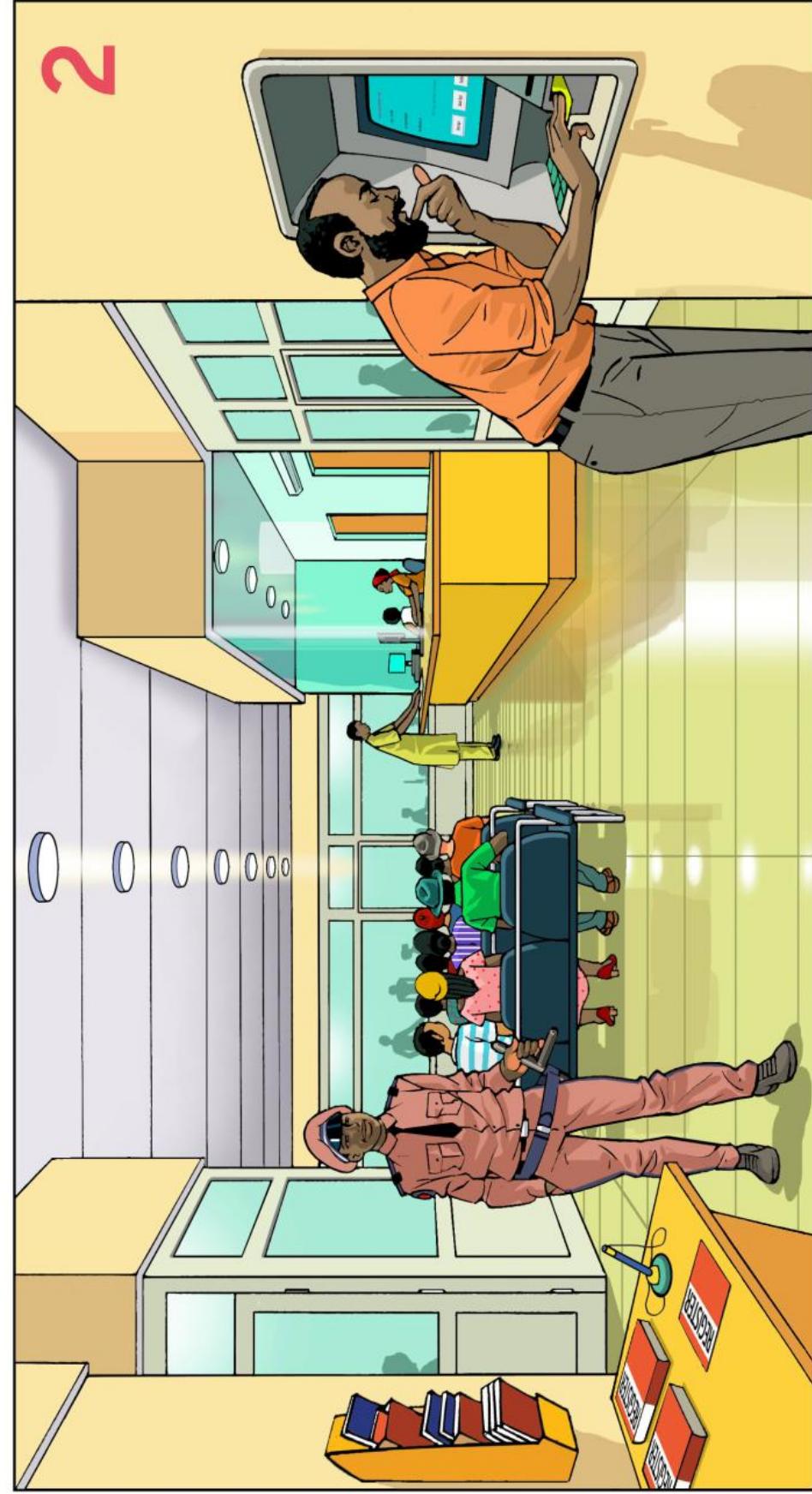


**Nafula** has been a long-standing client of her local VSLA. She likes saving there and meeting the other women in her

#### QUESTIONS

- What are the savings methods used by the characters above?
- Are they formal, semi-formal or informal?
- Each method has its advantages and disadvantages. At the end of this module, in the Section Answers to exercises you will find a table that summarizes the advantages and disadvantages of each savings method.

2



Meshak prefers to keep his savings at the bank nearby his house, so that he will not be tempted to spend the money he has put aside.

3



4



Remember that to include more characteristics in the table, you can think about:

- The safety of your money there,
- The possibility to withdraw your money when you want,
- The possible delays to withdraw your money,
- The possibility to save a lot or just a little bit of money,
- The possibility to avail a credit against your savings,
- The possibility that your savings generate some money (interests).



### YOUR TURN!

I know the advantages and disadvantages of several savings methods. Looking at my goals and my budget again, I think the best savings method for my projects is:

My goals	Savings method



### KEY MESSAGES

- Saving provides security in the event of an emergency.
- Some needs/emergencies can be foreseen, others cannot. Saving enables you to plan for future needs or projects.
- When everything is going well, saving also enables you to plan for things you would like to do or have.
- You need to be familiar with the different savings methods to choose the one best suited to your needs.

## 2. Select your saving product wisely

A savings product is for example, a regular savings account that generates 4% interest or a time (fixed) deposit account for five years.

### DEFINITION

A savings product is a savings method for which we know the characteristics, such as:

- Interest rate
- Access to savings / flexibility of withdrawal
- Convenience and ease of use
- Requirements for opening a savings account
- Safety
- Cost of savings (fees to open, manage or close an account, to do transactions)
- Liquidity

**Here are the three main savings products offered by financial institutions:**

**The regular savings account** is adapted for when you want to make deposits or access your money any time.

**The targeted/contractual savings account** is adapted when you want to save a set amount each month for a specified period of time to reach a specific goal (housing, education, marriage, business...). Remember that early withdrawals are either prohibited or penalized.

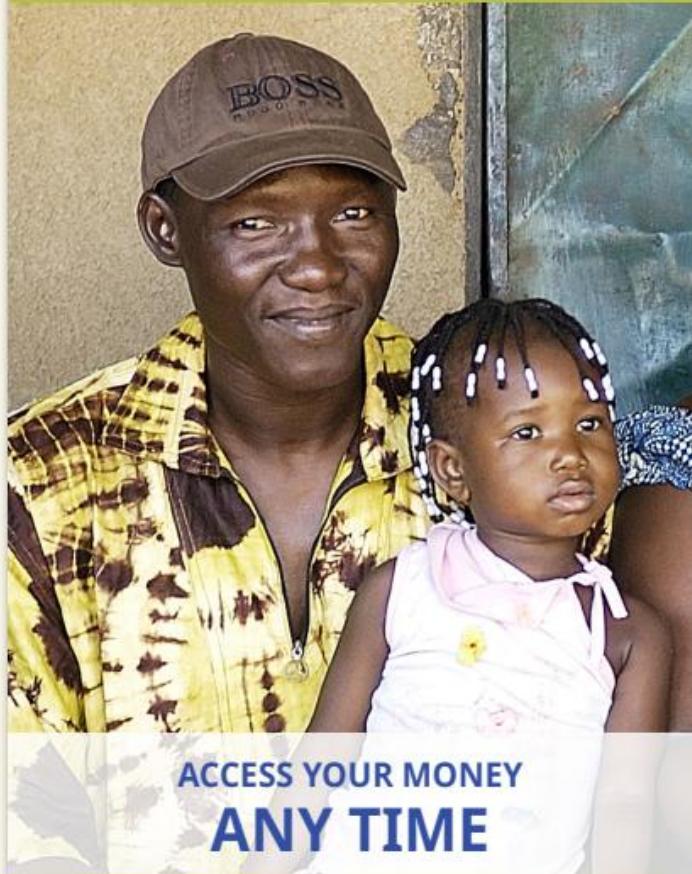
**The time (fixed) deposit account** is adapted if you want to make your money grow for longer-term goals (you deposit a lump sum which you promise not to touch for a specific period of time).

Each type of product has advantages and disadvantages (for example, the different interest rates).

In the next pages you will find three brochures, one for each of these products. At the end of this module, in the Section Answers to exercises you will find a comparative table that summarizes the information from each brochure.

**TRAINING AID C.2.1.**  
**Regular savings account**

## REGULAR SAVINGS ACCOUNT



**ACCESS YOUR MONEY  
ANY TIME**

An easy, simple and convenient way of keeping and withdrawing your money at any time when you need it. Our regular savings account offers flexibility in managing your money. There is no need to pre-inform the bank for deposit and withdrawal. Your capital is guaranteed. It enables you to build up your capital over time, at your own pace.

### ADVANTAGES

- A risk-free product
- Your savings are safe
- Interest rate: 1%
- You can deposit money any time, the amount of times you want
- You can withdraw your money any time and without prior notice
- Zero fees in all your operations
- Free of charge for opening and closing your account
- Minimum deposit: 10 USD
- Adapted for emergencies
- Free card to deposit or withdraw from ATMs
- Use any ATM in the country (this might include costs)

**TERM:  
open-ended**



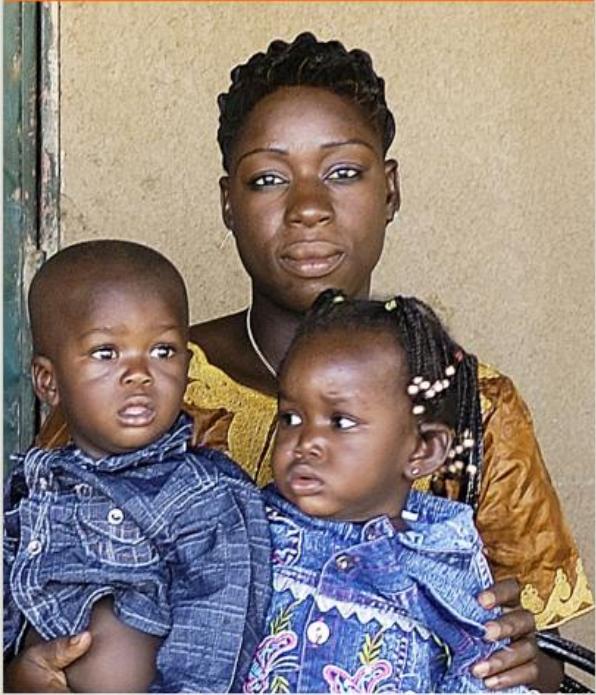
### REQUIREMENTS

- Valid ID (national ID, passport or other legal and valid form of identification)
- Proof of residence

## TRAINING AID C.2.2.

### Targeted/Contractual savings account

## CONTRACTUAL SAVINGS ACCOUNT



### IF YOU REALLY WANT TO SAVE MONEY FOR YOUR FUTURE

This account makes your goal of savings much easier. It allows you to make deposits at your own pace, with the option to fulfil your monthly deposit commitments in advance. You can choose from 12 to 48 months with different interest rates.

## MAIN CHARACTERISTICS

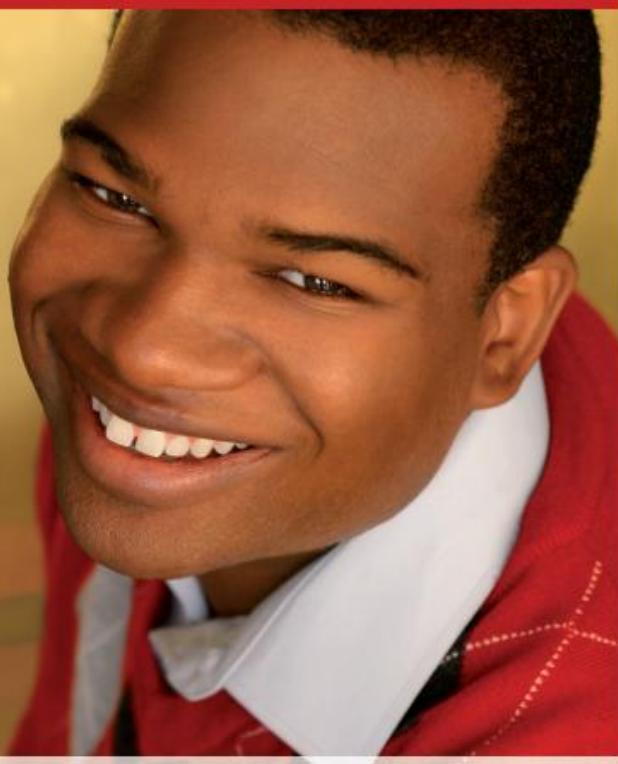
- Up to 3% yearly interest rate for a 48-month period
- Minimum deposit of 20 USD to open the account
- Free of charge for opening, transacting and closing your account
- Your savings are blocked until the end of the term
- After a certain time, you have automatically access to credits to finance your projects
- If you make anticipated withdrawals, you don't pay fees, but you lose part of the interests

## REQUIREMENTS

- Good credit record
- You must show the mean to make the repayments
- Valid ID (national ID, passport or other legal and valid form of identification)
- Proof of residence

**TERM:**  
choose from 12 months to 48 months.

## TIME DEPOSIT ACCOUNT



### MAKE YOUR MONEY EARN MORE MONEY

This account helps you gain high interest rates. The money you invest in this account is blocked and it is perfect for your future investments and any substantial expenses you are planning for. The perfect account to not get tempted to use your savings while earning a good return on your capital.



**TERM:**  
from 3 months to 5 years

### MAIN CHARACTERISTICS

- Highest interest rate in the market – up to 4%. Rate is fixed and known in advance.
- Minimum deposit: 500 USD
- Free of charge for opening, transacting and closing account
- Flexible deposits: you put money whenever you can
- Penalty for early withdrawals
- Free certificate of deposit
- Build your savings history with us and access credit for your projects

### REQUIREMENTS

- Proof of funds origin.
- Valid ID (national ID, passport or other legal and valid form of identification)
- Proof of residence

Now that you know more about the different savings products, help our characters to decide which savings account they should open to help them reach their goals.

#### TRAINING AID C.2.4.

#### Matching goals to savings products situation cards

MATCHING GOALS TO SAVINGS PRODUCTS SITUATION CARDS



## SITUATION 1

Nafula wants to expand her shop. She is sure that having a bigger shop would allow her to attract more clients and earn more money. She has accumulated some savings in the VSLA but also realizes that she is able to save consistently every month. She wants to set aside a fixed amount each month for a period of one year. She does not want to be tempted to spend this money in other objectives and she is considering a formal savings account that would help her to achieve her business goal. She is not sure formal institutions will take her as a client, but she wants to give it a try, nonetheless.

» What type of savings account can she opt for?

MATCHING GOALS TO SAVINGS PRODUCTS SITUATION CARDS



## SITUATION 2

Joseph and Moraa only save under the mattress. They have many objectives, the most important one being to save enough for having their own grocery shop. They do not want to get tempted to use their money for other purposes. If possible, they would like to earn the highest possible rate of interest.

» What type of savings account can they opt for?



# SITUATION 3

Meshak has been saving up consistently over the last year to buy an extra plot of land. He has finally agreed with a neighbour to sell to them his land, but not before one-year time as the neighbour wants to work one last final crop season on his land.

» What type of savings account can he opt for?

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# SITUATION 4

Jane would like to open a formal bank account. Despite liking the ROSCA and would like to continue saving there, her bread baking business is going well, and she would like to safely set a small sum aside each month that she could eventually use for expanding the business. She thinks she must avoid temptations to draw on these savings for other purposes.

» What type of savings account can she opt for?

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## TIPS

Each type of product has its advantages and disadvantages (for example, a different interest rate). To choose a savings product, you must not only know the characteristics of different products. You should also know yourself well by asking the following:

- **Your personal situation:** what is your income? Your expenses (including the repayment of a debt)? How much did you save? How much do you put aside when all is well? How much could you set aside by managing your money better?
- **Your goals:** for what purpose do you want to save? For emergencies? To study? To invest in creating a business? For building a house? For retirement?
- **Your horizon:** for how long do you want to save / block your money?
- **Your behaviour:** do you want to take risks or not? Don't go into risky investments if you are not familiar with financial markets!

**Beware of false advertisements! Remember that no savings product can assure you high returns without risk, especially in a short time.**

### What questions to ask a financial institution before selecting your savings product?

- Can I make withdrawals when I want?
- What is the interest rate?
- Do I need to pay taxes on the interest rate? If so, how much?
- Can I take out loans against my savings?
- Is the savings schedule flexible? (In other words, do you have to deposit certain amounts at a fixed date?)
- Is there a minimum deposit when I open the savings account or a minimum amount that should always be on the account?
- Will I be charged for making anticipated withdrawals? If yes, how much?
- How would people normally use this type of account?
- As a citizen living abroad, can I open an account here? What documents do you ask for?

## CHARACTERISTICS TO CONSIDER WHEN CHOOSING A SAVINGS METHOD

### **Ease of access / flexible withdrawals**

This refers to how easy or difficult it is for a person to withdraw their savings. For example, how many withdrawals the account holder is permitted to make from his or her account each month, or whether the bank or financial institution has ATMs or branches in all parts of the country (making it easier for the holder to access his or her account).

### **Convenience and ease of use**

Customers like convenience and want to be able to make a withdrawal as quickly as possible. Some people, for example, want their bank to be open at times when they themselves are not at work.

### **Requirement for opening a savings account**

Many people think you need to be well-off to open a bank account. This is not always true. Some banks require only a very small deposit (or none at all) if you want to open a savings account. However, requirements might include national IDs, proof of residence and/or services paid by person that might not be easy to comply for many people, especially Financially Displaced Persons..

### **Safety**

When people choose to keep their money at home, there is a danger of it being stolen or lost. Some State-regulated financial institutions provide guarantees for small savers. In other words, if they go bankrupt, you will not lose your savings.

### **Interest rate and tax advantages**

When you save with a formal (or semi-formal) institution, you are rewarded for depositing your money with the institution concerned. The reward, or interest, is generally a percentage of the amount you have deposited. There may also be tax advantages in saving with formal institutions.

### **Liquidity**

Can you withdraw your savings from your account? How and on what terms? If you need money urgently, the method of saving you have chosen must allow you to withdraw all your money within a reasonable period of time. In the case of savings in kind (a property or livestock, for example), you may have to wait days or months before you can sell your asset and get your hands on the cash.

### **Cost of savings (fees)**

Formal institutions may charge you for making transfers, withdrawing money from ATMs, etc. In need of quick access to money, it would be better to have a saving method that allows access to your money with a reasonable delay.

### **Purpose and goals of your savings strategy**

Depending on your reason for saving, some methods will suit you better than others (e.g. to save for a house or apartment, where large sums are involved, a formal method will be more appropriate than a tontine scheme or keeping your money under the mattress).

## Answers to exercises.

Savings method	Advantages	Disadvantages
<p><b>Formal</b></p> <ul style="list-style-type: none"><li>• Banks</li><li>• The Post Office</li><li>• Registered microfinance institutions</li><li>• Registered savings and credit cooperatives</li><li>• Insurance companies (for long-term savings products such as life insurance)</li><li>• Mobile wallets</li></ul>	<ul style="list-style-type: none"><li>• The safest option</li><li>• Privacy (no one except the holder of the savings product knows how much is in the account).</li><li>• Less temptation to withdraw money (easier to refuse requests)</li><li>• You may receive interest.</li><li>• You can access other financial products (current accounts, retirement savings accounts, loans, etc.)</li><li>• A better way of managing your money (savings account statements)</li><li>• Speeds up the payment of bills.</li><li>• When the bank operates internet or mobile banking services, you can check your balance and manage your savings 24 hours a day.</li><li>• Many banks operate through Bank Agents that make their services much more accessible</li></ul>	<ul style="list-style-type: none"><li>• Not easily available for low income, illiterate people, forcibly displaced persons FDPs.</li><li>• Might require IDs or proof of residence not easily available for FDPs.</li><li>• Bank employees are often sales personnel aiming to sell products, so they may put the interest of the bank first rather than the clients'.</li><li>• Remuneration rates vary from product to product. It can be very low.</li><li>• Some products might have minimum deposit required for opening an account that may act as a barrier.</li><li>• You may have to pay account charges.</li><li>• A waste of time queuing at the bank.</li><li>• The different products and charges are complex; fear of making a mistake.</li><li>• Restricted opening hours (closed evenings and during weekends).</li><li>• The effects of economic or political instability: financial crises, currency devaluations, blocking of withdrawals, impossibility of getting money out of the country (exchange controls).</li><li>• Bank agents may have no sufficient fund to serve you</li><li>• Not easily available for low income, illiterate people, forcibly displaced persons</li></ul>



### Savings method

#### Semi-formal

- Savings groups
- Self-help groups
- Village banks
- Village Savings and Loan Associations (VSLAs)
- Unregistered microfinance institutions
- Unregistered savings and credit cooperatives
- Unregistered loan institutions

### Advantages

- Easy access
- The fact that you are saving often means you can get a loan.
- You can earn interest on loans made with savings.
- The savings group rules about the frequency and amount of deposits encourage saving.
- Discipline
- Makes for solidarity and strengthens social bonds among members.

### Disadvantages

- Few guarantees.
- You cannot be sure of earning interest on your savings.
- Limited or no access to loans.
- Being able to save or withdraw money is subject to the approval of the members.
- Danger that a member will not abide by the rules (e.g. someone might disappear after receiving money from the group).
- Depending on the degree of formalization, it may not be possible to appeal to the police if there is a problem.
- Danger of the death of a member of the savings group.
- You need to be part of a network in order to join a savings group.
- Savings groups run a higher risk of failing (no management supervision by the authorities).

#### Semi-formal

- At home (in cash, in a safe or money box).
- In kind (gold, jewelry, livestock, land, property, etc.)
- Entrusting money to a friend, relative or trader.

- Easy access.
- The asset you have acquired may increase in value.
- You have to sell your asset to get your money back (subject to the law of the market).
- The friend, relative or trader is always available.
- There are other advantages to saving in kind: production or sale of milk (in the case of cattle), jewelry can be worn for important events.
- If you save in kind (livestock, property) you may be able to earn money (sale of meat/milk, rent...)

- Not secure: value may fall over the years, risk of theft, sickness or death (in the case of livestock).
- There may be a strong temptation to spend (if you keep money in the home).
- Difficult to liquidate in case of emergency (selling an asset takes time).
- Cost associated with savings in kind: food and veterinary costs for livestock, repairs to property.



## Savings products comparative table using fictional brochures

	Regular savings	Contractual savings	Time deposit
Is it possible to open it if you are refugee and/or IDP?	It seems it is possible	No information provided	No information provided
Is there a minimum deposit when you open the account or whenever you want to pay money in?	10 USD	20 USD	500 USD
Can you make withdrawals at any time? Do they have any costs or penalties	Yes, at no cost	Yes, but you lose interests	Yes, with penalties
What is the interest rate?	1%	3%	4%
Can you borrow money if you open a savings account?	No	Yes, after some time	Yes, after some time
Is the savings schedule flexible or do you have to deposit certain amounts at a fixed date?	Flexible	It has monthly deposit commitments	Flexible
Can I deposit or withdraw my savings in an ATM?	Yes	No	No

### TRAINING AID C.2.4.

#### Matching goals to savings products situation cards

 <b>ANSWERS SITUATION 1</b> <p>A contractual savings account would allow Mary to make fixed monthly deposits and save for a set period.</p>	 <b>ANSWERS SITUATION 2</b> <p>First of all, they should try to open a normal bank account at a bank as they never had one. Once they become clients, they could check if a contractual savings account could be available for them.</p>
 <b>ANSWERS SITUATION 3</b> <p>As Meshak does not intend to spend this money for at least one year, a fixed term deposit account would enable him to earn the highest possible rate of interest and to protect his money from the temptation to spend it on other things (because penalties are imposed for early withdrawals).</p>	 <b>ANSWERS SITUATION 4</b> <p>Jane should try to open a normal bank account at a bank as she never had one. In that bank account she would be able to set aside some money each month she could use to expand her business.</p>

## D) USING CREDIT PRODUCTS WISELY

### 1. Choosing a method to finance your projects.

Having studied various savings options in the previous module, we are now going to compare the different possible ways of raising money to achieve our financial goals and finance our projects.

#### TRAINING AID D.1.1.

##### Story of financing

The image consists of four separate panels, each containing a story about financing:

- NAFULA:** A woman holding a baby. The word "FINANCING" is at the top, and "NAFULA" is in a blue box. Below is a stack of gold coins. The text says: "Nafula needs to replace her poultry machine. She cannot borrow from her VSLA because she is repaying her last loan. She decides to borrow money from a neighbour. The consequence: she will have to pay back the loan with interest and make sure she does it on time as she has heard this informal lender is very severe with delays." At the bottom is the text "FINANCIAL EDUCATION".
- JOSEPH:** A man holding a plant. The word "STORY" is at the top, and "FINANCING" is below it. "JOSEPH" is in a blue box. Below is a stack of gold coins. The text says: "Joseph and Moraa draw on their savings to buy new mattresses for their kids. The consequence is that part of their savings is used. However, they will not have to pay back a loan or pay interest." At the bottom is the text "FINANCIAL EDUCATION".
- MESHAK:** A man with a beard. The word "STORY" is at the top, and "FINANCING" is below it. "MESHAK" is in a blue box. Below is a stack of gold coins. The text says: "Meshak borrows money from a financial institution to open his second dairy shop, next to the new university hostel. The consequence: he will have to pay back the loan and interest as part of a global repayment plan." At the bottom is the text "FINANCIAL EDUCATION".
- JANE:** A woman talking on a phone. The word "STORY" is at the top, and "FINANCING" is below it. "JANE" is in a blue box. Below is a stack of gold coins. The text says: "Jane's oven finally broke and cannot be repaired. She needs to buy a new one in order to continue with her business. She has some savings but are not enough. She decides to sell her ring, that was the only valuable item she brought from her hometown. With that money she can buy a small used oven to continue working." At the bottom is the text "FINANCIAL EDUCATION".

**There are generally four ways in which people raise money to fund a project:**

1. Sell an asset, like **Jane**.
2. Use personal savings, like **Joseph**.
3. Borrowing money from family/friends and other informal sources of credit; like **Nafula**.
4. Borrowing from a financial institution such as a bank, microfinance institutions, VSLAs or registered savings and credit cooperatives, like **Meshak**.

At the end of this module, in the Section Answers to exercises you will find Training Aid D.1.3, as a table describing the advantages and disadvantages of each financing method.

#### **TRAINING AID D.1.2.**

#### **The story of two businesses.**



#### **JANE**

**You are Jane and you run a small business selling bread. Today you are going to visit your friend, Farida, who sells ready-made food. You ask your friend a lot of questions about how she funds her business. Your friend also wants to know how you go about it.**

#### **This is how you have set up and expanded your business:**

You started out with kshs. 50,000 you had saved up in your town. You also had kshs. 15,000 that your relatives gave you.

Although your business is very small, you have a plan to expand it little by little. You try to put aside kshs. 3,000 each week in a savings account dedicated to your business, which you recently have opened at the national bank. In this way, every 3 or 4 months you have saved enough money to improve a bit your business (better kitchen utensils to work with, better packaging materials) and expand it. Now you can buy larger quantities of inputs and diversify your production purchases. You have also been thinking about opening a physical shop.

The more profit you make, the more you can save and the bigger the investments you can make in the business.

## FARIDA

**You are Farida and you run a small business selling ready-made food. Your friend Jane also has a similar shop. Today she is going to pay you a visit. You would like to know how your friend funds and expands her business. Your sister also wants to know how you go about it.**

**This is how you have set up and expanded your business:**

You started out with Kshs.100, 000 you had saved up and a loan of kshs. 150, 000 from your bank.

This loan enabled you to reform the shop you rent. As a result of this reform, you were able to receive more clients in your nice shop in a quiet street.

You paid all your monthly expenses on time each month, including the repayments on the loan. But you are able to save only kshs.1,500 each month. One day, a small vacant shop came onto the market for rental in the busiest street in the city.

This looked like a good business opportunity: you calculated that your turnover would double if you rented the shop. So, you took a quick decision, in case someone else rented it before you. You therefore borrowed kshs. 250,000 from your brother-in-law

## QUESTIONS

1. How did Jane and Farida expand their business?
2. Which of the two businesswomen is more likely to succeed? Why?
3. Which person takes most risks?
4. What advice would you give to Jane and Farida?

## NOTES

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## YOUR TURN!

Looking at my goals and budget, I think the best option to finance my goals is:

My goals	Best financing option



## KEY MESSAGES

- There are several options to finance your goals.
- Each option has pros and cons. It is important to understand and review them carefully to select the option that matches the best your needs and your personal situations.
- You can also combine several financing options (borrowing and savings).
- Talk about the financing options to your family, in particular the members of your family who are involved in your goals (spouse, parents, children, siblings...).



## 2. Select your credit wisely.

There are several sources of credit. Some, such as banks, microfinance institutions or specialized loan companies, are part of the formal economy and lay down specific terms for any person or institution wishing to contract a loan. Some try to make it easier to get a loan, even for poorer people. Others require that you be part of a group or that you already have some money saved up.



### DEFINITION

**Loan:** The act of giving money, property or other material goods to another party in exchange for future repayment of the principal amount along with interest or other finance charges.

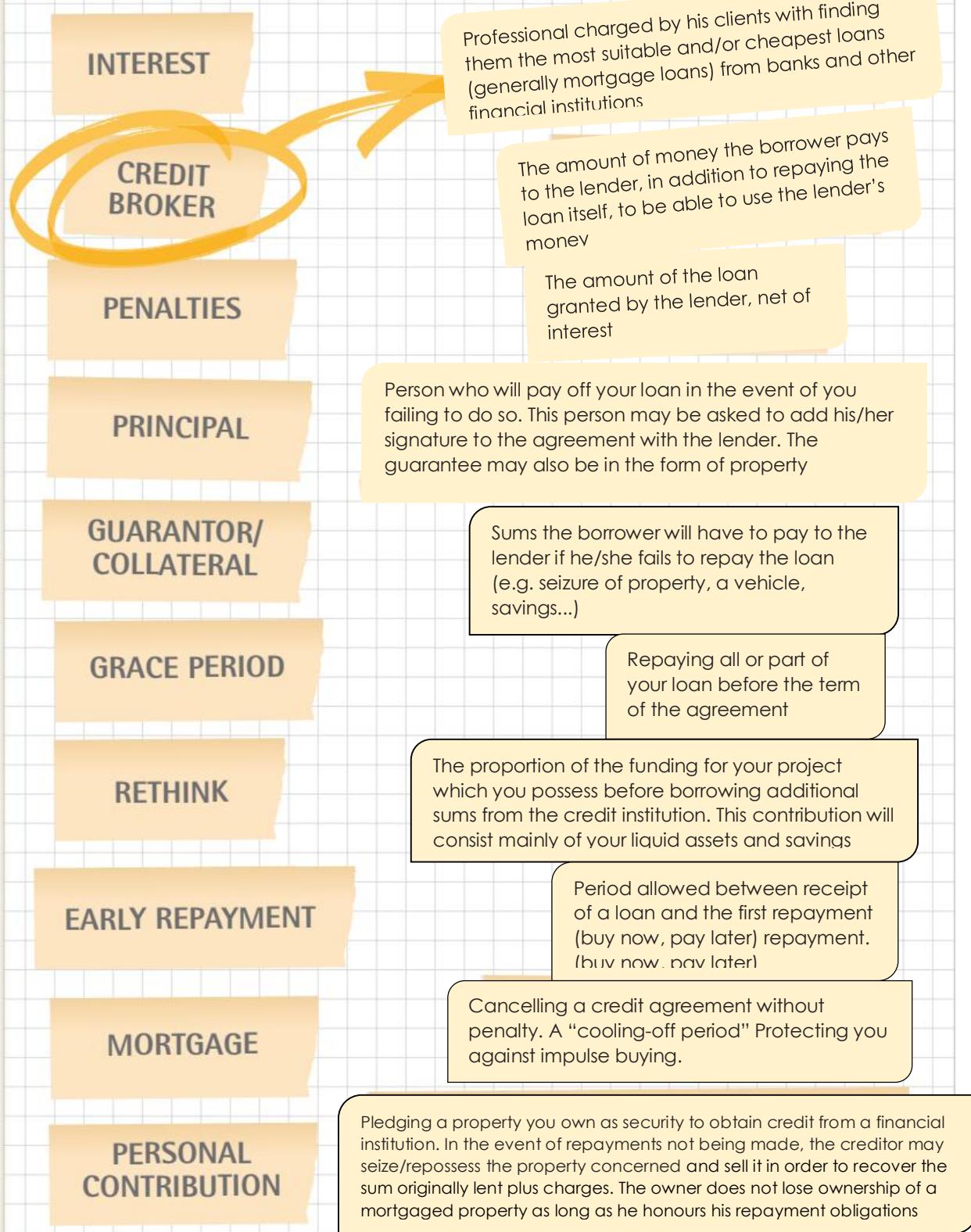
**Credit:** A contractual agreement in which a borrower receives something of value now and agrees to repay the lender at some date in the future, generally with interest.

**Interest:** It is the price for the use of the money of the lender over a certain period.



# GAME TERMS AND DEFINITIONS

Match each term credit with its definition. Do not worry if you are not that sure. At the end of the module in the section Answers to exercises you will find the right answers.



## **Important features to consider when selecting a lender.**

- Interest rate (fixed or variable)
- Annual Percentage Rate (APR), the true cost of taking the loan (including administrative charges, compulsory insurance)
- The amount you can borrow
- How easy it is to get the loan (e.g. how much you must have saved before a loan can be granted, the amount of the guarantee...)
- Requirements (papers I need to present, chances they would give me a credit)
- How quickly you get the money
- Penalties in the event of late repayment
- Distance from my home
- Methods of debt collection in the event of late payment (legal, intimidation, threats...)
- Grace period
- Obligation to use the loan for a particular purpose (housing, productive investment...)
- Possibility of extending the term or being given a grace period
- Possibility of accessing other financial services: current account, money transfer, debit card, mobile phone or internet services...)
- Arrangements in the event of death, sickness or a change in the borrower's circumstances.



## **KEY MESSAGES**

- To use credit products successfully, you need to understand well the credit terminology.
- The borrower is responsible for repaying the loan according to the repayment schedule.
- Taking out a loan is a serious matter. Don't take it lightly.
- The rich man is the one who pays his debts (proverb)!
- To choose a loan and a lender wisely, you first need to know what products are available and who the lenders are, by gathering as much information as possible. With that information, you will be able to choose the product best suited to your needs.
- Which lender you choose will depend on the nature of your project, i.e. the goal you wish to achieve by taking out a loan.

### 3. Understanding the cost of credit products

#### Repayment capacity.

Suppose after thinking well, you decided to take a loan to finance your project. Congratulations! You know how much you need, and you feel ready to go and see the financial institutions to find the right product for you.

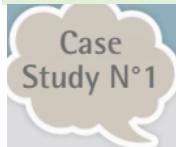
Before you go to see them, you will need to take the time to calculate your ability to repay a credit. According to the laws in force in many countries, a person cannot repay beyond a percentage of his/her monthly income. Depending on the country, this varies between 30 and 40% of the monthly income. If we exceed this percentage, there is a high risk of over-indebtedness. Moreover, a financial institution giving credit to a person who will have to pay back more than the percentage of his authorized income can be sued.

**But beware!** This is the maximum percentage tolerated, it is not the advised percentage which is rather of 30%.

**As an example, we are going to calculate Meshak's repayment capacity.**



#### Meshak's repayment capacity



Meshak is very tidy with his numbers. He has assigned himself a fixed monthly salary from his farm of kshs. 120, 000. He gets this money independently from the income of the farm. Sometimes the farm runs really well, and they have extra income, that vary from month to month, but he has opted for always having a fixed sum, like if he would be an employee. This variable income is not taken into account for the purposes of this calculation).

**Monthly income:** Kshs.120, 000.

**Monthly capacity to make repayments:** 30% of monthly income → Kshs.36,000 Dollars.  
On the basis of this calculation, then, Meshak may not undertake to repay more than kshs. 36,000 per month (on all the loans he may have contracted).

# PERSONAL CAPACITY

Now, over to you! Calculate your own capacity to repay a loan.

Monthly income: .....

100%

Monthly capacity to make repayments: .....

30% of monthly income

## TRAINING AID D.3.1.

Meshak has calculated that he will need kshs. 1,000,000 to rent another shop and set a second dairy shop. He has the following financial products (loans) designed specifically for entrepreneurs. He is trying to work out which is the least expensive of the offers.



NAME OF PRODUCT	NATIONAL BANK	MICROFINANCE ASSOCIATION	YOUR BEST CREDIT BANK
Annual Percentage Rate (APR)	6% per annum	5.5% per annum	6% per annum
Term of the loan	5 years (60 months)	7 years (84 months)	6 year (72 months)
Amount repayable each month (monthly instalments)	Kshs.19,333	Kshs. 14,370	Kshs. 16,573
Total amount repayable (Term of a loan x monthly instalment)	$19,333 \times 60 = \text{Kshs. } 1,159,968$		
Real cost of loan (Total amount repayable minus amount of capital requested by Meshak)	$11,599.68 - 10,000 = \text{Kshs. } 159,968$		



## QUESTIONS

1. What is the real cost of the loan offered by MICROFINANCE ASSOCIATION?
2. What is the real cost Your Best Credit Bank?
3. Which, then, is the least expensive loan Meshak is being offered?

**Attention!** The cheapest credit is not necessarily the most suitable for Meshak's needs. For example, it may be more difficult and riskier to reimburse a large sum each month. It depends on how much Meshak expects to earn each month.

## 4. How to avoid over indebtedness.

### TRAINING AID D.4.1. A tale of over indebtedness.



#### PART 1

##### Hawwa, Jane's cousin, and her husband David are having a discussion over breakfast

<b>David</b>	I say, Hawwa, isn't it today that your loan application is being decided on at the Microfinance institution?
<b>Hawwa</b>	Yes, the loans committee is meeting at 11 o'clock this morning. I'm not worried because, this time, we are only asking for kshs. 40,000, less than we applied for the last time.
<b>David</b>	But, Hawwa, why are you borrowing only kshs. 40,000? Have you forgotten that next week I have to pay back the money we owe our neighbour?
<b>Hawwa</b>	David, you told me you would find the money for the repayment!
<b>David</b>	I know, but I haven't been able to. You must borrow at least kshs. 100,000 from the Microfinance institution.
<b>Hawwa</b>	But I'd never be able to pay back such a large a loan!
<b>David</b>	Don't worry about it. I'll give you the money you need later on. I must go now. See you later.



#### PART 2

##### Hawwa arrives with her friend, Sandra, at the Microfinance Institution meeting where her loan application is to be assessed

<b>Hawwa</b>	Hi there, Sandra. How are you? And what about your family? Are you well? Having a good day?
<b>Sandra</b>	Yes, everything is fine, thanks, Hawwa. What about you?
<b>Hawwa</b>	I am ok. I need to ask you a favour. Could you lend me kshs. 10,000?
<b>Sandra</b>	(Trying to move away...) But, Hawwa, this is the second time you've asked me for money to pay back the shopkeeper. And you've never returned the kshs. 10,000 I lent you.
<b>Hawwa</b>	Hawwa: Don't worry! I'll pay you back. Today I'm getting some money from my cousin Jane and I'll let you have it straight away
<b>Sandra</b>	Sandra: You're borrowing from your cousin, too?
<b>Hawwa</b>	Hawwa: Yes, I've needed to borrow from her, too, because my daughter was very ill, and I couldn't work for several weeks. I'm heavily in debt.

## QUESTIONS

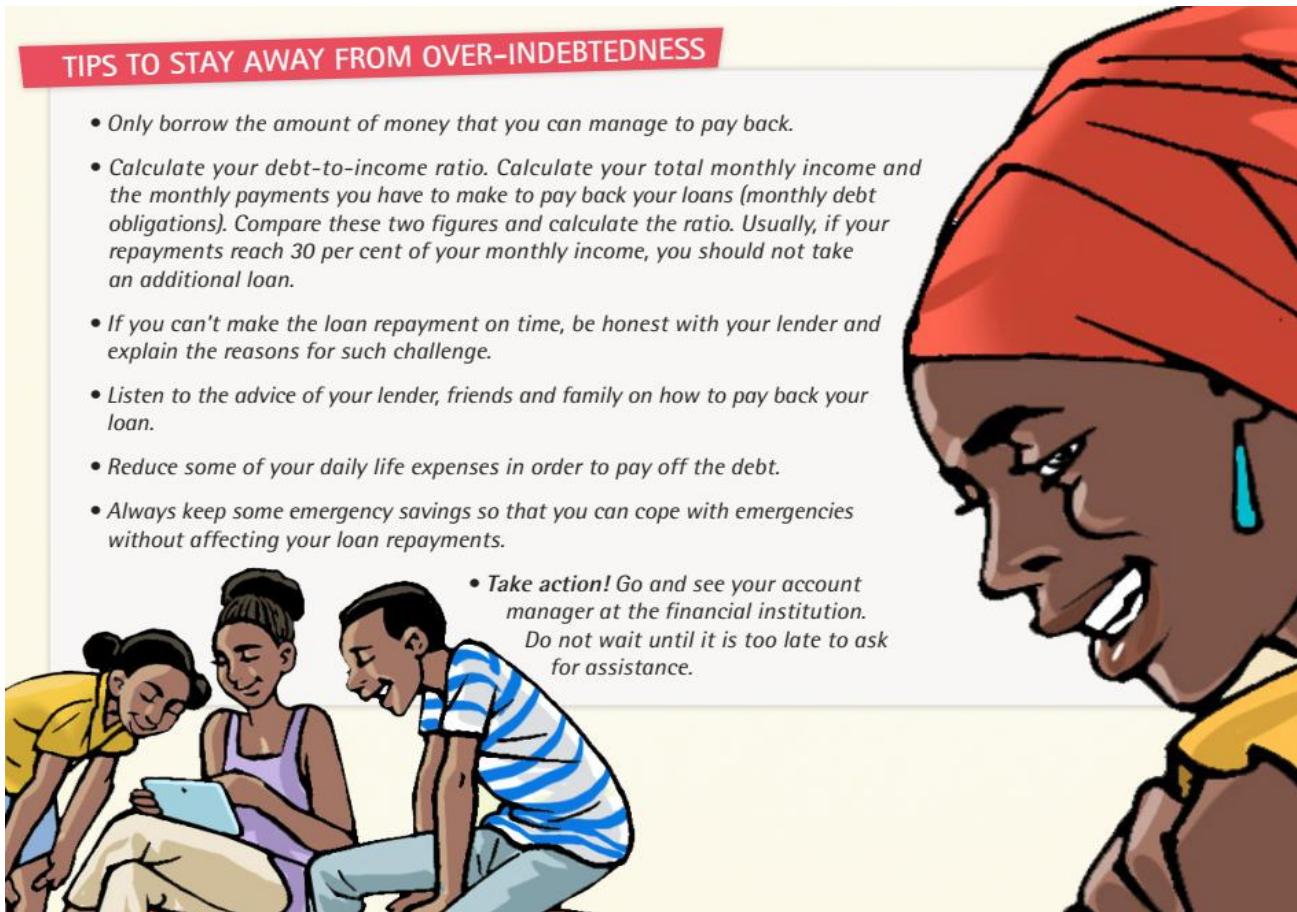
- What is Hawwa doing?
- Why is she borrowing from several lenders?
- What does Hawwa think of the different lenders from whom she is seeking loans?
- How is Hawwa supported by her husband?
- What do you think will happen to Hawwa?

### DEFINITION

**Over-indebtedness is the inability for a person to cope with his or her personal debts.**

#### TIPS TO STAY AWAY FROM OVER-INDEBTEDNESS

- Only borrow the amount of money that you can manage to pay back.
  - Calculate your debt-to-income ratio. Calculate your total monthly income and the monthly payments you have to make to pay back your loans (monthly debt obligations). Compare these two figures and calculate the ratio. Usually, if your repayments reach 30 per cent of your monthly income, you should not take an additional loan.
  - If you can't make the loan repayment on time, be honest with your lender and explain the reasons for such challenge.
  - Listen to the advice of your lender, friends and family on how to pay back your loan.
  - Reduce some of your daily life expenses in order to pay off the debt.
  - Always keep some emergency savings so that you can cope with emergencies without affecting your loan repayments.
- *Take action! Go and see your account manager at the financial institution. Do not wait until it is too late to ask for assistance.*



## TRAINING AID D.4.2.

### Role play cards.

ROLE - P L A Y C A R D S

CARD 1



You are members of the Microfinance Association to which Hawwa also belongs. Hawwa is failing to repay her loan. Prepare a short sketch in which you discuss the situation and decide what to do about Hawwa.

FINANCIAL EDUCATION

ROLE - P L A Y C A R D S

CARD 2



You are members of Hawwa's extended family and friends (husband, cousin, other IDPs that know her). You have all lent money to Hawwa and she has never repaid you. Prepare a short sketch in which you discuss the situation and decide what to do about Hawwa.

FINANCIAL EDUCATION

ROLE - P L A Y C A R D S

CARD 3



You are the members of the loan committee of the Microfinance institution with which Hawwa has already contracted a number of loans. Prepare a short sketch in which you examine members' requests for loans and discuss the following points: to which members can you lend money, and which are not eligible for a loan.

FINANCIAL EDUCATION



## YOUR TURN!

### Are you over-indebted?

Are your monthly debt obligations over 30 per cent of your monthly income?  Yes  No

Do you often take revolving credits (renewable credit)?  Yes  No

Do you use your loans more and more to cover your daily living expenses?  Yes  No

Do you ask more and more frequently for a delay to pay for recurrent expenses (rent, electricity bills...)?

Yes  No

If you answered YES to at least one of these questions, you must pay attention! You may be over-indebted or at risk of becoming over-indebted. Act right away by making a budget and talking to your lenders to repay your debts as soon as possible and avoid falling into a vicious circle.

## Some solutions

If you are already over-indebted, here are the solutions that can be offered by your credit institution:

- Reschedule the debt, i.e. reduce the amount repaid each month and lengthen the term of the loan.
- Interrupt payments for a given period.
- Sell an asset to pay off your most expensive debts (i.e. those that charge the highest rate of interest).

Do not hesitate to inquire about your credit institution's mediation services!



## KEY MESSAGES

- Repaying is a decision that shall be taken when you decide to borrow.
- Avoid borrowing to repay a loan!
- Money from a credit is not yours!

## QUESTIONS TO ASK A POTENTIAL LENDER

- What types of loan do you offer? What sorts of project are funded by these loans (house purchase, business start-up, buying a car...)?
- What is the interest rate?
- What fees and charges are charged?
- What is the APR (i.e. true cost of the loan, including fees)?
- Do I have to provide guarantees to be granted a loan? If so, what guarantees?
- Are guarantee conditions different if I am a refugee or IDP?
- How much do I have to contribute, if anything?
- What is the frequency of the interest payments?
- When does each repayment have to be made? (beginning of the month...)
- What penalties are levied in the event of late payment?
- Where do the repayments have to be made?
- How long does it take to be granted a loan and get the money?
- How many times will I have to come here to finalize the loan application?
- What documentation do I need to present to the lender to be granted a loan?
- Do I have to pay the remaining interest if I pay off the loan before term?
- Are there compulsory or optional insurance arrangements if I take out this loan? If so, how much do they cost and what are they for?
- Are your products also applicable for refugees and IDPs?
- How far away is the office where I need to make the payments from my place of residence/business?
- Do I need to attend meetings in order to get my credit?
- How long are these meetings?
- Do you check if I have other loans with other institutions?

## ADVANTAGES AND DISADVANTAGES OF THE DIFFERENT WAYS OF RAISING MONEY

	<i>Advantages</i>	<i>Disadvantages</i>
Sale of assets/property	<ul style="list-style-type: none"> <li>• Shopkeepers will let you buy back your assets after you have sold them</li> </ul>	<ul style="list-style-type: none"> <li>• Risk of the asset losing value</li> <li>• If it is a productive asset, the family may incur additional costs or have to spend more from day to day</li> </ul>
Savings	<ul style="list-style-type: none"> <li>• Fast access</li> <li>• Private resources</li> <li>• No interest to pay</li> <li>• You can do what you like with the money (no external interference)</li> </ul>	<ul style="list-style-type: none"> <li>• You deplete your savings</li> <li>• The money has to be saved over a long period, so will probably not cover all your needs</li> <li>• You may lack financial resources in an emergency</li> </ul>
Borrowing from an informal lender (family, shopkeeper...)	<ul style="list-style-type: none"> <li>• Fast</li> <li>• A local transaction</li> <li>• No implementation procedure</li> </ul>	<ul style="list-style-type: none"> <li>• Very expensive</li> <li>• Risky: if you fail to repay, the lender may adopt "heavy" methods, including intimidation</li> <li>• No legal protection in case of abuse by lender</li> <li>• Easy to get into debt</li> </ul>
Borrowing from a formal financial institution (bank, microfinance institutions, VSLAs, SACCOs - Savings and Credit Cooperative Organizations)	<ul style="list-style-type: none"> <li>• Fast</li> <li>• Accessible</li> <li>• Proximity</li> <li>• Registered in accordance with legal requirements</li> <li>• Part of a group able to give advice (social aspects/collective support)</li> </ul>	<ul style="list-style-type: none"> <li>• Will generally loan only small amounts</li> <li>• Might not have a product suited to your project</li> <li>• Interest rates sometimes high</li> <li>• Some providers might only finance me if I have a registered business</li> </ul>

# CREDIT TERMS AND DEFINITIONS CARDS

**INTEREST**

Professional charged by his clients with finding them the most suitable and/or cheapest loans (generally mortgage loans) from banks and other financial institutions

**CREDIT BROKER**

The amount of money the borrower pays to the lender, in addition to repaying the loan itself, to be able to use the lender's money

**PENALTIES**

The amount of the loan granted by the lender, net of interest

**PRINCIPAL**

Person who will pay off your loan in the event of you failing to do so. This person may be asked to add his/her signature to the agreement with the lender. The guarantee may also be in the form of property

**GUARANTOR/  
COLLATERAL**

Sums the borrower will have to pay to the lender if he/she fails to repay the loan (e.g. seizure of property, a vehicle, savings...)

**GRACE PERIOD**

Repaying all or part of your loan before the term of the agreement

**RETHINK**

The proportion of the funding for your project which you possess before borrowing additional sums from the credit institution. This contribution will consist mainly of your liquid assets and savings

**EARLY REPAYMENT**

Period allowed between receipt of a loan and the first repayment (buy now, pay later)

**MORTGAGE**

Cancelling a credit agreement without penalty. A "cooling-off period" protecting you against impulse buying

**PERSONAL  
CONTRIBUTION**

Pledging a property you own as security to obtain credit from a financial institution. In the event of repayments not being made, the creditor may seize/repossess the property concerned and sell it in order to recover the sum originally lent plus charges. The owner does not lose ownership of a mortgaged property as long as he honours his repayment obligations

### TRAINING AID D.3.1.

NAME OF PRODUCT	NATIONAL BANK	MICROFINANCE ASSOCIATION	YOUR BEST CREDIT BANK
Annual Percentage Rate (APR)	6% per annum	5.5% per annum	6% per annum
Term of the loan	5 years (60 months)	7 years (84 months)	6 year (72 months)
Amount repayable each month <i>(monthly instalments)</i>	Kshs.19,333	Kshs. 14,370	Kshs. 16,573
Total amount repayable <i>(Term of a loan x monthly instalment)</i>	$19,333 \times 60 = \text{Kshs. } 1,159,968$	$14,370 \times 84 = \text{Kshs. } 1,207,084$	$165.73 \times 72 = \text{Kshs. } 11,932.48$
Real cost of loan <i>(Total amount repayable minus amount of capital requested by Meshak)</i>	$11,599.68 - 10,000 = \text{Kshs. } 159,968$	$\text{Kshs. } 1,207,084 - 10,000 = \text{Kshs. } 207,084$	$\text{Kshs. } 11,932.48 - 10,000 = \text{Kshs. } 193,248$

## E) RISK MANAGEMENT AND INSURANCE

### 1. Managing risk

A risk is a more or less foreseeable danger that can have a damaging impact on us or on our family. Risks have different probabilities to happen and their consequences are different, from minor to very serious, depending on the nature of the risk and of the characteristics of the people or places that are affected.

#### DEFINITION

**A danger is a situation in which there is the possibility or threat that something unwelcome or unpleasant happen.**

#### TRAINING AID E.1.1.

##### Risk Cards

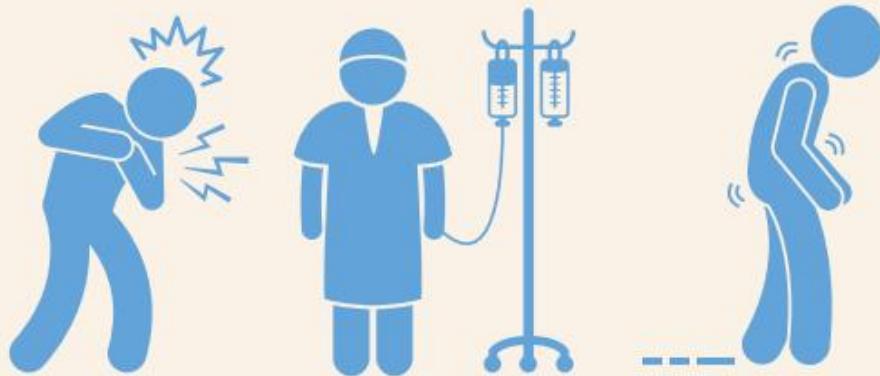
###### Unemployment



###### An occupational accident



## Sickness



## A death



## Fire



Taking into account the risks that you and your family can face, write the risks in the boxes according to their frequency (probability to happen) and their costs. As an example, death is something that happens very rarely (once!) but it has very high costs for the family.

		COSTS		
		Not very significant	Fairly significant	Very significant
FREQUENCY	Frequent			
	Medium			
	Rare			Example: death

As you can see, the various risks are more or less likely and may have different consequences, from minor to very serious, depending on the nature of the risk and the characteristics of the person or places affected.

## REMEMBER

There are different protective measures you can take to protect yourself:

- Eliminating/avoiding the risk (e.g. by brushing your teeth)
- Transferring the risk to a third party (a mutual benefit association or insurance company)
- Predict the impact of risk and prepare against it (by saving, for example).



There are different measures you can take to protect yourself and your family against this risk. Write these measures under an umbrella!

### TRAINING AID E.1.2.

#### My Umbrella



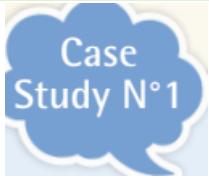
#### KEY MESSAGES

- Risks are inherent to life.
- Some risks can be foreseen, and you need to take measures so that their impact will be lower.
- It is essential to have an emergency fund so that minor emergencies do not affect you too much; saving is key to reducing your vulnerability.
- For other emergencies, personal savings might not be enough: you need to use insurance.
- You need to take measures to protect yourself and your family.

## 2. Tips to create your emergency fund

- Start putting money aside for personal emergencies on a daily or weekly basis, even if the amounts are small. Little by little, your fund will grow.
- Keep your money in a safe place, preferably out of the house, so no one can get at it. Opening a savings account, if possible, could be a good idea.
- Save varying amounts, depending on how much you are paid on any particular occasion. It is not necessary that you always save the same amount.
- Do everything you can to cut out unnecessary expenditure. Everyone can save, however little they earn, if only a small sum.

### Nafula's emergency fund.



Nafula has decided to build her emergency fund. To do it, she decides to create a table that indicates all her family income during the last year. The table looks like this:

#### Questions about Mary and her family:

- What is the total amount Nafula's family earns over a 12-month period (consider there might be fixed and variable income)?
- What is the family's average monthly income?
- What is the total amount they need to set aside in an emergency fund?

### Nafula's family's income over one year

Month	Amount (Dollars)
January	1470
February	1400
March	1470
April	1400
May	1550
June	1550
July	1550
August	1470
September	1400
October	1470
November	1400
December	1510
<b>Total</b>	<b>17840</b>

## REMEMBER

Your emergency fund is intended to cover expenditure for relatively minor emergencies. Most of you will not be able to put money aside for major emergencies, such as a long course of medical treatment or a death in the family.

If you plan for emergencies, you are more likely to achieve your goals. If you have an emergency fund, you will avoid having to draw on the savings you have made for starting a business, making home improvements, investing in education (yours or your children's). And you will avoid having to borrow and pay a high rate of interest.

### 3. Understanding your insurance policy

#### INSURANCE: What is the idea?

The principle of insurance is to defend ourselves against a risk we may face (accident, illness, theft...) and to set aside some money to receive a compensation the day the event will occur.



#### DEFINITION

**Insurance** is a form of protection, for anyone who has subscribed to an insurance contract, in the form of monetary compensation as a result of an accident or of any event covered by the insurance.

**Mutual benefit association:** a mutual benefit association is a non-for profit organization that is owned collectively by its members. It provides insurance to its members and acts in their best interest.

**Insurance company:** an insurance company is a business that provides insurance services. Its goal is to make profits.



### Moraa injures her hand



One day at the poultry farm, Martha had an accident with the tools she uses to cut some cakes at the bakery. She did her best to stop the bleeding and bound up the wound. She tried to ignore the pain, but that evening her finger was badly swollen. She went to work the next day but was in a lot of pain. She did not say anything to her boss for fear of losing her job (she usually gets very angry when workers ask for time off). She was also afraid that, if she had to go through expensive studies such as X-rays, bandages and medicines, she would not have enough money for this. She was sure there was no insurance policy at the bakery for employees like her. She was worried what would happen if she needed expensive medicines or had to pay to see the doctor? What should she do? She decided to wait some days and if need be, she would ask a colleague for some money to pay for these expenses and get treatment. She would like to avoid having to borrow money if something similar were to happen again.

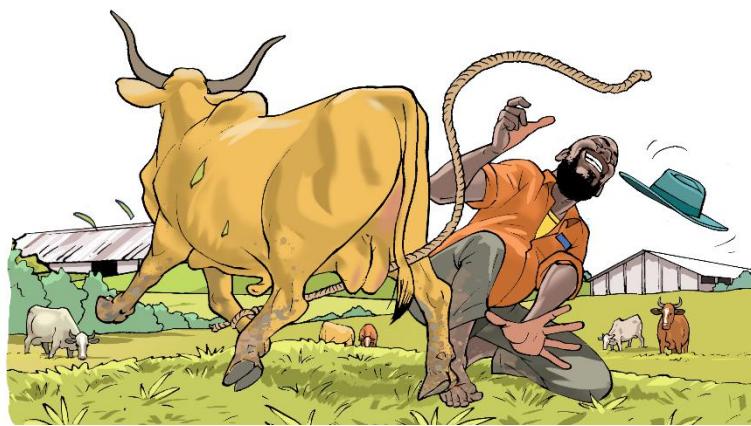


### Meshack injures his foot



Meshak had an accident at his farm yesterday. While handling his cattle, one of cows stepped on his foot. At first, his foot did not hurt much, but that evening it was very swollen.

For quite some time, himself and all of his employees are registered formally as employees of the farm. Following the advice of other farms, he hired an insurance policy that would cover accident-related expenses, such as medicines, consultations with the doctor and hospital visits. A small sum is deducted from the monthly salary of each employee to pay for this. It is the first time Meshak faces an accident since he has the insurance policy. He decides to call the insurance company to ask them about the process and procedures to follow. Meshak was relieved - he would not have to pay the bills himself.



**TRAINING AID E.3.1.**  
**The treasure pot game**

TREASURE POT GAME

3 Tokens



MEDICINES

FINANCIAL EDUCATION

TREASURE POT GAME

7 Tokens



HOSPITAL

FINANCIAL EDUCATION

TREASURE POT GAME



GOOD HEALTH

FINANCIAL EDUCATION

TREASURE POT GAME

4 Tokens



DOCTOR

FINANCIAL EDUCATION

## Game THE TREASURE POT

You never know when or how much you will have to pay for your health. Sometimes the health expenses are so large that they go beyond our financial capacity. This is the reason why it is important to pool risks through a subscription to insurance.

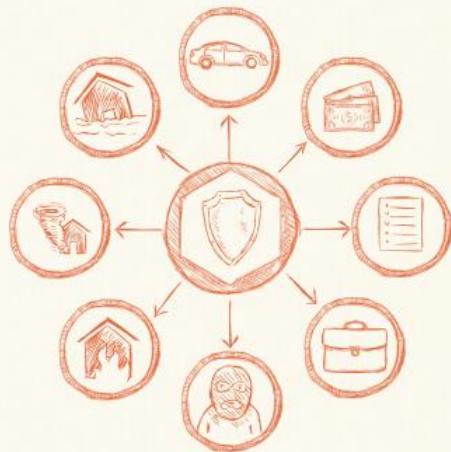
The secret of risk pooling lies on the fact that we all contribute with a part of our resources to a common pot. We do not need to draw from this pot all at the same time. However, insurance works only if all contribute together.

You need to pay in advance to be sure to have access to healthcare services, those covered by the insurance. The extent of the healthcare services you can access depends on the level of your contribution. The more you contribute, the more services you have access to.



### KEY MESSAGES

- Insurance: a tool for income preservation and social protection.
- To be insured is to prevent risks.
- Insurance: pooling of risks.



**⚠ Attention:** Some workers, especially workers who receive a salary from formal enterprises (i.e. from a company registered with the State services and who pays taxes), have insurance coverage but often they don't know what it covers or how to use it. Sometimes, insurance company employees do not clearly explain insurance mechanisms, and they use complicated terms.

**Remember:** knowledge is power. You should know what insurance is (events covered, payment, how to make a claim). Always keep your insurance card with you, if you have one.

#### 4. Use your insurance policy

People face many different risks in the course of their life and each period of their lives come with a number of different risks. Some risks are general and may happen to anyone. Other risks may be specific to categories of people.

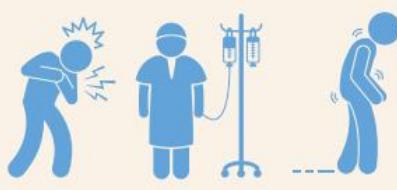
##### TRAINING AID E.4.1.

###### Risk cards

Unemployment



Sickness



An occupational accident



A death



Fire



###### QUESTIONS

- Do you have an insurance policy? If you don't, would you like to have one?     Yes     No
- Do you know the key insurance terms?     Yes     No



## Let's review the key terms and definitions

### BASIC INSURANCE TERMS

Compensation or pay-out	The amount the insurance company pays to the insured person when the event against which they are insured (often referred to as the risk: accident, fire, illness...) has occurred, subject to presentation of a valid claim.
Policy	The agreement between the insured (the customer) and the insurance company. The policy sets out the terms, conditions, duration, risks covered and exclusions.
Premium	The price or cost of an insurance policy, often split into monthly or quarterly instalments.
Insured (person) / member / beneficiary	The person who receives the insurance pay-out when a risk covered by the policy arises.
Claim	Request for compensation following a loss covered by the insurance policy
Insurance card	Card issued by the insurance provider as proof that the policyholder has paid for a premium.

To make a successful claim you should follow some steps. Remember you will need to fill in a claim form and send all the necessary documents.



## TRAINING AID E.4.2.

### Stages in making an insurance claim

#### STAGES IN MAKING AN INSURANCE CLAIM

Complete the claim form as soon as possible after the damage/loss occurred  
(within 12 months, depending on the terms of the policy).

FINANCIAL EDUCATION

#### STAGES IN MAKING AN INSURANCE CLAIM

Submit the required documents: letter of claim signed by the policyholder, membership card, photocopy of your identity document...

FINANCIAL EDUCATION

#### STAGES IN MAKING AN INSURANCE CLAIM

If you get paid less than you expected, make your complaint heard, find out why and try to address it.

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#### STAGES IN MAKING AN INSURANCE CLAIM

Verify that the compensation paid matches the benefit you should be paid.

FINANCIAL EDUCATION

#### STAGES IN MAKING AN INSURANCE CLAIM

If you do not get paid within seven days (or the time set in the insurance policy), contact the insurance company again to check on progress.

FINANCIAL EDUCATION



## KEY MESSAGES

- In order to find the insurance product that best meets your needs, you first need to identify the risks you and the persons you want to insure face.
- Insurance uses specific terms - You should learn them well in order to understand the available insurance products and make informed choice.
- Each insured risk may require different documentation when making a claim.



## 5. Choose your right insurance product

We are now going to help our characters to solve some doubts they might have about the health insurance policies they have hired.

### TRAINING AID E.5.1.

#### Health insurance case studies

##### CASE STUDY #1 Nafula's father

Nafula's father has signed up to a health insurance policy for him and his mother. He uses part of the remittances sent by Nafula to pay for the premiums.

During the first year, none of them suffered any health problems. Nafula's father thought he should get a refund of at least some of his premiums, as he had not used the policy to obtain health care.

- **Is Nafula's father entitled to a refund? Why?**

##### CASE STUDY #2 Meshack

Meshak has taken out health insurance. During the winter, one of his cousins comes to live with them as he will help in the farm. His cousin gets a bad flu attack and is hospitalized.

- **Will Meshak's insurance cover the costs of her cousin's health care? Why?**

##### CASE STUDY #3 Jane

Jane fears that she will not be able to pay the premiums for the new health insurance policy she has been offered. But she knows she will need an operation on her knee next year as she has been struggling with it for a long time. Even though the premium provides health coverage for a year, Jane wants to subscribe to the policy for just three months, beginning one month before her knee surgery and ending two months after the operation.

- **Can Jane purchase an insurance policy for just three months? Why?**



## KEY MESSAGES

- Insurance may look complicated. But, now that you understand the basics, you can evaluate if the protection your insurance offers is worth the cost.
- If you want to purchase a health insurance policy, you will have to decide which family members to include in the policy. Some policies charge extra premiums for each family member you add to the policy. Some offer a basic package for a family of four, and charge extra for any more family members.
- It is very important to learn the rules that each policy uses to calculate the premiums for insuring your family.
- Insurance policies are not all the same. It is important to understand the policy and its conditions before subscribing to it. Be confident to talk to an insurance agent, your employer or your trade union representative if you have any doubts.
- If you're interested in buying an insurance policy, or if you have any question, immediately talk about it to an insurance agent, your employer, or your union representative.

## NOTES

CHALLENGES IN PUTTING MONEY ASIDE FOR AN EMERGENCY FUND	ADVICE
<p>I prefer to give all my earnings to my parents and family (family obligations particularly strong in the case of young people and migrants)</p>	<ul style="list-style-type: none"> <li>• Save for personal emergencies so you can take care of yourself when your family can't help you (especially for those living far from home).</li> <li>• Start putting money aside for personal emergencies on a daily or weekly basis, even if the amounts are small. Little by little, your fund will grow.</li> </ul>
<p>When I keep money in my room, I'm afraid it might be stolen or lost.</p>	<ul style="list-style-type: none"> <li>• Keep your money in a safe place, preferably out of the house, so no one can get at it.</li> <li>• Open a savings account (for an emergency fund, the best solution is a flexible saver, which means you can withdraw your money at any time).</li> </ul>
<p>My income is irregular (e.g. seasonal).</p>	<ul style="list-style-type: none"> <li>• Save varying amounts, depending on how much you are paid on any particular occasion.</li> </ul>
<p>I have to use all my disposable income to pay off debts.</p>	<ul style="list-style-type: none"> <li>• Draw up a timetable for paying off your debts, starting with those on which you pay the highest interest.</li> <li>• At the same time, start putting money aside for personal emergencies on a daily or weekly basis, even if the amounts are small. Your savings will grow.</li> </ul>
<p>I can barely cover my basic needs.</p>	<ul style="list-style-type: none"> <li>• Do everything you can to cut out unnecessary expenditure.</li> <li>• Everyone can save, however little they earn, if only a small sum (mention a small amount in the local currency that could put aside each day, week or month).</li> </ul>



### SOLUTION CASE STUDY #1

**Is Nafula's father entitled to a refund?**

**Why?**

Nafula's father is not entitled to a refund, because the purpose of his health insurance is to protect against a risk. Even if no one in his family falls ill or needs to see a doctor, his premiums will not be refunded.



### SOLUTION CASE STUDY #2

**Will Meshak's insurance cover the costs of her cousin's health care? Why?**

No, Meshak's policy clearly does not cover his cousin. A policy of this kind typically covers only the immediate family (husband, wife and their children). The only exception would be if Meshak had paid an additional premium to insure his cousin when they took out the policy.



### SOLUTION CASE STUDY #3

**Can Jane purchase an insurance policy for just three months? Why?**

The character cannot buy a cover for just three months because the premiums are set for one year. She cannot change the number of months; he must pay the insurance premium for a whole year.

## F) BUSINESS MODEL CANVAS

The Business Model Canvas (BMC) is a strategic management tool to quickly and easily define and communicate a business idea or concept. It is a one-page document which works through the fundamental elements of a business or product, structuring an idea in a coherent way. The tool has nine connected boxes, which show how all parts of your business work together for success. It can be sketched anywhere – on a whiteboard or notepad.

Filling one in can take between 15 and 30 minutes. It's a tool you can use to:

- a) Create new business models easily
- b) Analyze and activate your existing business model

The blocks on the BMC are:

1. **Customer segments:** Who are the customers? What do they think? See? Feel? Do?
2. **Value propositions:** What's compelling about the proposition? Why do customers buy, use?
3. **Channels:** How are these propositions promoted, sold and delivered? Why? Is it working?
4. **Customer relationships:** How do you interact with the customer through their 'journey'?
5. **Revenue streams:** How does the business earn revenue from the value propositions?
6. **Key activities:** What uniquely strategic things does the business do to deliver its proposition?
7. **Key resources:** What unique strategic assets must the business have to compete?
8. **Key partnerships:** Which partners – suppliers or financials etc. – do you need to rely on to sustain your business model?
9. **Cost structure:** What are the business' major cost drivers? How are they linked to revenue?

		<i>Designed for:</i>	<i>Designed by:</i>	<i>Date:</i>	<i>Version:</i>		
<b>Business Model Canvas</b>							
<b>Key Partners</b>	<b>Key Activities</b>	<b>Value Propositions</b>	<b>Customer Relationships</b>	<b>Customer Segments</b>			
Who are our Key Partners? Who are our key suppliers? Which Key Resources are we acquiring from partners? Which Key Activities do partners perform?  MOTIVATIONS FOR PARTNERSHIPS: Optimization and economy, Reduction of risk and uncertainty, Acquisition of particular resources and activities	What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue streams?  CATEGORIES: Production, Problem Solving, Platform/Network  <b>Key Resources</b> What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships Revenue Streams?  TYPES OF RESOURCES: Physical, Intellectual (brand patents, copyrights, data), Human, Financial	What value do we deliver to the customer? Which one of our customer's problems are we helping to solve? What bundles of products and services are we offering to each Customer Segment? Which customer needs are we satisfying?  CHARACTERISTICS: Newness, Performance, Customization, "Getting the Job Done", Design, Brand/Status, Price, Cost Reduction, Risk Reduction, Accessibility, Convenience/Usability	What type of relationship does each of our Customer Segments expect us to establish and maintain with them? Which ones have we established? How are they integrated with the rest of our business model? How costly are they?  <b>Channels</b> Through which Channels do our Customer Segments want to be reached? How are we reaching them now? How are our Channels integrated? Which ones work best? Which ones are most cost-efficient? How are we integrating them with customer routines?	For whom are we creating value? Who are our most important customers? Is our customer base a Mass Market, Niche Market, Segmented, Diversified, Multi-sided Platform			
<b>Cost Structure</b>	<b>Revenue Streams</b>						
What are the most important costs inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive?  IS YOUR BUSINESS MORE: Cost Driven (leanest cost structure, low price value proposition, maximum automation, extensive outsourcing), Value Driven (focused on value creation, premium value proposition).  SAMPLE CHARACTERISTICS: Fixed Costs (salaries, rents, utilities), Variable costs, Economies of scale, Economies of scope	For what value are our customers really willing to pay? For what do they currently pay? How are they currently paying? How would they prefer to pay? How much does each Revenue Stream contribute to overall revenues?  TYPES: Asset sale, Usage fee, Subscription Fees, Lending/Renting/Leasing, Licensing, Brokerage fees, Advertising FIXED PRICING: List Price, Product feature dependent, Customer segment dependent, Volume dependent DYNAMIC PRICING: Negotiation (bargaining), Yield Management, Real-time-Market						