

17-Point Rule Book for Income-Generating Activities (IGAs)

Business Skills: Rules 13 – 17

Risks and Finance

*Irina Ignatieva, Microfinance and Markets Adviser,
and Rwanda Graduation Programme team*

Part 2.2. Guide for Programme Participant Training

Also available as separate files:

Part 1. Guide for Training of Trainers (ToT)

Part 2.1. Guide for PPT. Business Skills: Rules 1-12

March 2016



Table of Contents

17-Point Rule Book for IGAs	3
13. "Know your risks"	4
14. "Know and recover all your costs"	8
15. "Keep records!"	14
16. "Manage your cash wisely"	20
17. "Select the best way to finance your business"	24

17-Point Rule Book for IGAs

<p>1. Don't mix business cashbox and private purse: separate business cash and family money</p>
<p>2. Make community your ally: seek support from community to deal with instances of jealousy or disapproval</p>
<p>3. Build your business network: micro-entrepreneur is part of a larger network where people work together</p>
<p>4. Know your customers: what they value the most, why, and when</p>
<p>5. Know your competition: take note if your trade becomes crowded and your sales stall or decline</p>
<p>6. Be keen on quality: know possible defects in supplies – check them, don't accept poor quality</p>
<p>7. Price correctly: adjust your price to reflect better/worse quality, availability, and full costs</p>
<p>8. Location is important: do your best to trade in the most favourable location</p>
<p>9. Knowledge is power: actively seek technical information from suppliers, extension workers, case managers, model farmers, attend trainings</p>
<p>10. Take care of your assets: maintain equipment in good working order and keep your stock in good condition</p>
<p>11. Be disciplined: make daily/weekly plans and stick to them</p>
<p>12. Honour your contracts: honour your commitments to clients</p>
<p>13. Know your risks: think carefully what can go wrong. Prepare for possible negative events</p>
<p>14. Sell enough to recover full costs: it is only after you covered them all, you start making profit</p>
<p>15. Keep records! tracking expenses helps you know how much profit you really make</p>
<p>16. Manage your cash wisely: always set aside money for future business expenses</p>
<p>17. Select the best way to finance your business: consider ALL costs involved in various financing options</p>

13. "Know your risks"

Purpose: explain why knowing your risks is important to a business; discuss good practice

Topic: Know your risks – think carefully what can go wrong. Prepare for possible negative events

Materials specific to the session: copies of photographs "not knowing your risks" and "knowing your risks"; 100 beans and flip chart paper

Name tags should be given to participants as they arrive, before the start of the session

1. 5 minutes – **INTRODUCTION:** brief greetings, seating, purpose of the meeting, introductions (name and livelihood), and completing the register.

Confirm: Is everyone a participant of the Graduation Programme?

Say: The duration of the session will be about 60 minutes.

-
2. 5 minutes – **RECAP OF THE PREVIOUS POINT(S) ON THE 17-POINT RULE BOOK**

Ask: WHAT WAS THE KEY MESSAGE DISCUSSED IN THE PREVIOUS TRAINING SESSION? – **Listen and acknowledge** the answers

WHY IS IT IMPORTANT? – **Listen** to 2-3 points **and acknowledge** the answers

COULD YOU PLEASE GIVE AN EXAMPLE FROM YOUR EXPERIENCE WHEN YOU CHANGED "X"? – **Refer** to the key message from the 17-point Rule Book

WHAT POSITIVE IMPACT DID THIS CHANGE HAVE ON YOUR BUSINESS? – **Listen** to 2 answers **and confirm** if they illustrate the point of the previous session

DID ANYONE EXPERIENCE ANY NEGATIVE IMPACT OF THE CHANGE IN HIS/HER BUSINESS? – **Listen** to 2 answers **and see what follow up may be required by CDA/case manager**

-
3. 6 minutes – **Explain:** Today we will discuss another practice that helps better manage your business.

Display/distribute Photo 25 – BAD PRACTICE; copies can be shared by every 2 participants.

Ask: WHAT CAN YOU SEE IN THIS PICTURE? WHAT ELSE? (Don't explain the photo yourself)

Wait until participants note (ask probing questions, if participants struggle to bring up the points):

- grain is spilt on the floor
- the bags are piled on the floor
- the bags are not protected from possible flooding.

If the participants struggle to bring up these points, **display Photo 26 and ask:** WHAT IS DIFFERENT BETWEEN THE TWO PHOTOS?

Ask about Photo 26: HOW DOES THIS PRACTICE AFFECT THE BUSINESS?

Expected answers (ask probing questions, if participants struggle to bring up the points):

- In case of a possible negative event, for example a heavy rain, the storage may be flooded
 - The grain may be damaged
 - The grain quality will become poor
 - A smaller quantity of grain will be sold
 - Customers will be lost
 - The business will suffer a loss of profit.
-

4. 6 minutes – **Display/distribute Photo 26 – GOOD PRACTICE**

Ask: WHAT IS DIFFERENT IN THIS PHOTO? (Don't explain the photo yourself)

Wait until participants mention (ask probing questions, if participants struggle to see the points):

- the bags/sacks are safely set on a wooden plank
- the bags are well kept.

Ask: HOW ELSE CAN NEGATIVE IMPACTS BE PREVENTED OR MITIGATED?

Let participants mention (ask probing questions, if participants struggle to bring up the points):

- store in clean and dry places
 - put sacks on palettes
 - pack sacks in way that you could fumigate
 - check/follow up frequently
 - avoid keeping together products that could affect the quality of other products.
-

5. 5 minutes – **Say:** a *negative event* that is *likely* to happen and *affect your business* is called a RISK.

These negative events may be more or less likely – there is a chance they will happen. The chance may be higher or lower. For example, it may or may not rain – you can't control it.

Negative events have a different degree of impact on the business. Some events will slightly affect your business. For example, your pig may have a curable disease and will survive – your business will continue. Or there may be an epidemic of a fatal disease, all livestock may die, and the business will suffer. The impact of a negative event may vary in how it affects your business.

More examples:

- weather-related risks: *too much* rain (flooding) or a *severe lack* of them (drought);
- fire
- theft
- pest attacks
- change in government policy, for example new taxes or new regulations
- illness (own, family, livestock)
- problems with neighbours or business partners.

Ask: WHY IS KNOWING YOUR RISKS IMPORTANT IN BUSINESS?

Expected answers (ask probing questions, if participants struggle to bring up the points):

- Knowing your risks helps you

- prevent some of them, e.g. use immunisation or prophylaxis for certain diseases, irrigation for some of your crops, avoid a breakdown or injury on the road
- mitigate some of them, e.g. create a reserve (savings) to be able to replace broken tools or equipment, waterproof your storage to minimise losses from flooding
- reduce severity of losses
- maintain sales/profits.

Summarise:

- We cannot prevent all negative events
- But we can think, which of them
 - are more likely to happen
 - may have the worst impact on our business
- We can do our best to prevent or prepare for such events.

6. 14 minutes – **MAPPING RISKS**

Ask: HOW DO YOU KNOW WHICH RISKS TO FOCUS ON? – Collect and acknowledge 3-4 answers

Say: We will now look at 5 risks and see which ones are critical in our business. Let's select one business, which all of you know well. For example, pig rearing, or goat rearing, or bean trade.

Ask: WHAT BUSINESS SHOULD BE DISCUSS? – Collect 2-3 answers, decide which business to discuss

Confirm: We have selected (name the selected business).

Ask: PLEASE NAME 5 THINGS, WHICH YOU DO NOT CONTROL AND WHICH CAN BADLY AFFECT THIS BUSINESS (e.g. flooding, drought, theft, fire, disease, etc.).

Draw pictures representing these events on flip chart paper

Explain: We will now decide how likely (expected to happen) each event is. It may help you, if you try to recall, which events frequently led to losses in the past.

Say: If it is very likely we put 10 beans against it; if it very unlikely, we put 1 bean against it.

Check: If an event is equally likely/unlikely, how many beans should I put here? **Expected answer:** 5.

Go through each item on the list together with the participants and put beans against each event, according to its probability – the chance that it will happen on the scale of 1 (very unlikely) to 10 (very likely).

Summarise: We've found that ... is most likely andis the least likely to happen.

Explain: Now we will decide how badly each event will affect/impact our business.

Say: If the event is going to destroy our business, we put 10 beans. If the impact is very small, we put 1 bean.

Check: If an event has a moderate impact – neither too big nor too small – how many beans should I put here? **Expected answer:** 5

Go through each item on the list together with the participants and put beans against them, according to the severity of the impact on the scale of 1 (very little impact) to 10 (severe impact).

Summarise: We've found that ... will destroy our business, and ... will only slightly affect it.

Ask: WHICH EVENT SHOULD WE BE BEST PREPARED FOR?

Expected answer (ask probing questions, if participants struggle to bring up the points):

- We should be best prepared for the one with the biggest number of beans
- Such event is very likely to happen and its impact is significant.
- We also need to think of the relatively unlikely ones, which can still destroy the business.

Ask: THINK ABOUT THE PAST YEAR. WHICH EVENTS WERE YOU BEST PREPARED FOR? ARE THEY THE SAME EVENTS THAT WE JUST DISCUSSED?

Listen to a 2-3 answers and acknowledge the responses and summarise them (if participants know of particular risks but don't prepare for them; or prepare for some insignificant risks)

Summarise:

- This exercise helped us identify the risks that we need to focus on
- We need to create strategies to mitigate these risks.

7. 10 minutes – **LET PARTICIPANTS SHARE THEIR OWN EXPERIENCE**

Ask: THINK ABOUT HOW YOU IDENTIFY, PREVENT OR MITIGATE RISKS IN YOUR BUSINESS HOW DOES IT HELP YOU RUN/GROW YOUR BUSINESS? – Collect 3-4 answers and summarise
What needs to change? – Collect 3-4 answers and summarise
HOW? – Collect 3-4 answers and summarise

Note examples where someone changed the way they identified, prevented or mitigated risks of his/her business.

8. 7 minutes – **RECAP OF THIS SESSION AND NEXT STEPS**

Ask: WHAT WILL YOU TAKE AWAY FROM THIS DISCUSSION?

Some participants will say that they need to change their practice.

Ask these participants: WHAT ARE YOU GOING TO DO ABOUT IT? **Take notes.**

9. 2 minutes – **Ask:** DO YOU HAVE QUESTIONS ABOUT THE TOPIC OF TODAY'S DISCUSSION? **Address the questions.**

10. **Summarise:**

- Knowing your risks is important to your business
- This comes from **anticipation** and careful **preparation** for such events
- We do this in order to **reduce the severity of losses** and to maintain sales and profits.

11. **Say:** At the next session we will discuss the importance of knowing and recovering all your business costs.

12. **Thank** everyone and **close the session.**

14. "Sell enough to recover full costs"

Purpose: establish how much one should sell to recover full costs

Topic: **Sell enough to recover full costs** – understand full costs; how much one needs to sell before one makes profit

Materials specific to this session: colour copies of Figure 1 "Full Costs"; 32 copies of 5,000 bank notes

Name tags should be given to participants as they arrive, before the start of the session

1. 5 minutes – **INTRODUCTION:** brief greetings, seating, purpose of the meeting, introductions (name and livelihood), and completing the register.

Confirm: Is everyone a participant of the Graduation Programme?

Say: The duration of the session will be about 60 minutes.

-
2. 5 minutes – **RECAP OF THE PREVIOUS POINT(S) ON THE 17-POINT RULE BOOK**

Ask: WHAT WAS THE KEY MESSAGE DISCUSSED IN THE PREVIOUS TRAINING SESSION? – **Listen and acknowledge** the answers

WHY IS IT IMPORTANT? – **Listen** to 2-3 points **and acknowledge** the answers

COULD YOU PLEASE GIVE AN EXAMPLE FROM YOUR EXPERIENCE WHEN YOU CHANGED "X"? – **Refer** to the key message from the 17-point Rule Book

WHAT POSITIVE IMPACT DID THIS CHANGE HAVE ON YOUR BUSINESS? – **Listen** to 2 answers **and confirm** if they illustrate the point of the previous session

DID ANYONE EXPERIENCE ANY NEGATIVE IMPACT OF THE CHANGE IN HIS/HER BUSINESS? – **Listen** to 2 answers **and see what follow up may be required by CDA/case manager**

-
3. 5 minutes – **Ask:** DO YOU MAKE A PROFIT?

Listen to a few answers and thank participants, don't comment at this stage

Ask: IF YOU SAID "YES", HOW DO YOU KNOW THAT YOU MADE A PROFIT?

Listen to a few answers and thank participants. Do not go into a discussion at this point.

NOTE: Participants may say that they got a goat or pig, it reproduced, now they have more animals, and this is their profit. Explain that today we will talk about *cash* profit. Increase in the number of animals means that assets have increased. In a sense, this is income, but *no cash* is received *until* the animals are sold in the market. It is important to include the cost of the new animals' rearing into the full costs.

Explain: Today we will discuss another practice that helps manage our business and make sure that we make profit – the recovery of *full* costs. We will use pig rearing as an example. We are going to talk about:

- How much you *pay* while you rear pigs – the *costs*;
- How much cash you *receive* when you sell pigs – the *sales*;
- The *surplus* of the sales over the costs – the *profit*;
- The *quantity* you need to sell to fully recover your costs, *before you make profit*.

4. 15 minutes – **Distribute Figure 1** (one per 2 participants) **and say:** We'll start with costs. Let me walk you through this picture and talk how much one typically pays to rear the animals.

Ask: WHAT ARE THE TYPICAL COSTS IN PIG REARING AND TRADE?

Wait until participants mention (ask probing questions, if participants struggle to bring up the points):

- feed
- water
- medicines
- construction materials to build a shed
- transport to take pigs to the market.

Point to the relevant images and confirm as participants list various costs. **Acknowledge** any other relevant costs, even if their images are not included in the table.

Ask: WHAT IS DIFFERENT BETWEEN "FEED, WATER AND TABLETS" COSTS IN THE YELLOW PART OF THE COLUMN IN THE PICTURE AND "SHED AND TRANSPORTATION" IN THE BLUE PART OF THE COLUMN?

Let participants mention (ask probing questions, if participants struggle to bring up the points):

- the first set of costs directly depends on *the number of animals reared* – the more pigs, the more feed, water, etc. you buy. Usually, you buy these frequently – once a week, or once a month. We'll refer to them as frequent production costs.
- The second set of costs are usually paid less frequently, they may be large, and they are not as closely linked to the number of pigs as those highlighted in the yellow colour. For example, if you hire a truck, you can put two or four pigs on it, the price will be the same. If you have built a shed, you can put 1 or 3 pigs there – for the same cost. We need to make sure that *we don't forget to include these costs* when we calculate the profit. We'll refer to them as large/infrequent costs.

Say: Let's say you rear 5 pigs. We'll assume that we need 10,000 to feed and treat one pig in 1 year.

Take the stack of 5,000 bank note copies and ask: HOW MANY OF THE 5,000 BANK NOTES WILL WE NEED FOR THE FEED, WATER AND TABLETS FOR 1 PIG FOR 1 YEAR?

Let participants respond: 2 bank notes, or 10,000 francs.

Show 2 bank notes and **stack them back.**

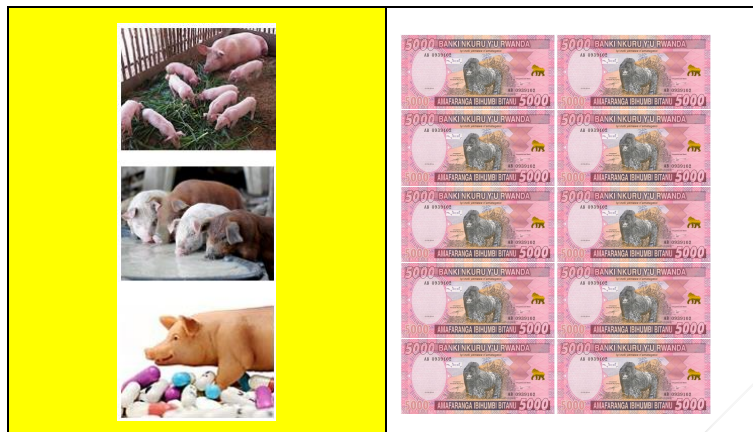
Ask: HOW MANY OF SUCH BANK NOTES DO WE NEED FOR 5 PIGS?

Figure 1. Full costs



Let participants respond: 10 bank notes, or 50,000.

Display Figure 1 (put it on the table/floor) and put these 10 notes in two columns against the yellow expenses and say: This is how much we need to pay for 5 pigs in 1 year.



Ask: WHAT IS THIS MONEY FOR?

Let participants respond: This is the money to pay for the costs in the yellow part of the column in the picture (feed, water, tablets). Those that depend directly on the number of animals.

Ask: WHAT OTHER COSTS DO I NEED TO COVER?

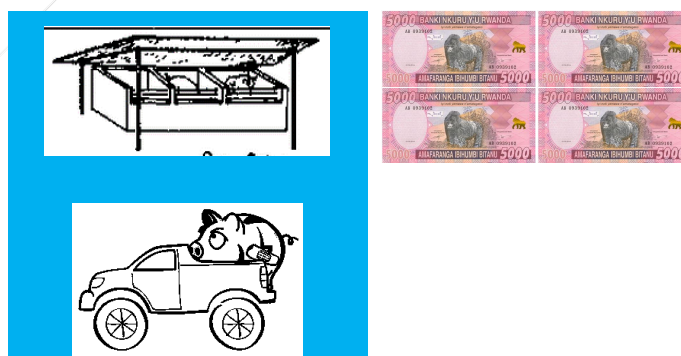
Let participants respond: shed and transport.

Say: Let's assume that it costs 20,000 in one year to build a shed and transport pigs to the market.

Ask: IF SO, HOW MANY OF 5,000 BANK NOTES WILL I NEED FOR THE SHED AND TRANSPORT?

Let participants respond: 4 bank notes, or 20,000 francs.

Put these notes put these notes in tow columns against the blue expenses and say: This is how much more we need to pay in 1 year.



Ask: WHAT IS THIS MONEY FOR?





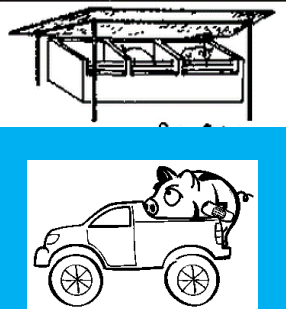

Let participants respond: This is the money to pay for the costs in the blue column in the picture (shed, transport).

5. 5 minutes – **Say:** Now let’s talk about cash and profit. Let’s say that, in the market, one pig sells for 20,000 francs. We have sold one pig.

Take 5,000-note copies and ask: HOW MANY 5,000 NOTES DID WE GET?

Let participants respond: 4 bank notes, or 20,000 francs.

Take four 5,000 bank notes, put them separately in column 2 and ask: WHAT IS THIS MONEY?

	Column 1: Full Costs	Column 2: Sales	
			 1
			

Let participants respond: This is the cash we received from the sale of one pig. In other words, our sales (revenue). [You can use a picture of a pig from the Annex to this Guide]

Ask: HAVE WE MADE ANY PROFIT IN OUR BUSINESS?

Let participants respond: No, we have not.

Ask: WHY DID WE NOT MAKE ANY PROFIT?

Let participants respond: We did not make enough money to fully recover all the costs.

Point to Columns 1 and 2. Explain: There is less money in Column 1 *Full Costs* than it is in Column 2 *Sales*.

6. 10 minutes – **Say:** Now let’s talk about how to recover the full costs.

Ask: WHAT DO WE NEED TO DO TO RECOVER THE FULL COSTS?

Let participants respond: sell more pigs.

Ask: HOW MANY MORE PIGS DO WE NEED TO SELL TO RECOVER THE FULL COSTS?

Listen to the answers and say: Let me walk you through this calculation.

Point to Column 2 and say: We got 20,000 for one pig.








Explain: We now need to come up with the number of pigs to sell, so that we recover the full costs – both yellow and blue in Column 1.

Take 4 bank notes of 5,000 and say: Let’s say we sold another pig and received another 20,000.

Ask one participant to place these notes in Column 2 and say: Have we made any profit yet?

Let participants respond: No.

Ask: WHY HAVE WE NOT MADE ANY PROFIT YET?

	Column 1: Full Costs	Column 2: Sales	
			<p>1 </p>
			<p>2 </p> <p>3</p> <p>4</p> <p>5</p>

Let participants respond: No, we haven’t made any profit as we haven’t recovered full costs.

Ask: HOW MANY MORE PIGS SHOULD WE SELL TO FULLY RECOVER THE FULL COSTS?

Give one of the participants a few 5,000 bank notes and ask: COULD YOU PLEASE PUT AS MUCH MONEY AS NEEDED IN COLUMN 2 SO THAT COLUMN 1 AND COLUMN 2 BECOME IDENTICAL?

Say: As the participant adds four notes – one pig’s contribution to the recovery of full costs – and moves from one line to another, everyone else please count aloud: 1 pig, 2 pigs, 3 pigs, 4 pigs.

	Column 1: Full Costs	Column 2: Sales	
			 1
	 <p style="text-align: center;">PROFIT</p>		 2 3 4 5

Ask again: HOW MANY MORE PIGS SHOULD WE SELL TO FULLY RECOVER PILE 2?

Let participants respond: 2.5 pigs. If we sell live animals, it comes to 3 pigs.

Ask: WHAT IS THE TOTAL NUMBER OF PIGS WE NEED TO SELL TO RECOVER THE FULL COSTS?

Let participants respond: 4 pigs.

Summarise: In this example, we should sell 4 pigs to reach the point, where we start making profit.

Ask: WHAT ELSE COULD WE DO TO MAKE PROFIT?

Let participants respond: increase the selling price, if possible.

7. 7 minutes – **Ask:** WHAT WILL YOU TAKE AWAY FROM THIS SESSION?

Some participants will say that they need to change their practice.

Ask these participants: WHAT ARE YOU GOING TO DO ABOUT IT? **Take notes.**

8. 3 minutes – **Ask:** DO YOU HAVE QUESTIONS ABOUT THE TOPIC OF TODAY'S DISCUSSION? **Address the questions.**

9. 2 minutes – **Summarise:**

- It is important to our business to understand if we *sold* enough to recover the full costs.
- If we rear animals, our assets may increase, but we still need to *sell* to recover the costs.
- Cash received from sales is, first of all, a reimbursement of our costs. Any *surplus* is our profit.

10. **Say:** At the next session we will discuss the importance of keeping business records.

11. **Thank** everyone and **close the session.**

15. "Keep records!"

Purpose: explain why record-keeping is important to the success of a business and how to do it

Topic: **Keep records!** – what, when, and how to record; rules of record-keeping; practice taking records

Materials specific to this session: colour copies Figure 2 "Full Costs" and Figure 3 "Ways of tracking sales and costs"; large-size colour copy of the "Record-keeping table"; 20 colour copies of two hand-outs: 1) "Record-Keeping Table" and 2) "Answers"; pens for participants; copies of bank notes: 5 sets [three 100, six 500, two 1,000, three 2,000, four 5,000]

Name tags should be given to participants as they arrive, before the start of the session

1. 5 minutes – **INTRODUCTION:** brief greetings, seating, purpose of the meeting, introductions (name and livelihood), and completing the register.

Confirm: Is everyone a participant of the Graduation Programme?

2. **Say:** The duration of the session will be about 80 minutes (plus a short break, if needed).

-
3. 5 minutes – **RECAP OF THE PREVIOUS POINT(S) ON THE 17-POINT RULE BOOK**

Ask: WHAT WAS THE KEY MESSAGE DISCUSSED IN THE PREVIOUS TRAINING SESSION? – **Listen and acknowledge** the answers

WHY IS IT IMPORTANT? – **Listen** to 2-3 points **and acknowledge** the answers

COULD YOU PLEASE GIVE AN EXAMPLE FROM YOUR EXPERIENCE WHEN YOU CHANGED "X"? – **Refer** to the key message from the 17-point Rule Book

WHAT POSITIVE IMPACT DID THIS CHANGE HAVE ON YOUR BUSINESS? – **Listen** to 2 answers **and confirm** if they illustrate the point of the previous session

DID ANYONE EXPERIENCE ANY NEGATIVE IMPACT OF THE CHANGE IN HIS/HER BUSINESS? – **Listen** to 2 answers **and see what follow up may be required by CDA/case manager**

-
4. 3 minutes – **Explain:** Today we will be discussing another practice that helps manage the business – record-keeping. We'll discuss:

- 1) Why and how to record;
- 2) Rules of record-keeping.

We will also practice record-keeping.

5. 10 minutes – **Display Figure 2 and say:** In the last session we talked about pig rearing. We said that feed, water, medicines, construction materials to build a shed, and transport to take pigs to the market are the costs of doing this business.

Ask: HOW DO WE KNOW HOW MUCH WE HAVE SPENT ON EACH ITEM?

Let participants respond (ask probing questions, if participants struggle to bring up the points):

- we count as we pay the cash;
- we remember how much we paid;
- we write down how much we paid.

Figure 2. Full costs

Ask: FOR HOW LONG CAN WE REMEMBER THE AMOUNTS WE PAID EACH TIME FOR DIFFERENT ITEMS?

Let participants respond: maybe a week, or a month.

Explain:

- It is difficult to remember each transaction after some time
- It is even harder to add all costs up relying on memory
- Without records, it is next to impossible to calculate if you make profit
- It is next to impossible to track how profit, or costs and sales have changed over time.

Ask: WHO OF YOU HAVE BEEN RECORDING YOUR SALES AND COSTS? COULD YOU PLEASE RAISE HANDS?

If anyone has raised his/her hand, **ask:** HOW DO YOU DO IT?

Take notes of what is said¹. **Acknowledge:** There are different ways of keeping records; one can do it even if one is non- or semi-literate.

Distribute Figure 3 and say: Please look at the examples on the picture “Ways of Tracking Sales and Costs”.

Ask: WHAT OPTIONS FOR RECORD-KEEPING DO YOU SEE IN THIS PICTURE?

Let participants respond (ask probing questions, if participants struggle to bring up the points):

- using a basket and stones;
- using stones of different size;
- using chalk and blackboard to put a stroke for each 100 (or 1,000) spent;
- using pictures for different items – both for sales and costs;
- making incisions on a wooden plank each time a 100 (1,000) is spent.

Ask: WHAT DO YOU THINK IS THE POINT OF THESE PICTURES?

Let participants respond (ask probing questions, if participants struggle to bring up the points):

- We can come up with different ways of keeping track of how much money we receive and spend on each item; for example we can use a piece of rope and tie knots on it every time we spend 500.
- There is no single way that suits everyone.



¹ Pass this information on to Graduation Programme Manager; we will add to the different options or revise those already included.

6. 10 minutes – **Explain:** That’s right, there is no single way that suits everyone. However, there are several rules that we all must follow to make record-keeping useful for us.

- 1) **RULE 1.** We must *KEEP BUSINESS CASHBOX SEPARATE* from the family purse and always keep track of the business cash. We discussed this in one of our previous sessions;
- 2) **RULE 2.** Our records must be *FULL AND COMPLETE* – there should be no gaps or omissions;

Ask: HOW CAN WE ACHIEVE THAT OUR RECORDS ARE FULL AND COMPLETE?

Let participants respond:

- We need to be disciplined:
- For example, we decide that at the end of every day or week we spend 15-30 minutes to recall how much cash we *received* and *spent*.

- 3) **RULE 3.** Our records must be *CORRECT* – there should be no errors;

Ask: HOW CAN WE MAKE SURE THAT THERE ARE NO ERRORS?

Let participants respond: We need to count cash in the cashbox and check the balance against our records.

Explain: For example,

- yesterday night I had 1,000 in the cashbox
- today, I recorded all the cash received and spent
- according to my records, I gained 500 today.

Ask: HOW MUCH MONEY SHOULD I HAVE IN THE CASHBOX?

Let participants respond: 1,500.

Ask: WHAT IF THERE IS ONLY 1,200 IN THE CASHBOX?

Let participants respond: There is an error in the record.

Ask: WHAT SHOULD I DO?

Explain:

- I try to remember what else I spent money on.
- I can ask people in the household and people in my business to help me recall what else occurred during the day.
- In the unlucky event, the cash has been lost/stolen, I should still record this.

- 4) **RULE 4.** We should use the records to calculate how much *PROFIT OR LOSS* we made;

- 5) **RULE 5.** Our records should help us make *INFORMED DECISIONS* – whether we need to change anything, e.g. look for ways to increase sales, or reduce costs.

Say: We will call these rules – 5 Rules of Record-Keeping. Let’s remember them:

- “*Separate Business and Household/Family Money*”
- “*Full Records*”

- “Correct Records”
- “Profit or Loss?”
- “Decisions to Improve Business”.

Say: Let’s put them all in one sentence: “*DECISIONS* based on *FULL CORRECT BUSINESS RECORDS* help us make *PROFIT*”. **Ask:** Let’s repeat the sentence aloud in chorus

IF YOU SEE THAT THE PARTICIPANTS NEED A 10-MINUTE BREAK, THEY CAN HAVE ONE AT THIS POINT

7. 30 minutes – **Say:** Let’s practice record-keeping now.

Distribute pens and the colour handout with the “Record-Keeping” table.

Ask: PLEASE FORM GROUPS OF 4 PEOPLE EACH (a total of 5 groups). In these small groups, you will work together and on the record-keeping exercise and help each other.

Explain: We will continue to use the example from the last session when we discussed costs, sales, and profit from pig rearing. We’ll use the same pictures and colours, but a different set of numbers.

Display a large-size copy of the “Record-Keeping” table.

Invite: Let’s first examine the table.

Ask: WHAT INFORMATION GOES INTO THE YELLOW CELLS?

Let participants respond: costs that are directly linked with the number of animals – feed, water, tablets.

Ask: WHAT INFORMATION GOES INTO THE BLUE CELLS?

Let participants respond: larger and less frequent costs that are distributed over several animals.

Say: We have added two more colours: the red is for sales – how much money we were paid when we sold the pigs.

Say: The green colour is for the cash balance. This is the last stage of the record-keeping exercise. We’ll come to it shortly.

Explain: We are going to use this table. The table has columns. Each column has an image of a bank note at the top.

Ask: CAN YOU TELL ME HOW MANY COLUMNS ARE THERE WITH THE IMAGES OF BANK NOTES OR COINS AT THE TOP? **Let participants respond:** 5.

Explain: The table also has rows. Each row has an image showing one of the costs.

Ask: HOW MANY ROWS WITH IMAGES OF VARIOUS COSTS ARE THERE IN THE TABLE? **Answer:** 5.

Say: During the exercise, I’ll ask you to find cells (boxes) where to write down the information. For example, if we spend 1,000 on feed, we should:

- find the column with the image of a 1,000 bank note at the top
- find the row with the image representing the feed
- move down along the “1,000” column until we get to the “feed” row OR move along the “feed” row until we get to the “1,000” column.

Explain: We will use copies of bank notes again. I will tell you the facts from my pig-rearing business and I will ask you to take a record of every fact that I say. As I speak, I’ll be showing you the cash that I received or spent. I am going to tell you about my last month, week by week. Let’s start.

As participants fill in the table, go around the room and provide explanations as needed.

Encourage participants discuss any issues among themselves in the small groups as well as address questions to you.

I have 1 sow and 7 piglets 4 months old.

Week 1. I bought maize husks for 2,500. [*I display five bank notes 500 each.*] Please find the correct cell and put down as many strokes in it as the number of bank notes that I hold in my hand. [*I put the money aside in a pile.*]

Week 2. I bought tablets for all my pigs, paying 150 per tablet. (I usually buy tablets 4 times per year.) In the pharmacy, I paid 1,200. [*I display 3 bank notes: 1,000, and 100, and 100.*] Please find the correct cells and put down as many strokes in them as the number of bank notes that I hold in my hand. [*I put the money aside in the same pile.*]

Ask: What is the colour of the cells that you have used so far? **Expected answer:** Yellow. These expenses are directly linked to the number of pigs I rear.

Week 3. I sold 2 piglets, at 10,000 each. The buyer gave me this much money. [*I display 4 bank notes of 5,000.*] Please find the correct cell and put down as many strokes in it as the number of bank notes that I hold in my hand. [*I put the money aside in a separate pile.*]

Also, I spent money on the transportation of the 2 piglets to the market – I hired a small vehicle. The transport cost me 1,100. [*I display 2 bank notes: 100 and 1,000.*] Please find the correct cells and put down as many strokes in them as the number of bank notes that I hold in my hand.

Week 4. The time came to rebuild the shed (it usually lasts for 1 year). I spent 6,500 on buying the construction materials and paying for 1 labourer to assist me. [*I display 1 bank note of 500; 3 bank notes of 2,000.*] Please find the correct cells and put down as many strokes in them as the number of bank notes that I hold in my hand.

Ask: What is the colour of the cells that you have used for the shed and transport? **Expected answer:** Blue. These are bigger or less frequent expenses and they are for several pigs.

Confirm: HAS EVERYONE FILLED OUT HIS/HER TABLE?

Don’t check the results at this stage; any errors will be detected and corrected as participants compare their results to the Answer sheet; in the meantime, encourage participants who got correct results to explain to others how they arrived at the number of strokes in each cell.

Say: Now please add up the number of strokes in each cell and arrive at the total amount recorded in each cell.

Offer: You can use copies of bank notes to do the sums. **Distribute copies of bank notes, if asked.**

If participants have calculators (e.g. on their mobile phones), they can use those. For your own reference, use the Answer sheet available in the Handouts which form a part of this guide. Be available to answer any questions that may arise.

Distribute the answer sheet and say: Please examine the Answer sheet, find any discrepancies and discuss in your group. If you find any errors please correct them.

Say: Would you have any questions about this exercise? **Answer** any outstanding questions.

Collect the Answer sheet handout, but let the participants keep their individual worksheets.

8. 5 minutes – **Ask:** WHO CAN REMEMBER THE 5 RECORD-KEEPING RULES?

Let participants respond: “DECISIONS based on FULL CORRECT BUSINESS RECORDS help us make PROFIT”.

Explain: Next time, we’ll practice calculating profit again and discuss which decisions one has to make to improve the business; we will continue to use the same example with pig rearing.

Ask: PLEASE KEEP YOUR RECORD-KEEPING TABLES AND BRING THEM TO THE NEXT SESSION.

Summarise: Today we practiced record-keeping. This helps us calculate the profit and know how much cash should be in the cashbox at the end of the day or the month.

Ask: IF YOU DON’T HAVE A COLOUR RECORD-KEEPING TABLE, CAN YOU STILL KEEP RECORDS FOR YOUR BUSINESS?

Expected answer: yes, we just divide the page into three parts – **sales**, and **two types of costs** (*frequent production costs* and *larger/infrequent expenses*). We used different colours to help us remember about these three different groups of numbers. Once we remember the difference, there is no need to use colours any more. We can also draw pictures/symbols that represent various costs; perhaps even our children can help us with it.

9. 7 minutes – **Ask:** WHAT WILL YOU TAKE AWAY FROM THIS SESSION?

Some participants will say that they need to change their practice.

Ask these participants: WHAT ARE YOU GOING TO DO ABOUT IT? **Take notes.**

10. 3 minutes – **Ask:** DO YOU HAVE QUESTIONS ABOUT THE TOPIC OF TODAY’S DISCUSSION? **Address the questions.**

11. 2 minutes – **Summarise:** Record-keeping and calculating profit is important to a business. We need to be sure that we can recover the full costs of doing business and sell enough to make profit. Today we discussed the 5 rules of record-keeping and practiced the first four of them.

Say: At the next session will further discuss how to calculate profit and manage cash.

12. **Thank** everyone and **close the session.**

16. “Manage your cash wisely”

Purpose: practice calculating profit and making decisions about the use of cash

Topic: **Manage your cash wisely** – profit and cash for future expenses

Materials specific to this session: 4 sets of bank note copies [ten @ 5,000, ten @ 1,000, ten @ 500, and ten @ 100] ready to be distributed to the participants

Name tags should be given to participants as they arrive, before the start of the session

1. 5 minutes – **INTRODUCTION:** brief greetings, seating, purpose of the meeting, introductions (name and livelihood), and completing the register.

Confirm: Is everyone a participant of the Graduation Programme?

2. **Say:** The duration of the session will be about 1.5-2 hours plus a 10-minute break if needed.

-
3. 5 minutes – **RECAP OF THE PREVIOUS POINT(S) ON THE 17-POINT RULE BOOK**

Ask: WHAT WAS THE KEY MESSAGE DISCUSSED IN THE PREVIOUS TRAINING SESSION? – **Listen and acknowledge** the answers

WHY IS IT IMPORTANT? – **Listen** to 2-3 points **and acknowledge** the answers

COULD YOU PLEASE GIVE AN EXAMPLE FROM YOUR EXPERIENCE WHEN YOU CHANGED “X”? – **Refer** to the key message from the 17-point Rule Book

WHAT POSITIVE IMPACT DID THIS CHANGE HAVE ON YOUR BUSINESS? – **Listen** to 2 answers **and confirm** if they illustrate the point of the previous session

DID ANYONE EXPERIENCE ANY NEGATIVE IMPACT OF THE CHANGE IN HIS/HER BUSINESS? – **Listen** to 2 answers **and see what follow up may be required by CDA/case manager**

-
4. 10 minutes – **Explain:** Today we will be discussing more practices that help better manage a business. In this session, we’ll discuss:

- 1) Profit;
- 2) Managing cash.

Say: In the last session we discussed record-keeping.

Ask: HOW MANY OF YOU HAVE STARTED TAKING RECORDS? – Show your appreciation

Ask: HOW DID YOU FIND IT? – Collect 2-3 answers and acknowledge them

Ask: DO YOU HAVE ANY QUESTIONS? **Address the questions.**

-
5. 25 minutes – **Explain:** Now we’ll discuss profit. We will continue to use the pig rearing example.

Ask: IF I SOLD 2 PIGLETS FOR 10,000 TODAY, IS THIS MY PROFIT?

Listen to several answers **and explain:** This is not all my profit.

Ask: CAN I TAKE IT OUT FROM MY BUSINESS AND USE TO COVER FAMILY EXPENSES?

Let participants respond: No, until I know how much profit I made and how much cash I need to run my business.

Ask: WHAT IS “PROFIT”?

Let participants respond: Profit is the amount of money earned minus the amount of money spent in *a specific period of time*, for example a month or a year.

Explain: I will give you two examples:

- 1) You rear piglets and sell some piglets every 3 months. Your profit is the amount you got from the sale minus the full costs for the 3 months.
- 2) You rear one pig and did not sell it in 12 months, you gained no cash income, but had costs.
 - The pig may have gained value. But,
 - Firstly, you need to assess how much, if at all, value of the pig has increased
 - Secondly, deduct the full costs for 12 months
 - Lastly, you arrive at the amount of your profit or loss.
 - In any case, you have not received *cash* from this activity and need an additional source of cash to continue rearing the pig.

Say: We will now practice calculating profit again.

Split up the participants into four groups of 5 people sitting next to each other.

Give the participants sets of copies of bank notes: 10 @ 5,000, 10 @ 1,000, 10 @ 500, 10 @ 100.

Encourage the participants to work together and discuss each step of the exercise amongst them.

Say: I will tell you my sales and expenses for 3 months. As I speak, please add bank notes to one of two piles: Pile 1 is Sales, Pile 2 is Costs. When I finish my story, we’ll look at what profit I made.

Today, I sold two piglets and received 20,000.

Ask: WHAT PILE SHOULD THE 20,000 GO TO? **Answer:** Pile 1 “Sales”.

Since my last sale, it was 3 months ago, I spent money, according to my records:

Remind: We put these amounts in Pile 2

Expense	Amount	Available information
Feed	5,700	For 7 piglets over 3 months
Medicine	700	For 7 piglets over 3 months
Sow maintenance	3,100	Sow feed, medicine, insemination
Transport	-	Restaurant owner came to my place to buy piglets
Shed	-	I rebuild the shed every year but didn’t spend on it this time
New sow	-	I buy a new sow every 6 years but didn’t spend on it this time

Ask: HOW MUCH DID I SPEND IN THE LAST 3 MONTHS, SINCE MY PREVIOUS SALE?

Let participants respond: 9,500 (count the cash in Pile 2)

Ask: HOW MUCH PROFIT DID I MAKE IN THE LAST 3 MONTHS?

Let participants respond: 10,500; we arrived at the number by subtracting the amount in Pile 2 from the amount in Pile 1.

Ask: WHAT DO I NEED TO DO TO ARRIVE AT THE AMOUNT OF MONTHLY PROFIT?

Let participants respond: Divide the 10,500 3-month profit by 3. It comes to 3,500.

If participants struggle to give correct answers in this exercise, go through it again, so that all groups arrive at the correct answer. In this case, divide this session into two parts, with a 10-minute break before you continue with Step 6.

6. 15 minutes – **Explain:** Now we'll talk about managing your cash. In today's exercise, we have established that 10,500 is your profit for the last 3 months.

Ask: WHAT DO YOU DO WITH THE CASH? **Listen** to a few answers and acknowledge them.

Explain: We have a rule that we should keep business cashbox separate from our family purse. Before we take anything from the business cashbox we need to make sure that we have enough cash to continue our business.

Ask: HOW MUCH CASH SHOULD WE PUT ASIDE FOR OUR BUSINESS?

Let participants respond: We must have enough cash to cover our business costs until we make our next sale.

Explain: In our pig example, I said I sell piglets every three months. So, before I sell the next lot of piglets, I need to feed them and the sow, treat them, and transport piglets to the market.

Ask: IN OUR EXAMPLE, HOW MUCH SHOULD I PUT ASIDE FOR FUTURE EXPENSES?

Let participants respond: It is similar to what I spent on feed and medicine for both piglets and sow in the last 3 months. I have only 5 piglets now, but they eat more as they grow. It is 9,500.

Ask: HOW ABOUT TRANSPORT COSTS?

Let participants respond: If I plan to hire a vehicle to take piglets to the market, I must put cash aside for this. Let's assume that in this case, the restaurant owner will come again and I will have no expenses. Otherwise, add 1,000 to 9,500. In this case, my expected costs come to 10,500².

Summarise: In our example, we'll need to put aside 9,500 or 10,500 (if transportation is included).

Ask: How much I can take from my business for my family expenses?

Let participants respond: Either 1,000 or 0 depending on what I decide – to hire a vehicle or not.

Ask: But we said that my profit was 10,500. WHY CAN'T I TAKE OUT THIS FULL AMOUNT?

Let participants respond: I won't be able to continue my business, unless I take a loan somewhere.

² In other types of business, cash may be earned daily, e.g. if one is a market vendor; or yearly, e.g. if one grows and sells annual crops.

7. 10 minutes – **Ask:** WHAT WOULD YOU RECOMMEND ME – DO I NEED TO CHANGE ANYTHING IN MY BUSINESS?

Listen to the recommendations. These recommendations may include:

- keep up the relationship with the restaurant owner, this helps reduce transport costs;
- see if you can sell your piglets at a higher price (still without adding transport costs);
- look into ways for your sow to produce bigger litters (however, the feed might cost you more);
- consider growing your own sow rather than buying a new one after 6 years;
- consider constructing a shed that lasts longer than 1 year – you could save on that.

8. 10 minutes – **Conclude:** At the last session we discussed five rules. Let’s remember these rules and see how many we have gone through in detail so far.

Ask: Could you please recite the rules in one sentence?

“DECISIONS based on FULL CORRECT BUSINESS RECORDS help us make PROFIT”.

Ask: HAVE DEALT WITH ALL OF THEM?

Let participants respond: We have discussed how to keep full records, check for errors, calculate profit and see how we can improve profit. We also emphasised that business cashbox should be kept separate from our private/family cash.

Explain: This may seem hard to take it all in a short time. We will make sure that your case workers help you to get used to record-keeping, calculating profit, how much money you need to put aside for expenses, and how much money you can take out for your business to support your family.

13. 7 minutes – **Ask:** WHAT WILL YOU TAKE AWAY FROM THIS SESSION?

Some participants will say that they need to change their practice.

Ask these participants: WHAT ARE YOU GOING TO DO ABOUT IT? **Take notes.**

14. 3 minutes – **Ask:** DO YOU HAVE QUESTIONS ABOUT THE TOPIC OF TODAY’S DISCUSSION? **Address the questions.**

15. 2 minutes – **Summarise:** Understanding how much profit you make and managing your cash is important to your business. Today we discussed how to decide on the amount that you can take out of your business to support your family.

Say: at the next session we’ll discuss various options for you to finance your business, and the costs involved.

16. **Thank everyone and close the session.**

17. "Select the best way to finance your business"

Purpose: explain the main financing options and costs involved in each of them

Topic: **Select the best way to finance your business** – understand pros and cons of financing options and costs involved

Materials specific to this session: colour copies of Figures 3 and 4 "Sources of Finance" and "Cost of Borrowing"; 4 sets of copies of bank notes [ten @ 5,000, ten @ 1,000; ten @ 500; five @ 100]

Name tags should be given to participants as they arrive, before the start of the session

1. 5 minutes – **INTRODUCTION:** brief greetings, seating, purpose of the meeting, introductions (name and livelihood), and completing the register.

Confirm: Is everyone a participant of the Graduation Programme?

2. **Say:** The duration of the session will be about 60 minutes.

-
3. 5 minutes – **RECAP OF THE PREVIOUS POINT(S) ON THE 17-POINT RULE BOOK**

Ask: WHAT WAS THE KEY MESSAGE DISCUSSED IN THE PREVIOUS TRAINING SESSION? – **Listen and acknowledge** the answers

WHY IS IT IMPORTANT? – **Listen** to 2-3 points **and acknowledge** the answers

COULD YOU PLEASE GIVE AN EXAMPLE FROM YOUR EXPERIENCE WHEN YOU CHANGED "X"? – **Refer** to the key message from the 17-point Rule Book

WHAT POSITIVE IMPACT DID THIS CHANGE HAVE ON YOUR BUSINESS? – **Listen** to 2 answers **and confirm** if they illustrate the point of the previous session

DID ANYONE EXPERIENCE ANY NEGATIVE IMPACT OF THE CHANGE IN HIS/HER BUSINESS? – **Listen** to 2 answers **and see what follow up may be required by CDA/case manager**

-
4. 10 minutes – **Say:** In the last session we discussed profit, how much cash to put aside for future expenses, and how much you can take out of your business.

Ask: HOW MANY OF YOU STARTED CALCULATING PROFIT AND CASH TO BE PUT ASIDE FOR FUTURE EXPENSES? – Collect 2-3 answers and show appreciation

HOW DID YOU FIND IT? – Listen to 3-4 answers and acknowledge them

DO YOU HAVE ANY QUESTIONS? **Address the questions.**

-
5. 20 minutes – **Explain:** Today we will be discussing more issues that help better manage a business: what options exist to finance your business and the costs involved in external financing.

Say: First let's talk about different sources of finance for your business. If you don't put money aside for future expenses, you may need to take a loan, which you must pay back later.

Ask: WHERE FROM CAN YOU TAKE A LOAN?


Let participants respond: Neighbours, savings group, SACCO, microfinance institution.





Display Figure 5 and say: Let's have a closer look at the options to finance your business.

Say: In the picture, you can see people sitting in a circle under a tree. **Ask:** WHAT SOURCE OF FINANCING IS IT? **Let participants respond:** tontine

Ask: WHAT DO OTHER PICTURES REPRESENT? **Let participants respond:** a SACCO/microfinance institution, a cooperative, a grant from the government or a non-governmental organisation.

Figure 3. Sources of finance



Tontine	You gain	You pay
	↑loan ↑social capital ↑tontine share-out	↓weekly contributions ↓repayment with interest ↓time ↓collateral ↓opportunity cost
Debt – Microfinance Institution		
	↑loan ↑proud of being a SACCO member/microfinance institution client	↓repayment with interest ↓time ↓transport costs ↓collateral
Equity – Cooperative		
	↑better selling price	→member shares →yearly contributions
Grants and subsidies – Government, NGO		
	↑grant/subsidy	→time

Explain: Every time you get money from any source, there is a cost to it. Money is not free! You may be paying

- cash
 - interest payment to SACCO/microfinance institution
 - transport to reach their office
- time
 - attending meetings
 - on the road.

We'll go through the picture now. The green column (in the middle) demonstrates what you *gain* from each source of funding. The red column (on the right) shows what you give up in various ways.

Ask: AS A MEMBER OF A TONTINE (SAVINGS GROUP), WHAT DO YOU GAIN?

Let participants respond:

- a loan
- a good relationship with other members (social capital)
- a lump sum at share-out.

Ask: AS A MEMBER OF A TONTINE, WHAT DO YOU GIVE AWAY?

Let participants respond:

- interest payment,
- weekly contributions (share purchase),
- time which could be spent working and making money (“opportunity cost”).

Ask: AS A CLIENT OF A MICROFINANCE INSTITUTION, WHAT DO YOU GAIN?

Let participants respond: a loan.

Ask: As a client of a microfinance institution, what do you give away?

Let participants respond:

- interest payment
- insurance payment
- administrative/consulting fee payment
- penalties on delayed payments
- yearly contributions, share purchase, and account management fee (in case of SACCO)
- time
- transport costs
- possibly, your house or land (as collateral).

Ask: As a member of a cooperative, what do you gain?

Let participants respond:

- a better selling price
- dividend
- possibly a loan.

Ask: AS A MEMBER OF A COOPERATIVE, WHAT DO YOU GIVE AWAY?

Let participants respond:

- cash as you buy shares and make yearly contributions
- time to attend the meetings, cultivate, and do other work.

Ask: AS A RECIPIENT OF A GRANT OR SUBSIDY, WHAT DO YOU GAIN?

Let participants respond: cash or an in-kind transfer, e.g. a goat or pig; full profit remains with the recipient

Ask: AS A RECIPIENT OF A GRANT OR SUBSIDY, WHAT DO YOU GIVE AWAY?

Let participants respond:

- usually, quite a lot of time in the queue
- time in meetings
- time in trainings
- time in surveys.

Conclude: Whichever option you use, there are costs involved.

6. 15 minutes – **Explain:** We will now talk about the cost of loans so that you can make an informed decision whether taking a loan is a good idea for you.

Display Figure 5 “Cost of Borrowing” and explain: This is an example of a loan of 100, for simplicity. The loan is available from a microfinance institution. The credit officer tells you that

- the interest rate is 18% flat rate,
- you must pay 1% administrative fee
- you must pay 10 francs for insurance
- you must deposit 20 as cash collateral. You will get the 20 back once you fully repay the loan.

In the picture, in the left column, you can see 100 bananas – as if you borrowed them.

In the right-hand column you can see all the costs represented as coloured bananas:

- 18 for your interest payment
- 1 for your administrative fee payment
- 10 for your insurance payment.

Remember that in addition, you have deposited 20 in your account as cash collateral.

Figure 4. Cost of borrowing

Ask: CAN YOU CIRCLE ON THE PICTURE HOW MANY BANANAS YOU CAN USE? **Let participants respond:** 69.

Ask: CAN YOU CIRCLE ON THE PICTURE HOW MANY BANANAS YOU PAY FOR THE LOAN? **Let participants respond:** 29.

Loan 100	You pay
	Interest 18 (18%)
	Admin fee 1 (1%)
	Insurance 10
You use 69	You pay 29
You pay and get back 20	

Ask: WHAT IS THE ADDITIONAL PROFIT YOU NEED TO MAKE ON THE 69 BANANAS, SO THAT YOU AT LEAST DON'T LOSE ANY MONEY. **Let participants respond:** 29.

7. **Explain:** Let's now go back to our pig-rearing example. Let's say you want to take a loan of 10,000 to finance your business expenses for 12 months.

Say: I'll now tell you the costs involved in the loan. Please take copies of bank notes and use them to add up all the costs. The costs are: 1,800 of interest, 100 administrative fee, 100 insurance.

Ask: USING BANK NOTE COPIES, COULD YOU PLEASE TELL ME HOW MUCH DOES THIS COME TO?

Let participants respond: 2,000

Ask: USING BANK NOTE COPIES, COULD YOU PLEASE TELL ME HOW MUCH CASH WOULD YOU GET, IF YOU MUST DEPOSIT 2,000 AS CASH COLLATERAL?

Let participants respond: 7,800.

Confirm: you use 7,800, you pay 2,000 in 12 months.

Ask: How much will you be able to use of the microfinance institution charges the interest up-front?

Let participants respond: 6,000.

Ask: IF YOU MAKE 10,500 EVERY 3 MONTHS, HOW MUCH PROFIT WILL YOU MAKE IN 12 MONTHS? [*Use bank notes to demonstrate*] **Let participants respond:** 31,500.

Ask: WHAT DO YOU NEED TO CONSIDER BEFORE YOU BORROW ANY MONEY?

Let participants respond:

- Is the loan affordable:
 - Is the profit enough to bear an additional cost, without falling into a loss
- Are you able to generate enough cash, to make the payments on time, to avoid penalties
- Does the extra capital help make more money.

Ask: IF I DON'T SELL A PIG IN 12 MONTHS, AND ONLY SPEND MONEY ON IT – DOES IT MAKE SENSE FOR ME TO BORROW?

Let participants respond: no, because I will have no *cash* to repay either interest or the loan.

Summarise: Today we looked at various financing options and the costs involved. Collect information about the full costs, and make an informed decision if a loan is a good idea for you.

8. 7 minutes – **Ask:** WHAT WILL YOU TAKE AWAY FROM THIS SESSION?

Some participants will say that they need to change their practice.

Ask these participants: WHAT ARE YOU GOING TO DO ABOUT IT? **Take notes.**

9. 3 minutes – **Ask:** DO YOU HAVE QUESTIONS ABOUT THE TOPIC OF TODAY'S DISCUSSION? **Address the questions.**

10. 2 minutes – **Summarise:** This concludes our Finance session. The purpose of these sessions was to introduce important concepts and practices that every business person should be using. We will continue to support you while you get used to keep records, calculate costs and profit, manage you cash and take loans.

11. **Thank** everyone and **close the session**

Figure 1 and 2. Full costs



Figure 3. Ways of tracking sales and costs



Record Book

Week #	1	
Crops	Eaten ☞	Sold \$ ☞
Cabbage		
Carrot		
Tomato		
Chayote		
<u>Epinard</u> (heap)		



	2500	500	
	2000		4000
	4000	4000	8000
	5000		5000
Total	15500	4500	19000
Grand total	39000		

Figure 4. Sources of finance



Tontine	You gain	You pay
	↑ loan ↑ social capital ↑ tontine share-out	↓ weekly contributions ↓ repayment with interest ↓ time ↓ collateral ↓ opportunity cost
Debt – Microfinance Institution		
	↑ loan ↑ proud of being a SACCO member/microfinance institution client	↓ repayment with interest ↓ time ↓ transport costs ↓ collateral
Equity – Cooperative		
	↑ better selling price	→ member shares → yearly contributions
Grants and subsidies – Government, NGO		
	↑ grant/subsidy	→ time

Figure 5. Cost of borrowing

Loan 100	You pay
	<p>Interest 18 (18%)</p>
	<p>Admin fee 1 (1%)</p>
	<p>Insurance 10</p>
<p>You use 69 </p>	<p>You pay 29 , , </p>
<p>You pay and get back 20 </p>	

500 NATIONAL BANK OF RWANDA 500

THIS NOTE IS LEGAL TENDER

500



500 FIVE HUNDRED FRANCS

500

500 NATIONAL BANK OF RWANDA 500

THIS NOTE IS LEGAL TENDER

500



500 FIVE HUNDRED FRANCS

500

500 NATIONAL BANK OF RWANDA 500

THIS NOTE IS LEGAL TENDER

500



500 FIVE HUNDRED FRANCS

500

500 NATIONAL BANK OF RWANDA 500

THIS NOTE IS LEGAL TENDER

500



500 FIVE HUNDRED FRANCS

500

500 NATIONAL BANK OF RWANDA 500

THIS NOTE IS LEGAL TENDER

500



500 FIVE HUNDRED FRANCS

500

500 NATIONAL BANK OF RWANDA 500

THIS NOTE IS LEGAL TENDER

500



500 FIVE HUNDRED FRANCS

500

500 NATIONAL BANK OF RWANDA 500

THIS NOTE IS LEGAL TENDER

500



500 FIVE HUNDRED FRANCS

500

500 NATIONAL BANK OF RWANDA 500

THIS NOTE IS LEGAL TENDER

500



500 FIVE HUNDRED FRANCS

500

500 NATIONAL BANK OF RWANDA 500

THIS NOTE IS LEGAL TENDER

500



500 FIVE HUNDRED FRANCS

500

500 NATIONAL BANK OF RWANDA 500

THIS NOTE IS LEGAL TENDER

500



500 FIVE HUNDRED FRANCS

500

500 NATIONAL BANK OF RWANDA 500

THIS NOTE IS LEGAL TENDER

500



500 FIVE HUNDRED FRANCS

500

500 NATIONAL BANK OF RWANDA 500

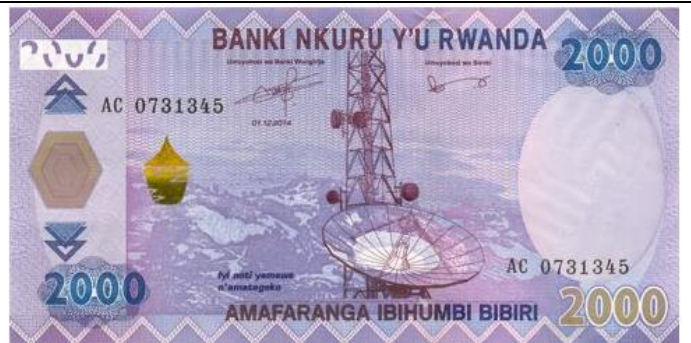
THIS NOTE IS LEGAL TENDER

500



500 FIVE HUNDRED FRANCS

500



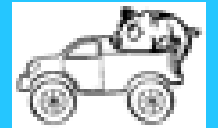
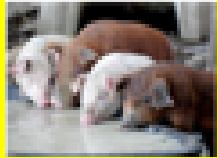


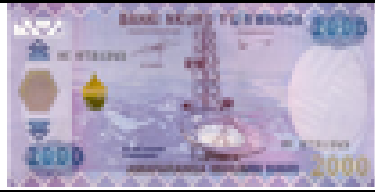


SALES



COSTS






TOTAL

Handout. Record-Keeping Worksheet

						TOTAL
SALES						
						
COSTS						
						
						
						
						
						

Handout. Record-Keeping - ANSWERS

						TOTAL
SALES						
					//// 20,000	20,000
COSTS						
		//// 2,500				2,500
						
	// 200		/ 1,000			1,200
		/ 500		/// 6,000		6,500
	/ 100		/ 1,000			1,100
						8,700

Can be used for Session 14

