



# FINANCIAL EDUCATION

## Booklet 1 of 4, Introduction

TEXT HIGHLIGHTED AND BOLDED IN GREEN IS INTENDED TO INFORM THE FIELD AGENT OF INSTRUCTIONS TO BE PROVIDED TO THE GROUP DURING GROUP EXERCISES.



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MEAS aims at promoting and assisting in the modernization of rural extension and advisory services worldwide through various outputs and services. The services benefit a wide audience of users, including developing country policymakers and technical specialists, development practitioners from NGOs, other donors, and consultants, and USAID staff and projects.

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These modules were field tested in 2012/2013 in Upper West Region, Ghana.

## CREATION OF THE FINANCIAL EDUCATION TOOLS

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Microfinance Opportunities provided much of the content and many of the exercises for the financial education tools. These materials were adapted from the Global Financial Education Program, led by Microfinance Opportunities and Freedom from Hunger that started with a focus on the unbanked and under-banked. Many people often do not understand how to take maximum advantage of available savings and lending services. Savings groups have helped many people. Financial education can help group members elevate the use of the group services to increase the benefit to themselves and their families.

By focusing on informed and strategic decision-making, the Global Financial Education Program goes beyond providing information. Its goal is to strengthen those behaviors that lead to increased saving, more prudent spending, and borrowing for sound reasons. To achieve sustained behavior change, the curriculum is based on a learning-centered approach, capturing how adults learn best. It builds on what adult learners already know, makes the new content relevant to their lives, and provides the opportunity to practice the new skills.

The Global Financial Education Program developed five training modules over a three-year period spanning 2003 to 2005. Seven partners around the globe actively participated in the project, starting with market research in their countries to identify the priority topics, learning objectives and training methods, and culminating with curriculum design and testing. The participating partners were Teba Bank (South Africa), SEWA Bank (India), ProMujer (Bolivia), The Equity

Building Society (Kenya), Al Amana (Morocco), CARD Bank (the Philippines), and the Microfinance Centre (Poland). Their commitment to this process has ensured that the financial education curriculum responds to the real needs of poor clients.



## FOREWORD

*Coumba lives in Senegal. 10 years ago she faced challenges similar to those of many women from rural villages. She had only four years of schooling and limited options for earning income. She was determined to make a change and joined a savings group. At first she was unable to make the minimum savings of \$0.27 per week and borrowed the money from her aunt or a friend. Even though it was difficult, the dream of having her own business, and the encouragement of her fellow group members motivated her to continue to save. With her first small loan Coumba bought seeds for a vegetable garden. With the revenues from vegetables, she paid back her loan and started making her weekly savings payments on her own. Coumba's self-confidence increased. After a year and a half of saving regularly, she took a loan of \$26 from her savings group to help her purchase a hand-powered peanut grinder. Today, Coumba owns the only peanut grinding business in the village and earns around \$0.64 in profit a day. Each week she deposits more than the minimum savings in her savings group, thus increasing the ability of other members to take loans. For Coumba the savings group meant liberty and innovation. She explains; "During the first year that I belonged to the savings group, I was like a person set free from jail... Now I can decide what I will do with the money that I earn from the business I run."*

The success of Coumba is an example of a new approach of doing development with vulnerable rural communities. Five critical skills that smallholder farmers need to engage successfully with markets are integrated into a novel capacity-building approach:

- **Organizational management:** they need to get organized to plan and manage their work.
- **Financial skills:** they need to save money, invest it in the enterprise, and maintain financial records.
- **Market and enterprise skills:** they need to produce something that customers want to buy; they need to find those customers; and they need to plan their business to make a profit.
- **Natural resources:** they need to conserve their soil, water and other natural resources so they can produce on a sustainable basis.
- **Innovation:** they need to find new, more efficient and more profitable ways of producing.

Common with many other development agencies, CRS is incorporating market- and business-oriented approaches into its development efforts. Increasing food production alone cannot move poor rural people permanently out of poverty. Building the capacity of smallholders to engage in profitable enterprises has become an integral part of our agricultural development strategy.

Field agents, extension workers and development managers typically focus on one

particular area of expertise. This series of training modules gives them

a broader understanding and the skills needed to help local people work together, manage their money, and understand how to develop a sustainable and profitable agro-enterprise.

Through building the capacity of local people, CRS is reshaping how vulnerable communities are supported. As with Coumba, communities progressively become agents of their own change. They identify and grasp opportunities that turn desperation into a brighter hope for the future.

*Carolyn Woo*  
President and CEO, CRS





# PREFACE

This set of manuals on “Five skill sets for preparing smallholder farmers to successfully engage with markets” presents an integrated and sequential approach to building vulnerable farmers’ capacity for linking with markets. The manuals have been prepared for use by development facilitators, field extension agents and community leaders working with poor rural communities. The aim is to improve the livelihoods of these communities through better production and marketing of their crops and livestock products.

Each manual contains the following parts:

- The subject matter: the knowledge and skills you need to master in order to teach the skills.
- Quizzes to test your own knowledge.
- Staff exercises for you and other field agents to practice your skills.
- Field exercises for you to use in helping farmers master the knowledge and skills they need. These lesson plans are printed in shaded pages. They typically include a set of instructions, along with a big picture for you to use as a discussion starter. The exercises are available as a PDF document on CRS’ Program Quality website at [www.crsprogramquality.org/agriculture/](http://www.crsprogramquality.org/agriculture/). You can print out this document and have the pages laminated so it lasts longer.

## HOW TO USE THIS MANUAL

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**As a user learning the material:** You should read through this manual, lesson by lesson, section by section, and try to absorb the information presented. At the same time, picture how you would use the information and techniques described to help you work with farmers on developing their agroenterprises. Imagine how you would use the exercises and field lesson plans. At the end of each lesson, answer the short quizzes. If you get all the answers right, congratulations! Go on to the next lesson. If you did not get all the answers right the first time, go back and review that section before moving on to the next lesson.

**As a trainer working with field agents:** You will use this manual to teach other field agents about marketing. You can present the information in the text, then work through the exercises and field lesson plans with the participants. The exercises are designed especially for field agents, while the field lesson plans are intended for use with farmers and other rural people. If you use the lesson plans with field agents, ask them to pretend that they are farmers.

**As a field agent working with farmers and other rural people:** Once you have taken this course and passed the quizzes, you will have gained useful financial education knowledge that you can share with farmer groups. Before sharing this information with the farmer groups, it is important that you first apply and use these skills with your personal finances.

You can use the information and exercises in this manual to plan how to work with farmers to develop their agro-enterprises. Every farmer group and every situation is different, so this manual does not try to tell you exactly what to do. Instead, choose those items that you think the farmers need and can benefit from, and use this manual as a basis for building your own series of learning events so you can pass this information on to farmers.

It is important to **adapt** the exercises, field lessons and quizzes to suit your own situation. Before teaching these materials, review and modify the following elements to your own local situation:

- **Names** of people, villages, and groups
- **Currency**
- **Amounts** of the items shared in the examples. These amounts could vary based on the target group's income levels. If the amounts are either too large or too small, participants may not feel that these tools apply to them.
- **Stories.** There may be more relevant examples for your community that will better communicate the objectives.
- **Items** being bought and sold.
- Types of **income generating activities.**
- When items are sold, based on the local **seasons.**

Wherever possible, work in a **participatory manner** with the farmers. This means you should make sure that it is the farmers who are gathering and analyzing information and making decisions that will affect them. Your role is to facilitate their learning, not to do the job for them.

**As a reference source:** You can use this manual as a reference. If you need to check on a technique or concept, look it up in the table of contents and review that section.

## LEARNING ONLINE

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If you are a CRS staff member or partner, you can study the ideas in this manual online, through an e-course. Contact your CRS supervisor for a **username and password**. Then visit <https://crs.brainhoney.com> to register and start an online course. In some cases these courses may be available on a thumb drive, or USB stick.

The e-courses courses use the same text, quizzes, and exercises in this manual. Many of the tables are presented as **forms** that can be filled in online to help you record and analyze the data you have collected.

## FARMBOOK SOFTWARE

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CRS and partners have developed a software application called **Farmbook**, which you can download from the CRS website. You can use Farmbook to register a farmer group and collect information about their production and business performance. Farmbook will allow you to do the following:

1. Register a farmer group
2. Do a profitability analysis for a single product for your farmer group
3. Write a business plan
4. Produce a production plan for the season
5. Keep a record of training events and asset transfers to a group
6. Undertake a baseline survey and conduct follow up annual audits.

To learn more about Farmbook, visit: [www.crsprogramquality.org/agriculture/Farmbook.php](http://www.crsprogramquality.org/agriculture/Farmbook.php)

# INTRODUCTION

Many small-scale farmers in the developing world learn how to grow crops and raise livestock in a very practical way: by working in the fields and tending animals. They grow food for their families, and sell extra food to visiting traders or at the local market. Usually this income is seasonal or irregular. They face great challenges to meet basic needs during those months when incomes are low or nonexistent. If basic needs cannot be met, planned farm investments will most likely have to wait. Even worse, some farmers must sell existing productive assets (like farm inputs or tools) to pay for basic needs. These occurrences further reduce the chance that the farmers will improve their livelihood. It is possible to break this cycle.

Smallholders can reap great benefits from acquiring skills in basic **financial education**. Financial education refers to the set of skills and knowledge that allow individuals to plan and manage their money. This module will cover basic financial concepts. Specifically, these tools will enable smallholder farmers to make good financial choices regarding income, expenses, saving, and borrowing. Through the creation of a **budget**, farmers can track their cash flow, identify patterns in both income and expenses, explore ways to **reduce unnecessary expenses**, and plan for future needs. Examining **savings strategies and options** will help farmers take the steps towards building assets for a future investment and becoming less vulnerable to economic shocks. Knowledge on financial instruments and loan **sources** provides insight into available financial tools, enabling farmers to select the tools that are most appropriate for their needs. This manual aims to help you, **the field agent**, help groups of farmers learn how to better manage their money.

## PURPOSES OF THIS MANUAL

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This manual has two main purposes:

1. To help you **learn about financial tools and money management**.
2. To help you **teach financial and money management** skills to farmers and other rural people after you have mastered the knowledge and skills by practicing it yourself.

## AFTER LEARNING ABOUT FINANCIAL EDUCATION

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Financial education is relevant for anyone who makes decisions about money and finances. Financial education can prepare individuals to anticipate life-cycle financial needs and deal with unexpected emergencies. Financial education can help farmers reduce their vulnerability to the many risks associated with seasonal income. It helps to enhance their skills in managing money as they attempt to bridge income gaps, absorb shocks, and prepare for the future.

## WHAT IS IN THIS MANUAL

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This manual provides the basic tools that enable farmers to make informed financial decisions. This manual helps participants to examine and make decisions regarding their finances. The manual is made up of three key sections. Each section is comprised of three to five separate lessons.

**1. Goals, Income, Expenses, and Budgeting** covers the concept of how to create a budget by understanding income and expenses. Especially for farmers it is important to cover seasonal fluctuations of money flowing in and out of the household. The field lesson plans cover the following four lessons:

- Seasonal calendar
- Establishing goals
- Understanding income and expenses and creating a budget
- Different types of expenses and reviewing a budget

**2. Saving** introduces the importance of savings and some tools to help participants save money. The field lesson plans cover the following three topics:

- Choosing where to save
- Creating a savings plan
- Saving for emergencies

**3. Borrowing** discusses the concept of debt and the relationship between manageable levels of debt and income. The field lesson plans cover the four following topics:

- Key concepts of borrowing
- How to calculate the real cost of loans to decide when to use your money or borrowed money
- How to analyze your ability to take on a loan, and
- Tools to examine different options for borrowing money as well as how lender evaluate loan applications

See the exercises and field lesson plans for ideas on how to present the materials. Feel free to adapt the ideas and lessons whenever it is appropriate.

These materials are designed be introduced to savings groups during their first cycle in months 9-12 (of a 12 month cycle) during the time that is generally referred to as the “maturity stage.” This is the time when the agent support is lightest as the savings groups prepare to manage on their own. It is therefore recommended to cover only lessons 1 to 4 during this period. The remaining lessons would then be introduced during their second cycle (months 13-15 for the 3 lesson on savings and months 16-19 for the 4 lessons on borrowing) such that the lessons on savings and borrowing will coincide with the periods when savings and lending becomes important again and when some individual SILC members might begin to consider external borrowing.

# GLOSSARY OF KEY TERMS

## **Accumulating Savings and Credit Association**

An Accumulating Savings and Credit Association or ASCA is a locally managed, informal group, where members save regularly, borrow from the group savings, and repay the loans with interest.

## **Achievable**

Achievable means that the actions to be taken will allow you to reach your goal.

## **Agricultural Bank**

Agricultural banks are financial institutions that provide loans to commercially viable smallholder farmers and other value chain actors.

## **Assets**

Any physical item that you own is an asset. Examples are cash, money owed to you, animals, land, a house, etc.

## **Bad loan**

A bad loan is when the borrower will not earn enough from the business investment to repay the loan.

## **Balloon payment**

A balloon payment is when the entire loan principle is repaid in one lump sum at the end of the loan term.

## **Borrower**

A borrower is the person that receives the loan.

## **Budget**

A budget is a summary of estimated income (money in) and expenses (money out) for a specific period of time (such as a week, month or year).

## **Business expenses**

Business expenses are all expenses that are incurred in running a business.

## **Capacity**

The ability of the borrower to repay his/her loan in full and on time.

## **Capital**

Capital in this case is the value of a person's net worth (difference between your assets and what you owe).

## **Character**

Character is a person's reputation. It indicates if he or she borrows and repays on time.

**Collateral**

Collateral is an item of value (property or assets) that a borrower pledges for a loan and which can be taken and sold if the borrower cannot repay the loan.

**Commercial bank**

A commercial bank is a formal financial institution that generally serves a wealthier clientele.

**Cost**

Cost is the price and fees associated with the savings or loan mechanism.

**Credit Union**

Credit Unions are legally registered, member-owned, and member-governed savings and credit associations that were primarily developed to empower poor communities to manage their own financial resources. These are often called a Savings and Credit Cooperative or SACCO.

**Declining balance**

A declining balance is the method by which the interest amount to be paid decreases as the loan principal is repaid.

**Default**

A default is when a borrower does not repay a loan.

**Deficit**

A deficit is when expenses are greater than income.

**Emergency fund**

An emergency fund is a special savings fund that is only used to pay for unexpected events or emergencies.

**Equal installments**

An equal installment is where the amount borrowed is repaid in periodic installments of equal amount.

**Expense**

An expense is the money you spend.

**Flat interest rate loan**

A flat interest rate loan is when the interest amount remains for each installment the same for the duration of the loan.

**Formal financial institutions**

Formal financial institutions are institutions that are regulated by the government and the central bank and provide a wide variety of financial services; such as loans, checking, saving, and insurance services.

**Goals**

Goals are what you want to achieve (your vision) in the future.



### **Good loan**

A good loan is a loan that can be repaid on time by the borrower.

### **Grace period**

Extra period of time a lender gives a borrower between when the borrower receives a loan and when the borrower must start making loan repayments.

### **Group loans**

A group loan is a loan taken by the entire group and for which all members are jointly responsible to ensure it is repaid on time.

### **Guarantee**

A guarantee is a pledge, such as collateral, which guarantee repayment.

### **Guarantor**

A guarantor is a person who pledges repayment in case of default by the original borrower.

### **Household expenses**

Household expenses are expense incurred in managing the household. Examples are food, clothing, housing, etc.

### **Income**

Income is the money that flows into your household.

### **Indirect costs**

Indirect costs are costs that are

### **Informal**

Informal means that the activity is not formally registered.

### **Informal financial services**

Informal financial services are all financial transactions (loans and deposits) that take place outside government regulation or supervision.

### **Input Credit**

Input credit is a short-term form of finance whereby farmers buy agricultural inputs and/or services that do not require immediate payment to the input supplier.

### **Input supplier**

An input supplier is a vendor that sell inputs; such as seeds, fertilizers, and chemicals.

### **Interest**

The amount of money that the borrower pays to the lender for the use of the loan. This payment is in addition to paying back the loan principal amount.

### **Lender**

A lender is a person or institution that provides a loan.

## **Liquidity**

Liquidity is the ease in which assets can be converted into cash.

## **Loan**

A loan is something that you borrow for temporary use under a promise to repay at a certain timeframe in the future.

## **Loan disbursement**

A loan disbursement is when the lender gives the loan to the borrower.

## **Loan repayment**

A loan repayment is when a borrower makes a payment towards his or her loan.

## **Loan term**

The period of time that the borrower has to use the loan and repay it

## **Long-term goals**

Long-term goals are things that we want to accomplish that will take more than 2 years to achieve.

## **Measurable**

Measureable means that there are milestones in place to assess your progress towards achieving your goal.

## **Medium-term goals**

Medium-term goals refer to goals that we want to achieve over the next 1-2 years.

## **Microfinance Institutions**

Microfinance institutions or MFI are regulated financial institutions that are designed to work with households that have little or no collateral and have smaller borrowing capacity than clients of commercial banks.

## **Moneylenders**

Moneylenders are individuals that offer small loans that may or may not require collateral at high interest rates.

## **Needs**

Needs are expenses that are absolutely necessary, such as food and shelter.

## **Outstanding loan principal**

Outstanding loan principle is the amount of the original loan that remains to be repaid.

## **Principal**

The original amount of the loan.

## **Profit**

Profit is the gain received from an investment and which is greater than the expenses or amount invested.

## **Realistic**

It can be achieved given your available resources, which include time, money, support from others, environmental factors, etc. Different goals may have different requirements.

## **Remittances**

Remittances are cash received from an external source. In most cases a family member who is living and working outside the community.

## **Repayment Schedule**

A repayment schedule shows when interest and principal payments are due and the amount to be paid at each installment.

## **Risk**

Risk is the potential for loss.

## **Rotating Saving and Credit Association**

A Rotating Saving and Credit Association or ROSCA, sometime referred to as a merry-go-round, susu, or tontine, are saving groups where each group member save a specific amount at a set (daily, weekly or monthly) interval and which member receive in turn the amount for that interval, until all members have received a turn.

## **S.M.A.R.T.**

S.M.A.R.T. is the acronym for something that is **s**pecific, **m**easurable, **a**chievable, **r**ealistic, and **t**ime bound.

## **Savings**

Savings is the putting aside of money so that it can be used in the future.

## **Savings group**

A savings group is a group made up of members whose objective is to save their money together over a period of time.

## **Savings in assets**

Savings in assets means to keep saving in goods, such as animals, jewelry, stored grain, or any other asset.

## **Savings plan**

A savings plan is by which a person sets a savings goal and works to achieve it.

## **Season**

A season is a distinct period of the year characterized by particular conditions of weather, temperature, or events.

## **Seasonal calendar**

A seasonal calendar is a cyclical pattern of the different seasons of the year during which farmers earn differently.

**Seasonal Income**

Seasonal income is a type of cyclical earning pattern whereby one earns money only during some parts of the year.

**Short-term goals**

Short-term goals are the things we want to achieve over the next 1-2 months.

**Specific**

Specific means that it has a clearly defined value.

**Surplus**

Surplus is the money remaining when income is greater than expenses.

**Time bound**

Time bound means that it has a specific timeframe or deadline.

**Unexpected expense**

An unexpected expense is something for which we cannot anticipate it occurring. The most common expense would be for an illness or a loss due to fire, flooding, or theft, for example.

**Wants**

Wants are optional purchases, such as buying a soda or grilled meat at the market that are not absolutely essential.

**Warehouse receipt**

A warehouse receipt is a certificate that shows that you have a particular good of a specified quality and quantity stored in a specified location.

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