FINANCIAL LITERACY GUIDE FOR PSGP MENTORS

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HOW TO USE THE GUIDE »

The financial literacy manual has been developed for use in the Prevention of street children project (PSGP) using the graduation approach. The project is being implemented with 450 participants based in Yumbe District within the bidibidi refugee settlement in the West Nile region. The modules have been largely adapted from the existing ALENU financial literacy manual Financial Literacy Manual for Smallholder Farmers, a trainer's guide and contains three modules as follows:

Module 1: Introduction to financial literacy

Module 2: Savings and investments

Module 3: Household budgeting and making spending decisions

The financial literacy modules will be delivered over 2 meetings with the business groups. Module 1 and 2 will be delivered in the first meeting and module 3 during the second meeting. Inform participants that the first session will take approximately 3 hours while the second meeting will take approximately 2 hours. Adaptations have been done with technical assistance from the BOMA Project.

MODULE 1: INTRODUCTION TO FINANCIAL LITERACY

Time: 1 hour

Objectives: By the end of the session, participants will be able to:

- Define financial literacy
- Explain the importance of financial literacy
- Set goals focusing on the family, REAP business and environment

Materials: Mentor notebook to note down goals, flip chart, and marker pens

What is financial literacy? (30 minutes)

Ask participants what they understand by financial literacy.

Say that Financial Literacy refers to "knowledge, skills and confidence to manage one's finances well, considering one's economic and social circumstances" Where: "Knowledge" means understanding personal financial issues; "Skills" means being able to apply that knowledge to manage one's personal finances; and "Confidence" means feeling sufficiently self-assured to make decisions relating to one's personal finances.

Then emphasize the below importance of financial literacy as:

- It teaches people concepts of money and how to manage it wisely.
- It offers basic skills related to earning, spending, budgeting, saving, and borrowing.
- It makes people become more informed about financial decision-makers; they can plan for and realize their goals through setting financial goals, saving with a purpose, and investing wisely.
- Keeping proper records of financial transactions so that one can manage income and expenses wisely

Summarize by showing illustration of a tree with branches. Say that:

"Treat Money like a tree. When you need firewood, you cut the branches because branches grow back. If you cut the root, the tree will not grow back. Your Money is a tree. Do not cut it at the root. Grow it to have branches, then cut the branches...." Anonymous.

Setting business/personal /family and environment goals (30 minutes)

Introduce the session by explaining that after looking at what financial literacy is and why it is important, now we will focus on examining our family/individual goals and setting financial goals.

The trainer narrates the story below. Emphasizes the importance of setting and pursuing realistic Family Financial Goals for Idranigo and Anguko:

Reaching their Goals

Idranigo and Anguko are married for 5 years now. They think together about their goals for the future. They want their children to go to school. They want to repair the house. They want to keep debt low. They also want to expand their one-acre banana farm. Beside they want to travel to visit their extended family every year. They also want to put more money into their business to earn more. They decide together to do something to reach their goals. First, they count the money coming into and going out of the household every day to know the actual amount they earn and spend. They find out the costs of school, travel, and home repairs. They decide to save something, no matter how small, every week. They decide the amount of income they will set aside every week or month for paying debts. They plan how much and when they will invest more in their coffee farm. After all these decisions, Idranigo and Anguko feel relieved. They are happy about their decisions. They are confident now that, if they stick with these decisions, they can achieve their goals.

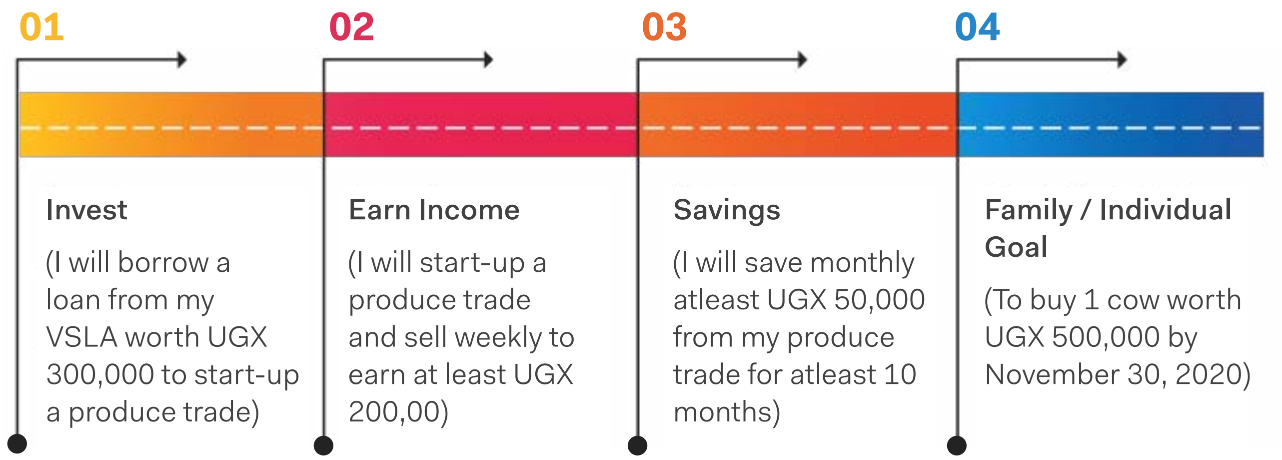
Ask participants to summarize the major things that Idranigo and Anguko do in managing their money. Emphasize the list below:

- Set specific financial goals in line with their family vision
- Figure out the amount of money they earn and spend
- Determine the costs of their goals and family vision
- Make decisions about how much to save, pay off debt, and invest in their farm business
- Decide on the timing for doing these things
- Work as husband and wife (here you can ask further whether married members do that and if not why?)

Confirm that Idranigo and Anguko are engaged in financial planning! Summarize by stating that financial planning is a “tool that helps one decide how to earn and spend money to achieve the desired goals”.

Emphasize:

- Family/individual goals can only be achieved with clear financial plan/goal
- A financial goal should spell out clearly the source of income, the amount to be saved periodically, period of savings, and the target, its value and when it will be achieved. See box on the side
- Savings alone in VSLA without investment cannot achieve a meaningful family/ individual goal Invest



Example of financial goal:
I shall save UGX 50,000 monthly from the profits of my produce trade for 10 months to raise UGX 500,000 for buying 01 cow by November 30, 2021!

Ask participants to go into the respective business groups. Ask each group to set 4 goals as follows:

1. Goal they would want to achieve for the business in the next 24 months.
2. Personal goals they would want to achieve through the business or VSLA. For example, starting a personal business.
3. Goals they want to achieve as a family. For example, constructing a new house.
4. Goals to protect the environment. For example, plant trees or establish a kitchen garden.

Mentors move from one group to the other answering any questions they might have on setting goals. At the end ensure you have written goals set by each group, family, and participant. You will guide the goals and help them to keep track of goal attainment during mentorship.

Homework: Participants with spouses might be unwilling to set a family goal without consent or participation of the spouse. Ask them to discuss jointly with the spouse and come up with a goal that the family would want to achieve by the time they are exiting the project. They will be required to present it at the next meeting.

MODULE 2: SAVINGS AND GROWING INVESTMENTS »

Time: 2 hour

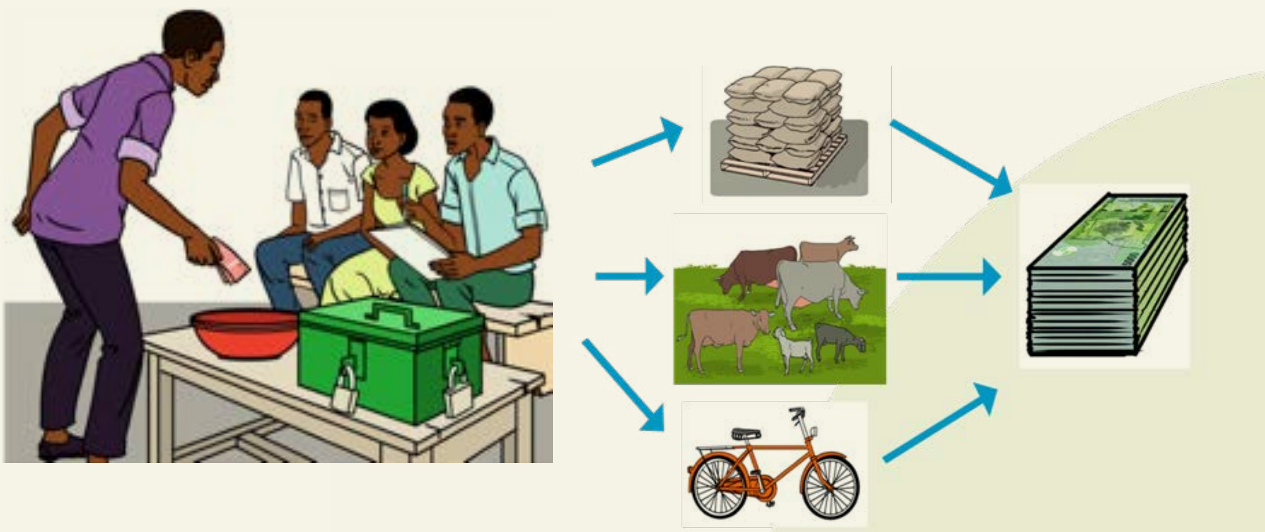
Materials: Pictures of different family members, flip charts and marker pens

Objectives: By the end of the session, participants will be able to:

Session 1: Savings (1 hour)

Now we will discuss how to save and invest our money which is an important part of financial literacy. Show picture on saving with a purpose:

Save with a purpose (SWAP) concepts



Allow for 2 – 3 comments on the picture. Say that saving is putting money or valuable assets aside for use in the future. When you store money or assets away for some purpose, then you are practicing savings. Saving can also be in the form of livestock or any other asset that appreciates in value e.g., land or livestock.

Table 1: Saving tips on limited income

Amount (Shillings)	Duration (Calendar Year)	Individual	Group of 100 people
200	365 Days	7,300	7,300,000
500	365 Days	182,500	18,250,000
1000	365 Days	365,000	36,500,000

Ask participants what they would do with the savings at the end of the year as shown in Table 2, as individuals, groups, or households. Record down the responses. Explain that in 3 months' time participants will be saving in VSLAs where they will pool together savings in a larger group. However, there are also challenges one faces when making savings. Ask participants to list some of the challenges they might face saving as individuals and as a group. Summarize and say that saving is not easy but calls for commitment and sacrifices.

Amount to save each month for your goal = total cost of saving goal/number of months

Savings quiz

I will read out statements on savings. If you think the statement is true, move to the right. If you think it is false, move to the left.

What is savings?	Money that is put aside in the present for use in the future Money borrowed from somebody Investments in items like animals, land or gold that can be sold when cash is needed. It is a way of building assets	True False True
Which of the following practices is required by savings?	Savings is a continuous life activity Sacrifice current luxuries to save for a better future Savings is only possible when a large amount of income is realized	True True False
Which of the following are examples of challenges to savings?	Lack of a budget Impulsive spending Peer pressure	True True True
The following are all types of savings goals	Short-term (less than 1 year, such as paying school fees) Long-term (takes more than 1 year to reach, such as home improvements or buying a house) Spending on house party	True True False
When developing savings goals for your own families, the following should be considered?	A plan that states each goal The amount of money you will need to achieve that goal (amount you will save each week or month over a defined period) What do you need to save for in the short term? What future long-term goals do you have? You must look at your income and determine how much you have available to set aside as savings.	True True True True True
Which is correct about emergency savings	Must be kept separate from normal savings Must be combined with other normal savings Equals 3 times the average monthly income True	True False True

Thank the participants and conclude the quiz session with the following remarks:

- Decide what you want to save for and find out how much it will cost - whether it is
- building a house, buying land, starting/improving a business, studying, or saving for your child's school fees, etc. Ensure that what you are saving for is realistic and not over-ambitious.
- Start saving now - the sooner you start; the sooner you'll get there.
- Put your savings in a safe and secure place where you earn good interest.
- Keep saving regularly and over a long period of time. It's only then that your money can accumulate.
- Avoid saving in multiple VSLA because it causes financial stress.

Growing your savings

You don't need much money to start saving. Whether you are a student, a farmer, a teacher, nurse, banker, market vendor, taxi driver or a business- person, you can always put a little money aside. When you save regularly, your money will "grow".

Demonstrate growing savings with an example in table 2:

Picture

Method: In the house

Advantages:
- Easy to access
- No transport cost

Disadvantages:
- Can be stolen even by family members

Picture

Method: Buying livestock

Advantages:
- Easy to buy

Disadvantages:
- Livestock can die especially during drought or the dry season
- Prices fluctuate easily

Picture

Method: VSLA or merry go rounds

Advantages:
- Easy to access
- Secure
- No cost to transport

Disadvantages:
- Can be stolen

Picture

Method: In the phone

Advantages:
- Easy to withdraw from an agent
- Very secure

Disadvantages:
- Network can be unavailable, or the agent does not have enough cash

Picture

Method: In the bank

Advantages:
- Money is secure
- Money earns interest
- Can access loans

Disadvantages:
- Transport to the bank increases cost
- Requires literacy
- Bank charges

Allow comments on the picture and the advantages and disadvantage of the different savings avenues. Say that in 3 months' time all of us will be joining VSLAs which will be a safe way for us to save. In the VSLA we will also be able to access loans that will help us to achieve goals we set in module 1, session 2.

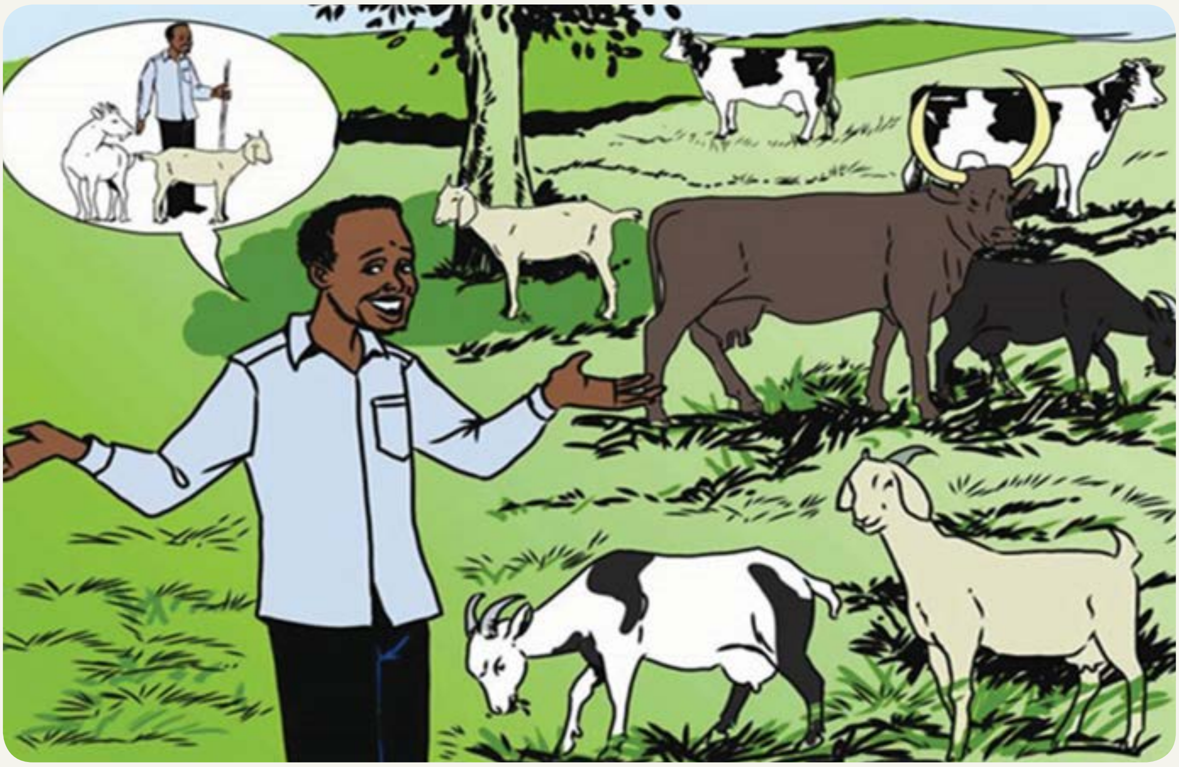
Group work

Ask participants to go into their respective business groups. Ask them to remember the goal they set for the business group. Ask them to deliberate on how much money they will need to save each month to achieve the goal? How many months will it take you to achieve the goal?

Session 2: Growing your savings (investments) (1 hour)

Say that investment is forgoing today's consumption for an activity that will bring you more income in the future i.e., you choose not to spend your money on food, clothing and leisure, but instead purchase an asset that will earn you more money. An investment can be in the form of property such as livestock (cows, goats, pigs), land (rental apartments, buildings), business (market stalls, grocery shops, boda boda) or shares and bonds from which you can earn profits.

The difference between saving and investment is that for saving you put aside money for future use while with investment, money is put into a productive activity to **multiply** it.



Source: Kilimo Trust manual

Types and examples of "Investment"

Ask 3-5 members to share if any of them are engaged in any investment - which ones and solicit for reasons as to why those ones.

There are 3 common types of investments classified according to the time it takes before the investor starts getting returns. These include:

1. **Short-term Investments:** The money invested is expected to bring returns (income) soon. Returns are seen in less than two years. Examples include starting a business e.g., a saloon, boda-boda, buying a bull or a dairy cow.
2. **Medium-term Investments:** These are investments where cash is expected to start flowing after two years; it could come as a lump sum or regular flow of cash. Examples include but are not limited to buying shares in a savings group or Sacco. Or developing your farm to increase productivity.
3. **Long-term investments:** These are investments that require a lot of money and take long before realizing income from them. Their income may start flowing after completion. It will also take time for you to get the money you put into the project. Examples include buying land, building rental houses, and taking your children to school.

Why invest?

- To create wealth and security for the person investing
- Increase the ability to earn more income
- Establish income generating activities for your old age
- Enable your children to have some income and create jobs for yourself and family

Points to consider before investing:

1. **Get started with your investment plan.** It is always good to invest some of your money. Save and invest at the same time. Consult individuals who are already investing.
2. **Invest to employ yourself Invest to employ yourself.** You can invest your money in activities such as poultry farming, growing vegetables, running your own grocery shop, or building apartments for rent. Smart investment can transform you into an employer and enable you to earn more income.
3. **It is always best to use personal savings** to start an investment than borrowed money.
4. **There is power in numbers.** small savings in a small group e.g., a Village Savings and Loan Association-VSLA with your like-minded friends may give you the financial breakthrough you desire. Individually, you may be emotionally attached to a product that does not meet your financial goals. Be ready to let go of it and settle for bigger and better financial ideas as a group. There is power in numbers.
5. **Don't put all your eggs in one basket. Invest** in different projects to spread the risk or earn from different investment opportunities: "Don't put all your eggs in one basket" because if the basket breaks you could lose everything. It is a good idea to balance high and low risk investments or savings - this is like mixed cropping: if beans don't germinate, then the maize could. Don't put all your eggs in one basket.

Examples of good investments include starting a business, farming, constructing a building for renting out.

Review

Explain that the tool for managing the financial, savings and investment plan is called a "Budget" and shall be presented during the next training. Ask members to each bring 100 Beans/Maize seeds for the next session.

End the training session and thank participants. Agree on time and venue for the next training session on household budgeting and making spending decision.

MODULE 3: HOUSEHOLD BUDGETING AND MAKING SPENDING DECISIONS »

Time: 2 hour

Materials: Flip chart, markers, 100 maize/bean seeds

Objectives: By the end of the session, participants will be able to:

- Define the term "budget" and explain how a budget is useful
- Identify ways to improve their own money management through budgeting
- Understanding the concept "Budget"
- Learn how to prioritize spending in line with budget

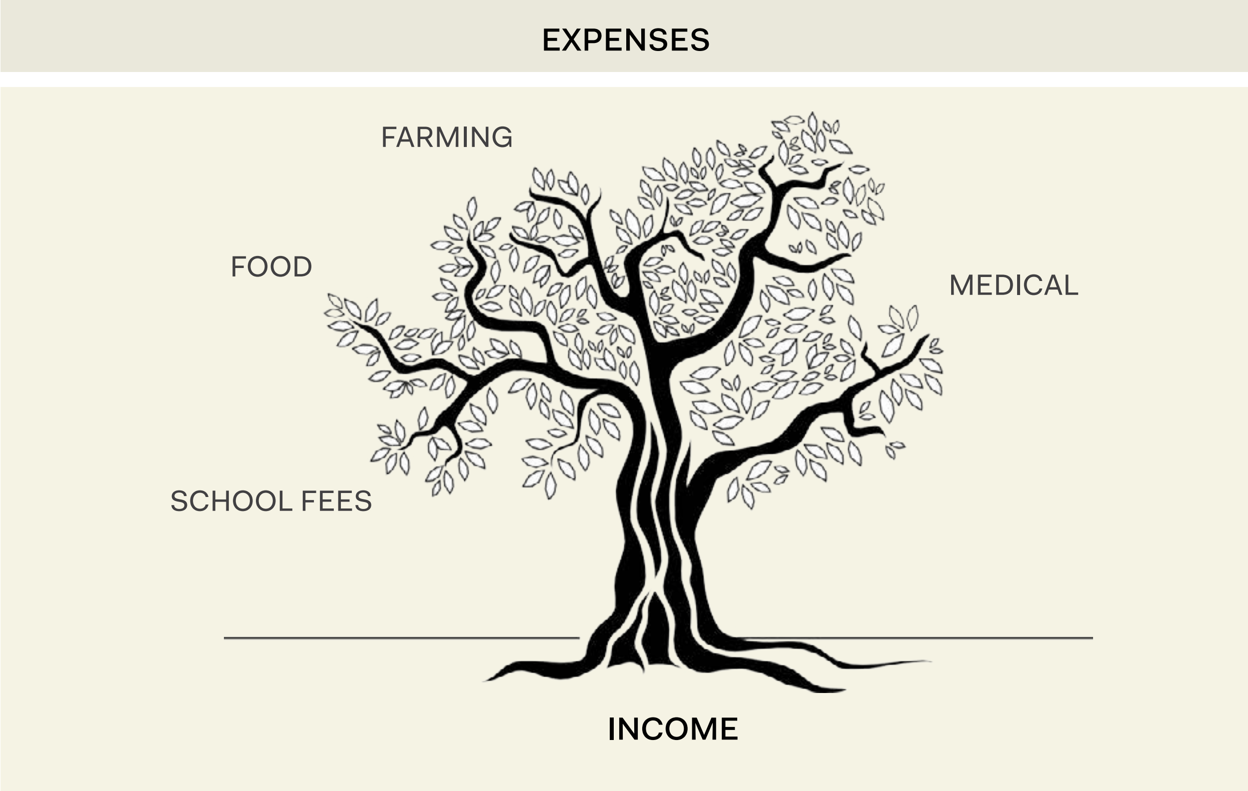
Welcome the group members to the second training session. Recap what they learnt from the last session. Ask participants to share goals they set with other family members and to remind each other of the 4 goals they set in the last training.

Explain that today we shall focus on developing a household budget. Ask members, **"what is a budget?". Say that a budget is "... a tool that helps one decide how to earn and spend money to achieve the desired goals/ vision".**

How to develop a budget

Ask participants to list their sources of daily financial incomes. Record on a flip chart. Ask participants to list their daily financial needs/pressures and expenses. Record on a flip chart. Ensure that the incomes and expenses are those that are from their daily experiences/ livelihoods. Do not include salary even if there are salary earners in the group. The responses will reveal that people work hard to earn money to meet their day-to-day spending needs, pay debts, keep their business running, meet future needs for housing, pay for school and marriage for their children and pay medical bills. Often there is not enough money to reach all these goals.

Show picture of the budget tree. Say that the roots represent incomes and leaves represent expenses. Ask the participants to observe and comment on the budget tree. Ask simple questions like which of the sides is bigger. Why are expenses more than incomes?



Emphasize that to manage this situation well we need a budget. Explain that; to make a proper budget, we must know

i) How much money is coming in?

ii) What we are to spend that money on during a set period

Group work on Budgeting

Ask participants to form small groups of 3 people – women only, men only, youth only, and mixed group. Ask each group member to pull out her/his beans/maize seeds that they came with. Show that each bean/maize seed = UGX 2,000. This means that each small group has an equivalent of UGX 600,000 (from the total of 300 seeds that all the members have).

Ask each group to identify common sources of income. Ask them to think how much money one can earn from each income source throughout the year. Encourage participants to draw a picture for each source of income. Ask them to use beans for each source of income for one year.

Then ask them to identify typical expenses for households in the area. Encourage them to draw each expense. Ask them to allocate the beans based on how much a household would spend on each item throughout the 12 months of the year.

Each group should come up with a budget as the example below:

	Jan	Feb	Mar	April	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Farm Income													
Business income													
Wages													
Gifts/remittances													
Total income													
Savings													
Expenses													
Farming spending													
Business spending													
Housing													
Food													
Education													
Health													
Clothing, foot ware													
Furniture, appliances													
Utilities (water, electricity, fuel, etc.)													
Transport													
Emergencies													
Total expense													
Surplus/Deficit													

When each group has finished filling in the rows, ask the following:

What times of the year is income more or less? What times of year are expenses more or less than income? What can you do to meet expenses when income for that period is not enough?

Make sure the group mentions the following:

Track your income and expenses regularly to know when there are likely to be surpluses and shortages of cash. Save when you have a surplus to cover expenses and during times when your income is low.

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

Usefulness of a Budget

Ask participants whether they think a budget is relevant to their daily lives and for the business? Summarize the ideas of the group. Be sure to cover the following points:

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

Session 2: Making spending decisions "Living within your means"

Thank participants for great work on developing typical budget for a household. Welcome the group members to the third training session. Now we shall focus on making spending decisions/keeping track with the budget.

We are going to talk about prioritizing expenses. Looking at our budget tree, income for most of us is always less than what our expenses require. We must therefore make difficult decisions and trade-offs to ensure that our income covers all our expenses. There are no perfect answers when it comes to prioritizing and choosing among expenses, but there are some general guidelines. Today we will talk about how you currently make these decisions, and we will highlight some common ways to help you set your own personal financial priorities and handle your financial difficulties in the future.

Example: Post pictures with Anguko's expenses and story. Describe the expenses to the participants with the following story.

Anguko has loan payments due (paid) every month. She also has a weekly payment to her supplier who sold her goods on credit. Every 3 months there are fees for the children's school. Her son is very sick, and she wants to buy medicine the doctor prescribed. Her mother is aging and will need care and support in the future. In a month, she will need farm inputs, as the planting season is about to begin. Her son is going to be married in about a year. She also plans to buy a new table for her business. Every day she needs food for the family. She wants new jewellery, new cloth and a pair of shoes. In 2 months, the rains will come and the leaking roof needs repairs. Anguko and her husband like to go to a restaurant for dinner on Sundays. She also likes to save regularly in her savings group.

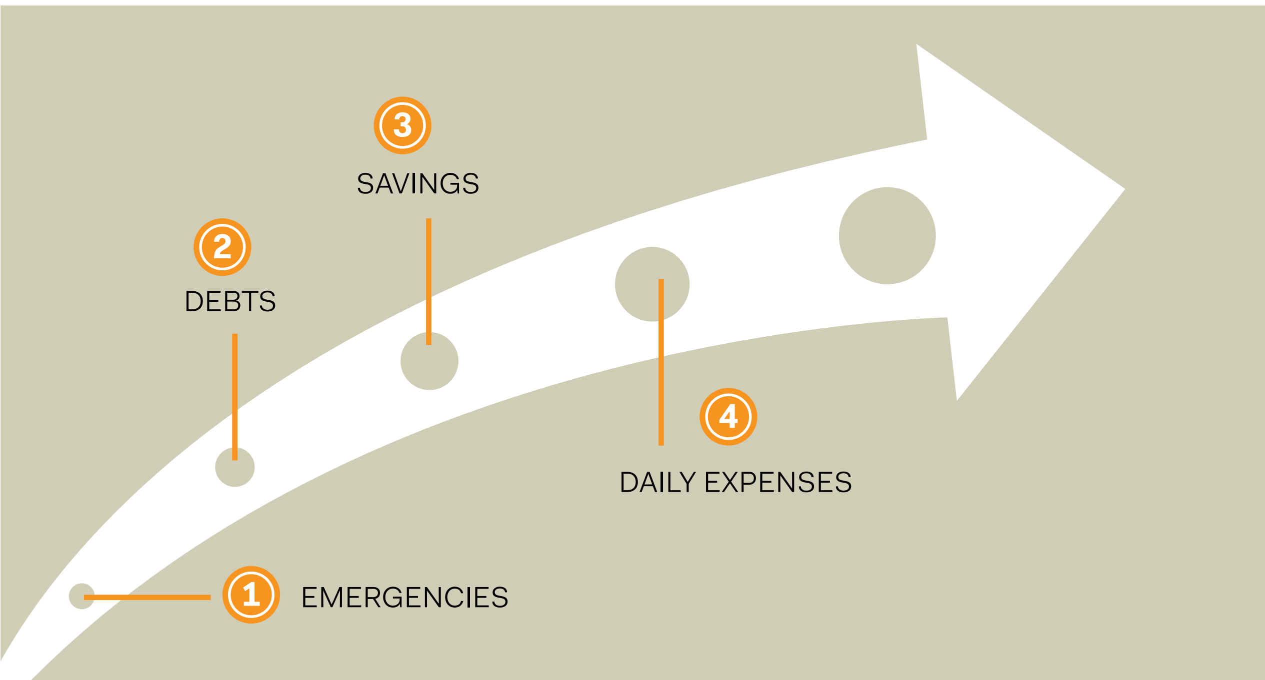
Table 1: Anguko's Expenses

Expense	When needed
Bank loan payments	Regularly – monthly
Supplier credit	Regularly – weekly
School fees	3 months
Medicine for sick son	Immediately
Care for aging mother	Future
Farm inputs	1 month
Son's wedding	About 10 months
Food for family	Regularly – daily
Business investment (new table)	-
New jewellery for Anguko	-
Roof repairs	About 2 months
Saving for emergencies	-
Buying a new dress	-

Divide participants into 3 mixed groups comprising of men, women, and youth. Give each group a set of pictures showing Anguko's expenses for the year. Ask each group to arrange the pictures based on what they think Anguko should spend her income for the month to settle the expenses. For those who can write, put number "1" next to the item if it is the highest priority; a "2" next to the item if it is somewhat high; a "3" if the item has medium priority; and a "4" if the item is the lowest priority for spending. Note that Anguko does not have money to settle all her expenses for the month.

Give the groups 10 minutes to discuss. Ask each group to present and give reasons for the priorities.

Say that financial experts recommend the following order of priority spending:



Ask the group the following:

- How do your spending priorities compare with what the experts recommend?
- Why do you think the experts recommend these priorities?

Emphasize the following points if the participants omit them.

a) Debt is costly: When payments are missed, the loan costs grow even higher. Failure to make payments can lead to the loss of future access to credit. Penalties on late payments of loan can increase the amount of money you owe and increase the risk of having to make loan payments with money intended for other necessities. When debt is out of control, it can threaten the well-being of your family.

b) Set aside savings for future use and considerations.

c) Basic expenses must be taken care of for the well-being of the household.

d) Money that remains after debt payment, savings and necessary expenses is available for optional spending.

e) Any money that remains is again set aside for future use

Thank the participants and inform them that we have now come to the end of the financial literacy training. Our next set of trainings will be conducting a community-based market assessment to guide us in starting the REAP business.

Source:

ALENU Project. 2020. Financial Literacy Manual for Smallholder Farmers, Trainer's guide.

Kilimo Trust. 2020. Financial literacy manual. Competitive African Rice Initiative in East Africa (CARI-EA) Project.

SNV. 2017. A Financial literacy Manual for Smallholder Producers. Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT)